

Sample Question Paper 03

ECONOMICS 12

Time : 3 Hrs.

Max. Marks : 80

General Instructions

1. This question paper contains two sections
Section A - Introductory Macroeconomics
Section B - Indian Economic Development
2. This paper contains 20 Multiple Choice Questions of 1 Mark each.
3. This paper contains 4 Short Answer Questions of 3 Marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions of 4 Marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions of 6 Marks each to be answered in 100 to 150 words.

Section A Introductory Macroeconomics

1. India's M_1 measure of money supply as of May 2025 was reported at 69,785.59 INR Billion. According to CEIC Data, in February 2025, the M_1 money supply was 724.128 USD Billion, reflecting the same rising trend when converted to dollars using end-period market exchange rates.

Source <https://www.ceicdata.com/en/indicator/india/money-supply-m1>

In reference to above statement, the M_1 measure of money supply includes two components of.....and (1)

- (a) other deposits by RBI and currency held by public in form of notes and coins
- (b) savings deposits with post office saving bank and other deposits held by RBI
- (c) net time deposits of commercial banks and currency held by public in form of notes and coins
- (d) savings deposits with post office saving bank and net time deposits of commercial banks

2. **Assertion (A)** Expenditure by the tourists is included in the balance of trade.

Reason (R) Current account records all payments to the rest of the world as debit. (1)

Alternatives

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

3. is equal to the difference between 'AD beyond full employment' and 'AD at full employment'. (1)

- (a) Recession
- (b) Deflationary gap
- (c) Inflationary gap
- (d) None of the above

4. **Statement I** Profits received from investments abroad is recorded in the capital account.

Statement II Import of machines is recorded in the current account. (1)

Alternatives

- (a) Statement I is true and Statement II is false
- (b) Statement I is false and Statement II is true
- (c) Both the statements are true
- (d) Both the statements are false

Stage II : Proficiency Level

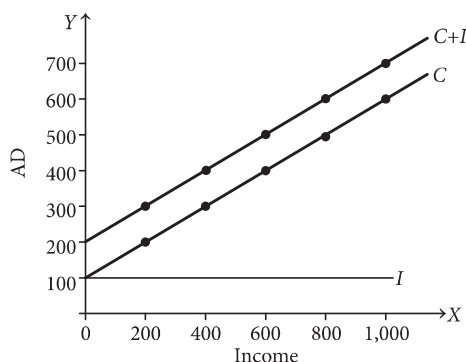
5. **Statement I** Transfer payments are included in the calculation of national income because they are made by the government.

Statement II Transfer payments do not reflect any contribution to the current flow of goods and services in the economy.

(1)

- (a) Statement I is true and Statement II is false (b) Statement I is false and Statement II is true
(c) Both the statements are true (d) Both the statements are false

6. Using the diagram, calculate the value of aggregate demand at the income level of ₹ 600. (1)



- (a) 900 (b) 700 (c) 500 (d) 400

7. "High powered money is the total liability of the monetary authority of the country and forms the base for credit creation in the economy."

Which of the following best explains what constitutes high powered money in India? (1)

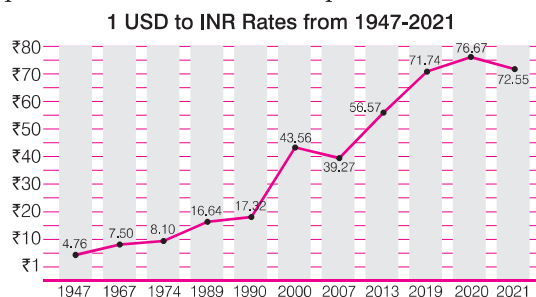
- (a) Currency held by the public and demand deposits with commercial banks
(b) Cash reserves of commercial banks and demand deposits with the RBI
(c) Demand deposits of the public and term deposits with commercial banks
(d) Currency in circulation and cash reserves of commercial banks with the RBI

8. Assume a hypothetical consumption function in an economy $C = 100 + 0.8Y$

In the context of the above, choose the incorrect alternative. (1)

- (a) Consumption which is dependent of income is ₹ 100
(b) It indicates 20% of additional income is saved
(c) Saving curve will start from (-) 100
(d) It indicates 80% of additional income is spent on consumption

9. Based on the image showing the exchange rate trend of the Indian Rupee against the US Dollar, what can be concluded about the depreciation of the Indian Rupee? (1)



- (a) The Indian Rupee has appreciated against the US Dollar over the last year.
(b) The Indian Rupee has depreciated against the US Dollar over the last year.
(c) The exchange rate has remained stable over the last year.
(d) The exchange rate trend shows that the Indian Rupee has fluctuated unpredictably with no clear trend.

10. Non-tax revenue receipts of the government include income from (1)

- (a) sale of capital assets like land and buildings
- (b) collection of income tax from individuals and firms
- (c) borrowings from domestic and external sources
- (d) interest on loans given and dividends from public sector enterprises

11. Calculate 'Gross National Product at Factor Cost' (GNP_{FC}) from the following data by expenditure method (3)

| Items | ₹ (in crores) |
|--|---------------|
| Private final consumption expenditure | 1,000 |
| Net domestic capital formation | 200 |
| Profits | 400 |
| Compensation of employees | 800 |
| Rent | 250 |
| Government final consumption expenditure | 500 |
| Consumption of fixed capital | 60 |
| Interest | 150 |
| Net current transfers from rest of the world | (-) 80 |
| Net factor income from abroad | (-) 10 |
| Net exports | (-) 20 |
| Net indirect taxes | 80 |

Or "In the estimation of national income, market prices often include components that do not reflect the actual income earned by factors of production."

Based on the above statement, explain why subsidies are added and indirect taxes are deducted from Domestic Product at Market Price to arrive at Domestic Product at Factor Cost.

12. "It records transactions relating to visible and invisible items between a country and the rest of the world." Identify the account being highlighted in the given statement and state any two components of the same. (3)

13. (i) From the following data about an economy, calculate its equilibrium level of income (3)

- (a) Marginal Propensity to Consume = 0.5
- (b) Autonomous Consumption = 300
- (c) Investment = 6,000

(ii) What will be the effect on inventories of firms if planned savings exceed planned investment? (1)

14. During an economic slowdown, a factory owner had to reduce production due to falling sales. As a result, several workers lost their jobs even though they were willing and able to work at the prevailing wage rate. One of them said, "Even though I am skilled and ready to work, there are no jobs for me right now."

Do you think this situation reflects involuntary unemployment? Explain the meaning of involuntary unemployment and discuss how it is related to deficient demand in an economy. (4)

15. As per the following news published in The Economic Times on 26th December, 2021 "Reserve Bank of India has sold government securities worth ₹ 8,710 crore in the secondary market, over the last four weeks, to drain out excessive liquidity."

Identify the likely cause and the consequences behind this type of action plan of the Reserve Bank. (4)

Or Rina, a college student, noticed that her father uses money not only to buy groceries and pay for services but also to save in fixed deposits and invest in mutual funds. She wonders how a simple object like money plays so many roles in an economy.

(a) Do you agree with the view that money serves both transactional and non-transactional purposes in an economy? (1)

(b) In the light of this statement, explain one primary function and one secondary function of money. (3)

16. A large oil refinery located in a coastal city has been a major contributor to the local economy for years. It provides employment to thousands, contributes significantly to the Gross Domestic Product (GDP) through its production activities and generates substantial revenue for the government through taxes and duties. However, it has also been criticised for its environmental impact, particularly due to water pollution caused by its operations. The management argues that the refinery's contribution to GDP demonstrates its role in economic welfare, despite the pollution concerns.

(i) "The management of the oil refinery claims that its contribution to GDP reflects its welfare impact on the economy." Defend or refute this argument with respect to GDP as a welfare measure of the economy. (3)

(ii) Giving reason, explain the treatment assigned to the following while estimating national income

(a) Interest paid by banks on deposits by individuals (b) National debt interest (3)

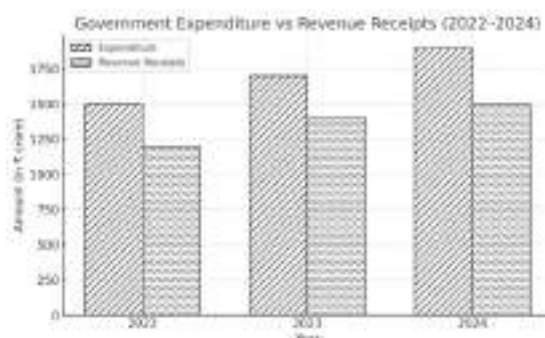
17. (i) From the following data about a government budget, find out the following

(a) Revenue deficit (b) Primary deficit (3)

| S.No. | Items | ₹ (in arab) |
|-------|----------------------|-------------|
| (i) | Tax revenue | 47 |
| (ii) | Capital receipts | 34 |
| (iii) | Non-tax revenue | 10 |
| (iv) | Borrowings | 32 |
| (v) | Revenue expenditures | 80 |
| (vi) | Interest payments | 20 |

(ii) State any three non-tax revenue/ receipts received by the government. (3)

Or (i) Observe the following image and answer the following question:



What type of budget deficit is depicted in the image? State and explain any two implications of this trend for the economy.

(ii) Distinguish between primary and revenue deficit.

Section B Indian Economic Development

18. Observe the image given below and identify the type of economic structure. (1)



(a) Socialism

(b) Capitalism

(c) Mixed economy

(d) None of these

19. The process by which more and more workers, even in the organised sector, are being employed without job security or social benefits is called (1)

- (a) formalisation (b) skill mismatch (c) informalisation (d) disguised employment

20. Which of the following statements is correct? (1)

- (a) China's population growth rate declined in the late 1970s due to an increase in the proportion of elderly people.
 (b) The proportion of elderly people increased in the late 1970s due to declining population growth.
 (c) Family planning programmes had no effect on China's population growth rate in the late 1970s.
 (d) China's population growth rate declined in the late 1970s due to stringent family planning programmes.

21. Pollution occurs when the capacity of the environment is exceeded due to human activity. (1)

- (a) economic (b) regenerative (c) assimilative (d) productive

22. Dual pricing refers to the practice of setting different prices for the same product or service based on (1)

- (a) geographic location (b) consumer age (c) product quality (d) time of purchase

23. Which sectors have faced some adverse impacts of NEP? (1)

- (i) Agricultural sector (ii) Industrial sector
 (iii) Service sector

Codes

- (a) (i) and (ii) (b) (ii) and (iii) (c) (i) and (iii) (d) Only (i)

24. Statement I Proportion of people below poverty line is more in India with respect to Pakistan.

Statement II Maternal Mortality Rate (MMR) is high in Pakistan with respect to China. (1)

Alternatives

- (a) Statement I is true and Statement II is false (b) Statement I is false and Statement II is true
 (c) Both the statements are true (d) Both the statements are false

25. includes quantitative aspects of per capita, GDP and the quality aspects of performance in health and education. (1)

- (a) HD (b) GDI (c) HDI (d) None of these

26. Match the year with major policy initiatives in education in India (1)

| Column I | | Column II | |
|----------|-------|--|--|
| A. 1950 | (i) | Universalisation of elementary education (SSA) | |
| B. 1968 | (ii) | First National Policy on Education | |
| C. 1986 | (iii) | Revised National Policy on Education | |
| D. 2000 | (iv) | Focus on higher education post-Independence | |

| | | | | | | | |
|----------|------|-------|-------|-----------|-------|------|------|
| A | B | C | D | A | B | C | D |
| (a) (iv) | (ii) | (iii) | (i) | (b) (i) | (iii) | (ii) | (iv) |
| (c) (ii) | (iv) | (i) | (iii) | (d) (iii) | (i) | (iv) | (ii) |

27. Assertion (A) During 1980's, economic growth rate of Pakistan was more than that of India.

Reason (R) India announced its first five year plan in 1953. (1)

Alternatives

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

28. Compare and analyse the following information related to imports and exports of the three neighbouring nations. (3)

| Country | Exports from India (in ₹ crore) | | | Imports to India (in ₹ crore) | | |
|----------|---------------------------------|----------|---------------------------|-------------------------------|----------|---------------------------|
| | 2004-05 | 2018-19 | Annual rate of growth (%) | 2004-05 | 2018-19 | Annual rate of growth (%) |
| Pakistan | 2,341 | 14,426 | 3.7 | 427 | 3,476 | 5.1 |
| China | 25,232 | 1,17,289 | 2.6 | 31,892 | 4,92,079 | 10.3 |

29. Defend or refute the statement with valid explanation.

“There are more number of regular salaried employees found in urban areas than in rural areas.” (3)

Or “School dropouts are giving way to child labour.” Discuss how this is a loss of human capital?

30. Observe the given image carefully. How do the activities shown in the image reflect the role of non-farm activities in promoting rural diversification? Explain with examples from the image. (4)



31. “The state of Indian industries on the eve of independence was dismal.”

Do you agree with this statement? Give four valid reasons in support of your answer. (4)

Or “Railways and Indian economic development: Railways were the most important infrastructure development in India from 1850 to 1947. In terms of the economy, railways played a major role in integrating markets and increasing trade. In terms of politics, railways shaped the finances of the colonial government and the Princely States. At the same time, Indian political institutions influenced railway ownership and policy, which in turn influenced railway performance.”- Source: London School of Economics (LSE) Blog, 2013

Source <https://blogs.lse.ac.uk/southasia/2013/04/29/railways-and-indian-economic-development/>

Read the source given and answer the following questions

- State two positive contributions of railways to the Indian economy during the colonial period. (2)
 - How did railways influence the finances of the colonial government? (1)
 - Give one example of how railway policy served colonial economic interests. (1)
32. “India’s inward-looking trade policy during 1950–1990 protected domestic industries but limited overall economic growth.”
- Evaluate this statement with reference to India’s import substitution strategy. (4)
33. (i) “Kudumbashree is a women- oriented community based poverty reduction programme being implemented in Kerala.”
- It is an example of which form of institutional credit? Also explain briefly this form of rural credit. (3)

- (ii) According to a news headline “Budget 2023-24: Experts welcome increased allocation for health sector.”

Government in this budget has increased its allocation of funds in health sector.

Discuss the importance of such allocation in relation to human capital formation. (3)

- Or (i) Extracted from NABARD Occasional Paper No. 38 on Organic Farming in India

The modern system of farming, it is increasingly felt, is becoming unsustainable as evidenced by declining crop productivities, damage to environment, chemical contaminations, etc. The necessity of having an alternative agriculture method which can function in a friendly eco-system while sustaining and increasing the crop productivity is realised now. Organic farming is recognised as the best known alternative to the conventional agriculture. The progress of organic agriculture in India is very slow. We are able to convert only 41,000 ha of area so far, which is a mere 0.03 per cent of the cultivated area.

Source <https://www.nabard.org/demo/auth/writereaddata/File/OC%2038.pdf>

Despite being recognised as a sustainable alternative to conventional farming, organic farming covers only a small fraction of cultivated land in India. Based on the source and your understanding of economics, explain any three challenges faced by farmers during the initial years of adopting organic farming.

- (ii) “In recent times, the Indian economy has experienced the problem of casualisation of the workforce. This problem has only been aggravated by the outbreak of COVID-19.”

Do you agree with the given statement? Discuss any two disadvantages of casualisation of the workforce in the light of the above statement.

- 34.** Read the following text carefully and answer the given questions on the basis of the same and common understanding.

One of the most compelling reasons for studying environmental science and management is the fact that, in the view of many leading authorities, we are now experiencing an environmental crisis, indeed, many authors have claimed that the present environmental crisis is unprecedented in its magnitude, pace and severity (Park 2001).

Awareness of this environmental crisis has grown since the 1970s, partly as a result of the prominence given to major so-called ‘environmental’ disasters such as the Sahelian droughts of the 1970s and 1980s and the nuclear accident at Chernobyl in 1986.

A major assessment of the global environment published in 1999, the UNEP Global Environment Outlook 2000 Report (UNEP 1999), drew attention to two critical, recurring themes

- The fact that the global human ecosystem is threatened by grave imbalances in productivity and in the distribution of goods and services as evidenced by the fact that a large proportion of the human population lives in poverty and that a widening gap exists between those who benefit from economic and technological development and those who do not.
- The fact that accelerating changes are occurring at the global scale, with rates of economic and social development outstripping progress in achieving internationally coordinated environmental stewardship with the result that improvements in environmental protection due to new technologies are being ‘cancelled out’ by the magnitude and pace of human population growth and economic development.

Consequently, a wide range of environmental problems has emerged, those problems include anthropogenic climate change (‘global warming’), the depletion of stratospheric ozone (the ‘ozone hole’), the acidification of surface waters (‘acid rain’), the destruction of tropical forests, the depletion and extinction of species and the precipitous decline of biodiversity.

Yet, while all of these problems have physical (environmental) manifestations, their causes – and their potential solutions – are invariably bound up with human attitudes, beliefs, values, needs, desires, expectations and behaviours.

Thus, the symptoms of the environmental crisis cannot be regarded purely as physical problems requiring solutions by environmental ‘specialists’, instead, they are intrinsically human problems and they are intimately related to the question of what it means to be human.

Source https://www.soas.ac.uk/cedep-demos/000_P500_ESM_K3736-Demo/unit1/page_11.htm

- (i) List any two major environmental problems mentioned in the passage and explain how they are interconnected with human development activities. (2)
- (ii) There exists a positive correlation between environmental sustainability and economics development. Give suitable reason in support of your answer. (2)
- (iii) Opportunity costs of negative environmental impact are high." Comment. (2)

Answers

1. (a) other deposits by RBI and currency held by public in form of notes and coins
2. (d) Balance of trade is the difference between a country's exports and imports of visible items. So, expenditure by tourists is included in the current account, specifically under the category of services, rather than the balance of trade.
3. (c) Inflationary gap
4. (b) Profit received from investments abroad affect neither the assets nor the liabilities of a country or its residents. Therefore, it is recorded in current account.
5. (b) Statement I is false and Statement II is true
Statement I is false Transfer payments are excluded from national income. They are not made in exchange for goods or services produced in the current year.
6. (c) 500
7. (d) Currency in circulation and cash reserves of commercial banks with the RBI
8. (a) Consumption which is dependent of income is ₹ 100
9. (b) The Indian Rupee has depreciated against the US Dollar over the last year.
10. (d) Interest on loans given and dividends from public sector enterprises

11. Expenditure Method

Gross Domestic Product at Market Price (GDP_{MP})
 = Private Final Consumption Expenditure
 + Government Final Consumption Expenditure
 + Gross Domestic Capital Formation + Net Exports
 = $1,000 + 500 + (200 + 60) + (-20)$
 = $1,000 + 500 + 260 - 20 = ₹ 1,740$ crore
 Gross National Product at Factor Cost (GNP_{FC})
 = $GDP_{MP} - \text{Net Indirect Taxes} + \text{Net Factor Income from Abroad (NFIA)}$
 = $1,740 - 80 + (-10) = 1,740 - 90$
 = ₹ 1,650 crore

Or Indirect taxes are included in the market price of goods but are not part of factor income. Therefore,

they must be deducted to calculate domestic product at factor cost.

Subsidies, on the other hand, are transfers from the government to producers that lower the market price but are part of factor income. So, they are added back to arrive at factor cost.

Thus,

Domestic Product at Factor Cost = Domestic Product at Market Price – Indirect Taxes + Subsidies

12. Current account is highlighted in the given statement. Components of current account are
 - (i) **Export and Import of Services** This includes export and import of services, like banking, insurance, shipping, software services, etc. Payment for the import of intangible items or services is recorded on the debit side and receipt from exports services is recorded on the credit side of the balance of payment account.
 - (ii) **Export and Import of Goods** It includes export and import of all types of tangible goods. e.g. Machinery, equipment, tools, etc. Payment for the import of visible items or goods is recorded on the debit side and receipt from exports of visible items is recorded on the credit side of the balance of payment account.
13. (i) $MPC = 0.5$
 $C' = 300$
 $I = 6,000$
 $C = C' + MPC \times Y$
 equilibrium condition $Y = C + I$
 $C = C' + MPC \times Y$
 $C = \$300 + 0.5 \times Y$
 $Y = C + I$
 $Y = (\$300 + 0.5 \times Y) + \$6,000$
 $Y = \$6,300 + 0.5 \times Y$
 $0.5 \times Y = \$6300$
 $Y = \$12,600$
 The equilibrium level of income is \$ 12600.
- (ii) Inventories will rise, as aggregate demand is less than aggregate supply. This signals firms to reduce production.

14. Yes, the situation reflects involuntary unemployment, which occurs when people are willing and able to work at the prevailing wage rate but cannot find jobs.

This usually happens due to deficient demand, where aggregate demand is less than the full employment level of output. In other words, there is lack of sufficient aggregate demand in the economy. As a result, firms reduce production, leading to job losses even though workers are available.

In the given case, the laid-off skilled workers are examples of involuntary unemployment due to deficient demand, showing the economy is operating below full employment.

15. The given instance where, Reserve Bank of India has sold government securities in the secondary market, indicates towards inflation as a possible cause behind the action taken by RBI.

By selling-off the government securities, RBI withdraws money from circulation and thereby reducing the lending capacity of the commercial banks.

In this process, the economy will experience contraction of credit, leading to reduction in consumption and investment demand. Consequently, the inflationary pressure in the economy will get eased out.

- Or (a) Yes, I agree with the view that money serves both transactional and non-transactional purposes in an economy.
- (b) In a modern economy, money performs multiple functions. These are broadly classified into primary functions (essential for transactions) and secondary functions (supporting the overall economic system).
- **Primary Function—Medium of Exchange**
Money facilitates the exchange of goods and services. It eliminates the need for a double coincidence of wants, which was a major limitation of the barter system. For example, Rina's father uses money to buy groceries and pay for services — this reflects its role as a medium of exchange.
 - **Secondary Function – Store of Value** Money can be stored and used in the future without losing its value. This enables people to save and invest, as Rina's father does through fixed deposits and mutual funds. It reflects money's role in enabling individuals to transfer purchasing power across time.
- Thus, money is a versatile tool that serves both transactional (exchange-related) and non-transactional (saving/investment) purposes in an economy.

16. (i) While the refinery's contribution to GDP indicates economic activity and value addition,

GDP alone does not account for the negative externalities such as environmental pollution. GDP measures the total value of goods and services produced, but it does not consider the environmental degradation or the health impacts on the community. Thus, while the refinery boosts GDP, it does not necessarily reflect the overall welfare of the economy if the social and environmental costs are not factored in.

- (ii) (a) Interest paid by banks on deposits by individuals should be included in the estimation of national income as it is expected that banks use these savings for productive purposes. So, it is a factor payment by a bank (producer) and factor income for individuals.
- (b) National debt interest should not be included in estimation of national income as it is assumed that government borrows for consumption and hence, it is treated as transfer payment.

Mistake Alert

Students often confuse GDP as a measure of economic growth with its role as a measure of social welfare. GDP as a welfare indicator assesses the equitable distribution of goods and services per person.

17. (i) (a) $\text{Revenue Deficit} = \text{Revenue Expenditures} - (\text{Tax Revenue} + \text{Non-tax Revenue})$
 $= 80 - (47 + 10) = 80 - 57 = ₹ 23 \text{ arab}$
- (b) $\text{Fiscal Deficit} = \text{Borrowings}$
 $\text{Borrowings} = ₹ 32 \text{ arab}$
 So, $\text{Fiscal Deficit} = ₹ 32 \text{ arab}$
 $\text{Primary Deficit} = \text{Fiscal Deficit} - \text{Interest Payments} = 32 - 20 = ₹ 12 \text{ arab}$
- (ii) Three non-tax revenue/receipts are
- (a) **Interest** Interest received by the government on loans given.
 - (b) **License Fees** Fee charged by the government to grant permission for an act, such as driving license, permit, etc.
 - (c) **Escheats** Escheat received an account of claim on the property of a deceased person who has not left behind a legal heir or a will.
- Or (i) The image shows a Fiscal Deficit, as government expenditure exceeds revenue receipts in all three years (2022–2024).
 Two implications of continuous fiscal deficit are
- (a) **Increased Borrowings** To meet the shortfall, the government borrows funds, which increases the public debt. Over time, this raises the burden of interest payments, leading to a debt trap.

- (b) **Crowding Out of Private Investment** High borrowings by the government may lead to higher interest rates in the economy. This can discourage private sector investments, thereby slowing down economic growth.

Mistake Alert

Students sometimes misunderstand fiscal deficit and revenue deficit. Fiscal deficit includes revenue and capital expenditure, while revenue deficit refers to shortfall between government expenditure and revenue.

- (ii) Difference between primary deficit and revenue deficit are

| Basis | Primary Deficit | Revenue Deficit |
|---------------------|---|---|
| Meaning | Primary deficit is the difference between the fiscal deficit of current year and interest payment of previous year. | Revenue deficit is the difference between revenue expenditure and revenue receipts. |
| Implications | Primary deficit indicates the borrowing requirement of the government, excluding interest. | Revenue deficit shows the inefficiency of the government to meet its current expenditure. |
| Scope | It has a narrow scope. | It has a wide scope. |
| Formula | Primary Deficit = Fiscal Deficit – Interest Payment | Revenue Deficit = Revenue Expenditure – Revenue Receipts |

18. (c) Mixed economy
 19. (c) informalisation
 20. (d) China's population growth rate declined in the late 1970s due to stringent family planning programmes.
 21. (c) assimilative
 22. (a) geographic location
 23. (a) (i) and (ii)
 24. (b) **Pakistan** In 2011, 24.3% people were below poverty line in Pakistan, while the ratio was 21.9% in India.
Pakistan In 2017-19 MMR in China was 29 (per one lakh births) while it was 140 (per one lakh births) in Pakistan.
 25. (c) HDI
 26. (a) A-(iv), B-(ii), C-(iii), D-(i)
 27. (c) Assertion (A) is true, but Reason (R) is false
 28. The above table shows that during the given period the exports from India to Pakistan have increased at an annualised rate of 3.7% while the same with China shows 2.6% of growth. On the other hand,

India's import from China accounted for a massive 10.3%. The corresponding figure with Pakistan witnessed an average of 5.1% respectively.

The situation indicates that India imports from China are too high in comparison to the exports to China. This shows that Indian economy was over-dependent on Chinese economy for goods and services, over the given period of time. Whereas, in case of Pakistan gap is quite narrow, which may be due to various reasons.

29. I defend the given statement. Regular salaried employees are more in urban areas than in rural areas due to following reasons
- 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, chances of regular employment are higher for urban people.
 - 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, which results in concentration of their operations in the urban areas.
 - 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.
- Or This is definitely a loss to human capital. If these children were allowed to complete their education, it is possible that some of them would have become doctors, engineers or government officials.
 Their productivity would have been more and they would have contributed towards human capital formation. So, school dropouts are definitely a loss to human capital.
30. Non-farm activities refer to economic activities other than agriculture. The image shows examples like poultry farming, information technology or horticulture, which highlight rural diversification.
- Employment Generation** Non-farm sectors provide alternate sources of livelihood to rural people, especially during the off-season for agriculture. For example, poultry farming offers regular income and supports small farmers and landless labourers.
 - Skill Development and Modernisation** Activities like computer training, horticulture help in enhancing skills and adopting modern techniques, making rural youth employable in new-age sectors.

- (iii) **Reduction in Rural-Urban Migration** By creating diverse local employment opportunities, non-farm activities reduce pressure on urban areas and promote balanced regional development.
- (iv) **Increase in Rural Incomes and Standard of Living** – Non-farm activities like dairy, poultry, and small-scale manufacturing supplement agricultural earnings, helping rural households improve their quality of life and access better education and health facilities.

Thus, the activities shown in the image reflect how non-farm activities are crucial for improving rural incomes, reducing dependence on agriculture, and promoting inclusive growth.

31. Yes, the state of Indian industries on the eve of independence was indeed dismal. The following reasons support this view

- (i) **Decline of Handicraft Industries** India's world-famous handicraft industries declined due to British policies that promoted machine-made goods from Britain, leading to widespread unemployment.
- (ii) **Lack of Capital Goods Industry** There was virtually no capital goods industry in India, which meant India had to import even basic industrial equipment.
- (iii) **Limited Industrial Growth** Only a few industries such as cotton and jute textiles had developed, and they were largely confined to specific regions and dominated by foreign capital.
- (iv) **Adverse Impact of British Policies** British policies favoured the import of British goods and discouraged the development of Indian industries, preventing India from becoming self-reliant.

Or (i) **Positive Impact**

Economic Integration The railways played a crucial role in connecting different regions of India, facilitating the movement of goods and services. This integration promoted trade and commerce, linking markets and industries across the country.

- (ii) Railways generated revenue through freight and passenger fares, which became a significant source of income for the colonial government.
- (iii) Railway routes were designed mainly to transport raw materials from producing areas to ports for export to Britain.

32. India followed an inward-looking trade strategy during 1950–1990, focusing on import substitution to protect domestic industries. This involved:

- (i) **High Tariffs and Import Licensing** Heavy taxes and strict import controls were imposed to reduce dependence on foreign goods and encourage domestic production.

- (i) **Protection of Infant Industries** New Indian industries were shielded from foreign competition, allowing them to grow without external pressure.

- (iii) **Lack of Competitiveness** Over time, this protection made Indian industries inefficient and technologically backward, as they had no incentive to improve.

- (iv) **Limited Integration with Global Economy** Due to restricted imports and minimal exports, India's trade remained low, limiting foreign exchange earnings and overall economic growth.

Thus, while the strategy supported domestic industry in the short term, it hampered efficiency and long-term growth.

- 33.** (i) It is an example of Self-Help Groups (SHGs). Due to the demand of some kind of collateral or security, vast proportion of poor rural households were out of the institutional credit networks. Self-help groups emerged to fill this gap, created by formal credit system. These groups promote thrift in small proportions by a minimum contribution from each member. From the pooled money, credit is given to needy members on nominal rate of interest, which is repayable in easy instalments. However, borrowing from SHGs are mainly confined to consumption purposes.

- (ii) Government in this budget has increased its allocation of funds in health sector and it is important as health expenditure directly increases the supply of healthy labour force. A sick labourer without access to medical facilities is compelled to abstain from work and there is loss of productivity.

Expenditure on health involves

- (a) Preventive medicine (Vaccination)
- (b) Curative medicine (Medical intervention during illness)
- (c) Social medicine (Spread of health literacy)

Or (i) The problems faced by farmers during the initial years of organic farming are

- (a) **Low Initial Yields** During the transition from chemical to organic methods, soil takes time to regain natural fertility, leading to reduced productivity and lower incomes in the initial years.
- (b) **High Cost of Transition** Organic farming requires investment in bio-fertilisers, compost preparation, and sometimes certification, without immediate financial returns, making it difficult for farmers to sustain themselves.

- (c) **Lack of Established Market Linkages**
Farmers often face difficulty in finding assured buyers for organic produce, resulting in uncertainty over prices and income.
- (ii) The given statement is quite appropriate with reference to the 'casualisation of labour' in India.
This is because of the following disadvantages of casualisation of the workforce
- (a) For casual workers, the rights of the labour are not properly protected by labour laws. Particularly, during pandemic times, as demand for goods and services fell the casual workers were left jobless, without any compensation or support.
- (b) During the Covid-19 lockdown, millions of casual workers lost their jobs, raising the question of their survival. Also, additional health expenditure added to their troubles. If such workers had been working under the formal sector, it would have given them some respite in their difficult times. Thus, this had led to increase in the problem further.
34. (i) Three major environmental problems mentioned in the passage are *(any two)*
- (a) Anthropogenic Climate Change (Global Warming)
- (b) Depletion of Stratospheric Ozone (Ozone Hole)
- (c) Loss of Biodiversity
- These problems are interconnected with human development activities such as industrialisation, deforestation, excessive use of fossil fuels, and unsustainable consumption patterns. Rapid economic and social development without adequate environmental safeguards has increased pollution, greenhouse gas emissions, and exploitation of natural resources. This imbalance shows that while development is necessary, it must be sustainable and inclusive to avoid long-term ecological damage.
- (ii) There are two views on the inter-relation between economic development and the environment.

They are as follows

- (a) According to the first view, economic development degrades our environment by using natural resources for production of goods and services. Economic development results in pollution in the form of air pollution, water pollution and land pollution.
- (b) According to the second view, economic development improves environmental quality. The discovery of new materials and sources not only use fewer natural resources, but sometimes replace them.
- Thus, with economic development, degradation of environment decreases.

From the above discussion, we find that relationship between environment and economic development is dynamic and complex if not positive.

Poverty in developing countries is also said to be responsible for environmental degradation. Poor people rely on natural resources heavily for their survival, which leads to over use of natural resources.

Besides, when the cultivable land becomes short relative to population, the poor are forced to make their subsistence by cultivating fragile land on hills and mountains resulting in soil erosion on a large-scale. It is in such environment that poverty becomes a vicious circle.

- (iii) The negative environmental impact has high opportunity costs as explained below
- (a) The industrial development in past has polluted and dried up rivers and other aquifers making water an economic good. Also, cleaning up of polluted rivers and replenishing water resources require huge investments.
- (b) The intensive and extensive extraction of both renewable and non-renewable resources has exhausted some of these resources.

Huge amount of funds need to be spent on technology and research to explore new resources.

My Reflection & Problem Points

Write down any difficulties, doubts, or mistakes you faced in this paper.

Discuss these points with your teacher and sort them out.

Concept (s) I got stuck on

.....

Question (s) I couldn't complete

.....

What confused me most

.....

Time issue faced in