

CBSE Class 12 Economics Solution 2024 (Set 3- 58/5/3)

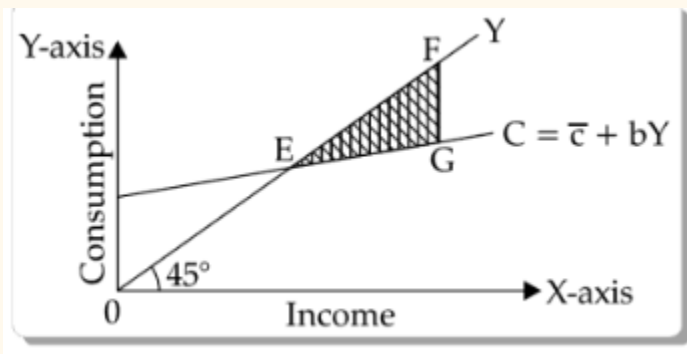
1. The measurement of Balance of Payments deficit is based on ___ transactions.

- (A) Autonomous
- (B) Accommodating
- (C) Current account
- (D) Capital account

Ans. Option (A) is correct.

Explanation: Autonomous items are those items of balance of payments which are related to such transactions as are determined by the motive of profit maximization and not to maintain equilibrium in Balance of Payments. Thus, its measurement is the basis for Balance of Payment deficit.

2. Identify, what does the shaded area ($\triangle EFG$), in the given figure indicate?



- I. Consumption > Income
- II. Saving = Zero (0)
- III. Consumption < Income
- IV. Saving < Zero (0)

Ans. Option (B) is correct.

Explanation: As in the area the Income curve is above the consumption curve, so there is savings done. So, savings can not be less than 0, making II correct and we can already see that Income is more than consumption.

Alternatives:

- (A) I and II
- (B) II and III
- (C) III and IV
- (D) I and IV

For Visually Impaired Candidates:

Marginal Propensity to Save (MPS) is the slope of ___ function

- (A) Consumption
- (B) Cost
- (C) Saving
- (D) Investment

Ans. Marginal Propensity to Save (MPS) is the slope of Saving function.

3. From the following, identify the correct reasons that may affect the supply of foreign exchange in an economy:

- I. Purchase of land in England by an Indian
- II. Foreign tourists visiting Taj Mahal
- III. Donation of \$ 500 million from Microsoft.
- IV. Indian students going to Australia for studies

Alternatives:

- (A) I and II
- (B) II and IV
- (C) II and III
- (D) I and IV

Ans . Option (C) is correct.

Explanation: I and IV increase the demand for foreign currency and II and III increases the supply of foreign currency in the economy.

4. From the given table, identify that Propensity to Save (APS) becomes zero : level of income, where Agrarverage

Income (₹ crore)	0	50	100	200	300	400
Consumption (₹ crore)	50	75	100	150	200	250

Alternatives:

(A) 50

(C) 200

(B) 100

(D) 0

Ans. Option (B) is correct

Income (₹crore)	Consumption (crore)	Savings (crore) S=Y-C	APS = S/Y
0	50	-50	-
50	75	-25	-0.5
100	100	0	0
200	150	50	0.25
300	200	100	0.33
400	250	150	0.375

5. If in an economy the initial deposits are ₹4,000 crore and Reserve Ratio (RR) is 10%. The value of the total deposit created would be ____ crore. (Fill up the blank with the correct alternative.)

(A) 4,000

(B) 40,000

(C) 2,000

(D) 20,000

Ans. Option (B) is correct

Total Deposits = Initial Deposits x 1/Reserve Ratio
 = 4000 x 1/0.10 = 40,000

6. Mr. Sahotra borrowed funds from the bank for purchasing a new house". From the above statement, identify the indicated function of money:

- (a) Medium of exchange**
- (b) Store of value**
- (c) Unit of account**
- (D) Standard of deferred payments**

Ans. Option (D) is correct.

Explanation: When Mr. Sahotra borrows funds from a bank to purchase a new house, he is entering into a contractual agreement to repay the borrowed amount in the future. In this context, money serves as a standard for deferred payments, as the borrowed funds represent a financial obligation that will be settled at a later date.

7. If in an economy the Balance of Trade is showing a deficit of ₹ 200 crore and the value of import is ₹900 crore, then the value of exports would be _____ crore.

Fill up the blank with the correct alternative.) (

- (A) 200**
- (B) 1100**
- (C) 700**
- (D) 900**

Ans. Option (C) is correct.

Explanation: Exports = Imports - Deficit = ₹900 - ₹200 = ₹700 crore.

8. In a hypothetical economy, if entire additional income is consumed, the value of investment multiplier would be _____

Fill up (the blank with the correct alternative.)

- (A) One (1)**
- (C) Between zero (0) and one (1)**
- (B) Zero (0)**
- (D) Infinity (∞)**

Ans. Option (D) is correct.

Explanation: If the entire additional income is consumed, so the change in savings = 0

MPS = 0 in such a case

$K = 1 / \text{MPS} = 1/0 = \text{Infinity}$

9. Identify, which of the following is not considered as "Normal Resident" of India?

(A) An Indian citizen working in the U.S.A. embassy located at New Delhi.

(B) An Indian official working in the Indian embassy in China.

(C) An Indian diplomat visiting Canada for a summit.

D) An Indian working in an American Company located in New York for a period of more than 1 year.

Ans. Option (D) is correct.

Explanation: As the Indian is working in an American Company located in New York for a period of more than 1 year, he is not in the purview of the domestic territory of India, so he is not considered as the Normal Resident of India.

10. Read the following statements carefully:

Statement 1: Ex-post savings and Ex-post investments are equal at all levels of income.

Statement 2: Under the effective demand principle, the equilibrium output is equal to ex-ante Aggregate Demand (AD).

In the light of the given statements, choose the correct alternative from the following:

(A) Statement 1 is true and Statement 2 is false.

(B) Statement 1 is false and Statement 2 is true.

(C) Both Statements 1 and 2 are true.

(D) Both Statements 1 and 2 are false.

Ans. Both Statements 1 and 2 are true.

11. "Trade Deficit must exist, if a country is facing a situation of Current Account Deficit (CAD)."

Defend or refute the above mentioned statement with valid arguments.

Ans. This is because the concept of current account deficit is broader and occurs when the for foreign exchange payments on account of all the items in the current account, that is visible, invisible and current-transfers are more that the foreign exchange receipts on the visible, invisibles and current transfers. On the other hand, a trade deficit is the situation when the imports of goods are more than that of the exports of goods only. In other words, even if there is a trade deficit the country could have a current account surplus if the total exports including services and transfer payments are more than the imports.

12.(a) Calculate Net Value Added at Factor Cost (NVA_{pc}) from the following data:

S. No.	Particulars	Amount (in ₹ lakh)
(i)	Fixed capital goods (expected life span – 5 years)	15
(ii)	Domestic Sales	200
(iii)	Change in stock	(-) 10
(iv)	Exports	10
(v)	Single use producer goods	120
(vi)	Net indirect taxes	20

OR

(b) From the following data, estimate the value of Net Indirect Taxes (NIT):

S. No.	Particulars	Amount (in ₹ crore)
(i)	Net National Product at Market Price (NNP_{MP})	1,400
(ii)	Net Factor Income from abroad	(-) 20
(iii)	Gross National Product at Factor Cost (GNP_{FC})	1,300
(iv)	Consumption of fixed capital	100

Ans.

$NVA_{fc} = (ii) \text{ Domestic Sales} + (iii) \text{ Change in Stock} + (iv) \text{ Exports} - (v) \text{ Single use producer goods} - (vi) \text{ Net Indirect taxes} - \text{Depreciation} ((i)/5)$

$$= ₹200 + (-) ₹10 + ₹10 - ₹120 - 20 - 15/5 = 57 \text{ lakh}$$

OR

$NNP_{mp} = GNP_{fc} + NIT - \text{Depreciation}$

$$1400 = 1300 + NIT - 100$$

$$1400 = 1200 + NIT$$

$$NIT = ₹200 \text{ crore}$$

13. From the following data calculate Investment. Multiplier and Equilibrium Level Income in the economy.

(i) Changes in Initial investment (A)=1,000 crore

(ii) Marginal Propensity to Save (MPS)=0.5

(iii) Autonomous consumption (c)=50 crore

(iv) Planned investment= 100 crore

Ans. The equilibrium level of income in the economy is Rs. 2,000 crore.

14." Open Market Operation by the Reserve Bank of India (RBI) helps in regulating money supply in the economy." Justify the given statement.

Ans. Open market operations refers to sale and purchase of securities by the central bank in the open market. To increase money supply (as during deflation) securities are purchased by the central bank. On the other hand, to decrease money supply (as during inflation) securities are sold off. By buying the securities, the central bank releases liquidity and hence, a rise in capacity to create credit of the commercial banks. By selling the securities, liquidity is sucked from the economy and hence, a reduction in capacity to create credit of the commercial banks.

15. (a) (i) "With an objective to reduce inflation, the government may reduce public Expenditure."

Discuss the rationale behind such a step which may be taken by the Government.

(ii) Define Effective Demand Principle.

OR

(b) (i) State the meaning of 'unintended accumulation of inventories.

(ii) "In an economy, Aggregate Demand (AD) is more than Aggregate Supply (AS)."

Elaborate the possible impacts of the same, on the level of output, income and employment.

Ans. (a) (i) When the government wants to reduce the inflation, it reduces the public expenditure. This reduces the purchasing power of the people, reducing the consumption expenditure. As consumption expenditure is a part of the aggregate demand, it reduces the aggregate demand in the economy, so much so that it comes at the level of the Aggregate Supply, reducing the general price level in the economy. Thus, reducing inflation.

(ii) Effective demand is the situation in the economy where the ex-ante demand is equal to the ex- post demand in the economy.

OR

(b) (1) The unintended accumulation of inventory is the situation where there is a fall in the sales due to an unintended increase in the stock of the goods.

(ii) When in the economy, Aggregate Demand is more than the Aggregate Supply, it means that the buyers are planning to buy more goods and services than the producers are planning to produce (ie, supply). In this situation, inventories start falling and come below the desired level, the producers expand production. This raises the income level, which keeps on rising till AD and AS are equal again.

16(a) (i) With suitable examples Distinguish between Direct tax and Indirect tax.

(ii) Responding to the Prime Minister's 'Give it up 'campaign, a large number of Indian families have voluntarily surrendered their cooking gas subsidy.

Identify and explain the objective behind this action taken by the Government of India

OR

(b) (i) Distinguish between Revenue Receipts and Capital Receipts of the government, with suitable examples.

(ii) "Under Zero Defect, Zero Effect (ZED) scheme, the Government of India provides up to 80% subsidy to Micro, Small and Medium Enterprises (MSMEs)."

Identify and explain the objective of the government budget, highlighted in the above text.

Ans. The difference between Direct Tax and Indirect tax are:

Basis for Comparison	Direct Tax	Indirect Tax
Meaning	Direct tax refers to financial charge. levied directly on the taxpayer,	Indirect tax is when the taxpayer is just the hands that deposit the

	and paid outrightly to the authority which imposes it, by the taxpayer.	amount of tax to the authority imposing it, while the burden of tax falls on the final consumer.
Nature	Progressive	Regressive
Incidence and Impact	It falls on the same person.	It falls on different persons.
Liability	A person on whom the tax is imposed is liable for its payment.	The person receiving the benefits is liable for its payment and not the person on whom it is imposed.
Evasion	Tax evasion is possible	Tax evasion is hardly possible because it is included in the price of the goods and services.
Inflation	Direct tax helps in reducing inflation	Indirect taxes promote inflation.
Burden	Cannot be shifted to another person.	Can be shifted to another person
Example	Income Tax, Corporate tax, wealth tax, etc.	Excise Duty, Value Added Tax, GST, etc.

(ii) The objective behind the 'Give it up campaign' initiated by the Government of India is to encourage affluent households to voluntarily surrender their cooking gas subsidy. This initiative aims to achieve two main objectives:

1.Targeted Subsidy Distribution: By persuading wealthier households to give up their subsidy, the government can redirect these funds towards providing subsidies to economically disadvantaged households who genuinely need financial assistance. This targeted subsidy distribution ensures that resources are allocated more efficiently and reach those who need them the most.

2.Fiscal Savings: Surrendering subsidies from affluent households helps reduce the government’s fiscal burden associated with providing subsidies. This results in fiscal savings for the government, which can be utilized for other developmental initiatives or to reduce budget deficits.

Overall, the ‘Give it up campaign’ serves as a mechanism for improving the effectiveness of subsidy programs, promoting fiscal prudence, and ensuring more equitable distribution of resources in the country.

OR

(b)(i) The difference between Revenue Expenditure and Capital Expenditure are:

S.no	Basis of Distinction	Revenue Expenditure	Capital Expenditure
(i)	Increase in Assets	Revenue Expenditure does not cause any Increase in assets.	Capital Expenditure causes an increase in assets of the government.
(ii)	Reduction of Liability	Do not reduce any corresponding liabilities to the government	It creates corresponding liabilities for the government
(iii)	Recurrence	Such expenditures recur every year.	Such expenditures do not recur.
(iv)	Example	Example: Salaries	Example: Loans

		to the government employees, expenditure on tax collection, etc.	given to the government, building of infrastructure, etc.
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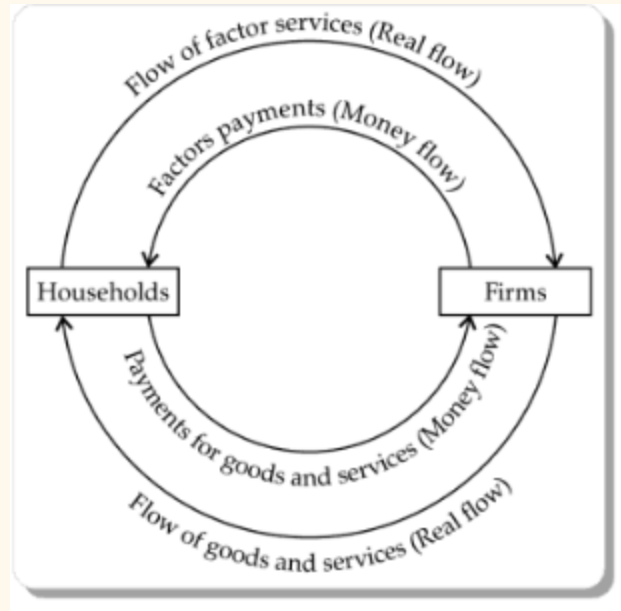
(ii) The Budget objective that has been highlighted in the above text is Achieving full employment. The government through its budgetary policy of subsidies, leads to incentivising the enterprise to be self-reliant and be able to produce more and generate better employment opportunities. As in India, the MSME sector provides maximum employment opportunities, providing them with incentives will lead the government to achieve the goal of full employment.

17. (a) As per The Economic Times report, dated April 11, 2023 "Electric Vehicle sales cross 10 Lakh mark in financial year 2022-23" Analyze the likely impacts of this news on Gross Domestic Product (GDP) and Welfare.

(b) Discuss briefly, the circular flow of income in a two sector century model.

Ans.(a) There will be a positive effect on the GDP and welfare of the country, as with the sales being high, it will lead to an increase in the production of Electric Vehicles in India. Moreover, as electric vehicles do not run on fossil fuels, it will lead to the fall in pollution emissions, as the harmful gasses like sulphur dioxide and carbon monoxide will not be emitted from the electric vehicles. Thus there will be a positive externality due to the increase in the sale of these vehicles, improving the welfare as well.

(b) Households are owners of factors of production, they provide factor services to the firms (producing units). Firms provide factor payments in exchange for their factor services. So, factor payments flow from firms (producing units) to households. Households purchase goods and services from firms (producing units) for which they make payment to them. So, consumption expenditure (spending on goods and services) flows from households to the firms.



Section B

18. Read the following statements carefully:

Statement 1: China has used the Market system mechanism without losing political commitment to create additional social and economic opportunities.

Statement 2: India, Pakistan and China have similar physical endowments but totally different Political systems.

- (A) Statement 1 is true and Statement 2 is false.
- (B) Statement 1 is false and Statement 2 is true.
- (C) Both statements 1 and 2 are true.
- (D) Both statement 1 and 2 are false

Ans. Both statements 1 and 2 are true.

19. Read the following statements carefully:

Statement 1: Casual workers are hired on a permanent basis and also get social security benefits.

Statement 2: Workforce comprises, both employed and unemployed persons.

In the light of the given statements, choose the correct alternative from the following:

(A) Statement 1 is true and Statement 2 is false.

(B) Statement 1 is false and Statement 2 is true.

(C) Both statements 1 and 2 are true.

(D) Both statements 1 and 2 are false.

Ans. Option (D) is correct.

Explanation: Casual workers are not given any social security benefits and neither are they hired on a permanent basis. This is the characteristic of Regular salaried employees. Thus, statement 1 is false. The workforce comprises individuals who are currently employed in paid work or self-employment, irrespective of whether they are full-time, part-time, or temporary workers. On the other hand, the labor force includes both employed individuals who are currently working and unemployed individuals who are actively seeking employment.

20. _____ indicator may be defined as the measure of the extent of demographic participation in Social and Political decision making in a Country.

(A) Economic

(B) Health

(C) Demographic

(D) Liberty

Ans. Liberty indicator may be defined as the measure of the extent of demographic participation in Social and Political decision making in a Country.

21. The scheme of 'Micro Finance' is extended through _____ credit provision.

- (A) Self help groups**
- (B) Land Development Banks**
- (C) Regional Rural Banks**
- (D) Commercial Banks**

Ans. The scheme of 'Micro Finance' is extended through Self help groups credit provision.

22. Introduction of Economic Reforms in Pakistan took place in year ____

- (A) 1978**
- (B) 1980**
- (C) 1988**
- (D) 1991**

Ans. Introduction of Economic Reforms in Pakistan took place in 1988.

23. Read the following statements carefully:

Statement 1: Outsourcing is one of the important outcomes of the globalization process.

Statement 2: Owing to globalization, many Indian companies have expanded their operation abroad.

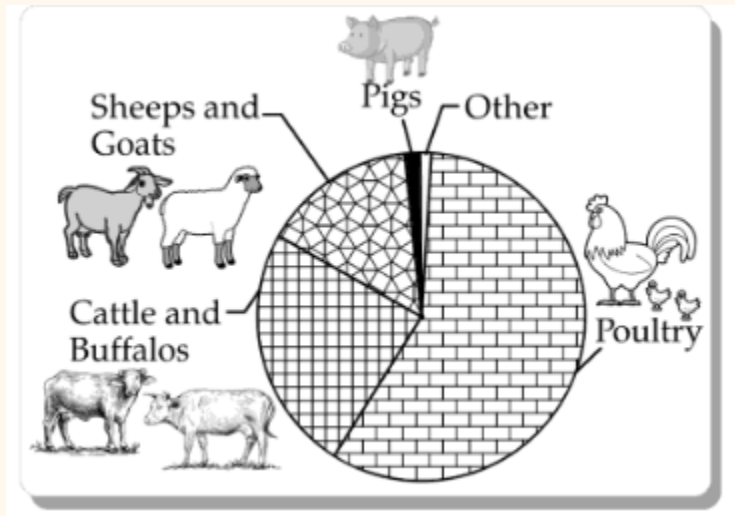
In the light of the given statements, choose the correct alternative from the following:

- (A) Statement 1 is true and Statement 2 is false.**
- (B) Statement 1 is false and Statement 2 is true.**
- (C) Both statements 1 and 2 are true.**
- (D) Both statements 1 and 2 are false.**

Ans. Option (C) is correct.

Explanation: Globalization has benefited India, As India is one of the largest English-speaking nations with cheap labor, it has become a favorite outsourcing destination. Thus, statement 1 is true. Companies like Tata, ONGC etc have also made their global presence as it is easy for them to expand their operations. Thus, statement 2 is true.

24. Study the following picture:



Identify the kind of activities, which may be envisaged under _____ as diversification activity.

Alternatives:

- (A) Animal Husbandry
- (B) Fisheries
- (C) Horticulture
- (D) Organic farming

For Visually Impaired Candidates:

_____ farming is a system that is helpful in restoring, maintaining and enhancing the ecological balance.

(Choose the correct alternative to fill in the blank.)

- (A) Multi layered**
- (B) Chemical**
- (C) Organic**
- (D) Conventional**

Ans. Option (A) is correct.

Explanation: Animal husbandry refers to the branch of agriculture that involves the breeding, raising, and management of livestock animals for various purposes, including food production, fiber, labor, and companionship.

Organic farming is a system that is helpful in restoring, maintaining and enhancing the ecological balance.

25. After independence, the rationale behind choosing Modernization as a planning objectives for the Indian economy were _____

- I. To bring positive changes in the social outlook**
- II. Equitable distribution of income**
- III. Technological Upgradation**
- IV. Increase in Economic Divide**

- (A) I and II**
- (B) II and III**
- (C) I and III**
- (D) I and IV**

Ans. Option (C) is correct.

Explanation: India was using traditional methods to produce, but the objective of modernisation led to the use of modern techniques which was done to the use through technological upgradation. This would also bring in the positive change in the social outlook Modernisation was never aimed at increasing the economic divide between rich and poor.

26. From the events given in Column-I and facts given in Column-II about China, choose the correct pair:

	Column-I		Column-II
	structural transformation		limited Urbanization
	Great leap forward campaign		Reduced global demand for Chinese products.
	Less stress of us age on natural resources		Low density of population
	Slowdown in GDP, since 2014		Aimed at massive industrialisation

Alternatives:

(A) (a) - (i)

(B) (b)-(ii)

(C) (c)- (iii)

(D) (d) - (iv)

Ans. Option (C) is correct.

Explanation: Due to less density of population in China and also the one-child policy norm, has led to a reduced stress on the usage of natural resources in the country.

27. Read the following statement: Assertion (A) and Reason (R), Choose the correct alternative from those given below:

Assertion (A): India could not develop a sound Industrial-base during the British rule.

Reason (R): Britishers followed restrictive trade policies, which strengthened Indian handicraft industries.

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 Rj are true and Reason (K) is not the correct explanation at Assertion (A).

C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

Ans. Option (C) is correct.

Explanation: Reason (R) is false as the British policies led to the destruction of the Indian handicraft industries, as the British made India a hub for the raw materials for British factories.

28.Explain the role of quality education in human capital formation in a country.

Ans.1.Enhanced Productivity: Quality education provides specialized skills and knowledge, leading to higher productivity and efficiency in various sectors.

2.Innovation and Technological Advancement: Education encourages critical thinking and problem-solving, fostering innovation and contributing to technological progress.

3.Adaptability and Resilience: Quality education equips individuals with the ability to adapt to changes, ensuring competitiveness in the labor market.

4.Health and Well-being: Education promotes healthy behaviors and access to healthcare, resulting in a healthier workforce.

5.Social Cohesion and Equity: Education provides equal opportunities, empowers marginalized groups, and fosters social mobility, leading to a more inclusive society.

Investing in quality education is crucial for human capital formation, contributing to economic growth, social development, and poverty reduction.

29. (a) "Opening up of Suez Canal helped in establishing the British monopoly control over India's foreign trade Justify the given statement with valid arguments.

OR

(b) "Development of Railways during British rule encouraged colonial exploitation of the Indian resources."

Justify the given statement with valid arguments.

Ans. (a) The opening up of Suez Canal, led to the shortening of the trade route to India, from the traditional route going across the cape of good hope in South Africa. Moreover, as the British controlled the Suez Canal in Egypt the British got a complete monopoly control of all the Indian foreign trade to Europe.

Nonetheless, during colonial rule, the British government had monopoly power over India's foreign trade. The British government used the trade policy according to the interests of their home- country. The exports and imports transactions were restricted only to India and Britain. On one hand, the exports from India provided the cheap raw materials to the British industries and on the other hand, India's imports from Britain provided a new market for Britain's products. Moreover, the surplus generated from foreign trade was not invested in the Indian economy, instead it was used for administrative and war purposes by Britain to spread their colonial power.

(b) The British did not develop the Railway with the welfare of Indians in the mind. The main reason for building the railway was to help the British. It made it easy for them to transport the raw materials for the British Industries through the railway as trains were a faster mode of transport. This led to more exploitation of the resources of India.

Moreover, the railway was also used to mobilize the troops in case of any revolt. The British paid for the construction of the railway to the British engineers from the taxes collected from India. Thus, the money resources were also drained while constructing the Railways.

30. From the given data compare and analyze the Population Density and Fertility Rate of China and Pakistan, with valid reasons:

Demographic Indicators, 2017-18

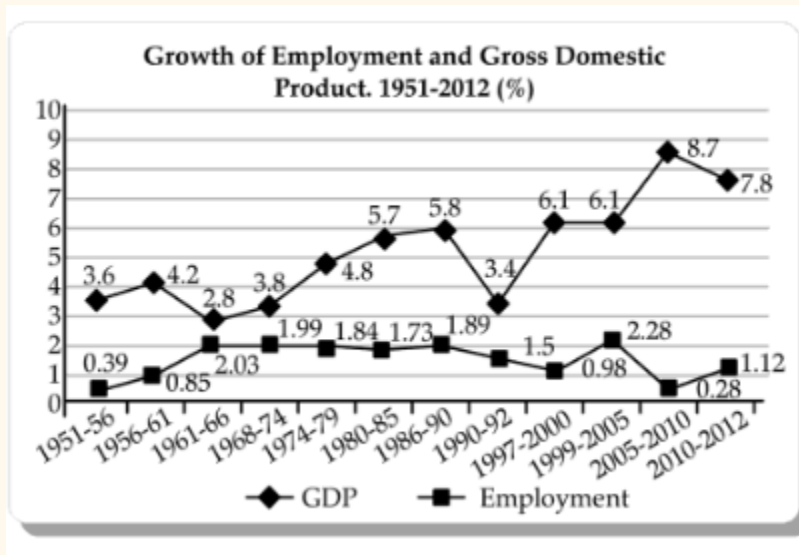
Country	Estimated Population (in million)	Annual Growth of Population	Population Density (Per sq. km)	Sex Ratio	Fertility Rate	Urbanisation
India	1352	1.03	455	924	2.2	34
China	1393	0.46	148	949	1.7	59
Pakistan	212	2.05	275	943	3.6	37

Ans. The table gives the details about the demographics of India, China and Pakistan in 2017-18. The analysis of China and Pakistan are:

(a) The population density of Pakistan is more than that of China. Pakistan has a higher population density of 275 people per square kilometer, attributed to factors such as rapid population growth, limited land availability, and urbanization. In contrast, China has a lower population density of 148 people per square kilometer, attributed to factors such as rapid population growth, limited land availability, and urbanization. In contrast, China has a lower population density of 148 people per square kilometer, despite its large population, due to its vast land area and government policies such as urban planning and population control measures.

(b) The Chinese fertility rate is at 1.7 and that of Pakistan is 3.6. The fertility rate in China is low due to factors like the one-child policy, urbanization, and economic development. In contrast, Pakistan has a higher fertility rate influenced by cultural preferences for larger families, limited access to family planning services, and traditional social norms.

32. (a) Study the following chart of Employment and Gross Domestic Product. Analyze the trend of the two variables between 1990-2012.



For Visually Impaired Candidates:

Explain why regular salaried employees are more in urban areas than in rural areas.

(b) Define Worker-Population Ratio.

Ans. (a) The trend in the chart of Employment and GDP indicates that in India there has been a job less growth in India, that is the employment rate is not increasing as much as the GDP growth rate. This is causing a serious problem of unemployment in India. Between 1990-2012, there has been a dip in the growth rate of employment in 1990-92 to 1.5% from 1.89%, then again in 1997-2000 to 0.98% from 1.5% and after a small increase in 1999-2005, it again decreased to 0.28% in 2005-10. On the other hand, GDP is in constant growth and has increased from 3.8% to 7.8% during the period of 1990-2012. This indicates that there is the growth in GDP but hardly any growth in the employment levels, leading to widespread increase in poverty in India, even though the GDP is increasing.

(b) Worker Population Ratio refers to the ratio of total number of workers to the total population. It is generally expressed in percentage.

Worker- population Ratio = Total number of workers / Total population x 100

32.(a) (i) "Infrastructural development is an essential element to obtain the full potential of the rural sector in India". Justify the given statement with valid arguments.

(ii) State the meaning of 'Human Development'.

OR

(b) "In a nation like India, self employment provides an important avenue for employment generation."

Defend or refute the given statement with valid arguments.

Ans. (a) (i) Infrastructural development is an essential element to obtain the full potential of the rural sector in India. This is due to the following reasons:

- (1) The development of roads and railways in the rural sector will lead to the better transport facility of the agricultural produce from the farms to the market.
- (2) The development of better storage facilities will enable the farmers to be able to store the produce with less damage to goods.
- (3) The development of irrigation canals will lead to the continuous flow of water and reduce the dependence on rain for agricultural activities.
- (4) The development of power plants will provide the rural households and farms with cheap and adequate electricity.

(ii) Human development refers to the process of improving the well-being, capabilities, and opportunities of individuals within a society. It encompasses various aspects such as education, healthcare, economic prosperity, social inclusion, and political participation.

OR

(b) In a nation like India, self-employment serves as a vital avenue for employment generation. With a burgeoning population and limited formal job opportunities, self-employment empowers individuals to create their own livelihoods, contributing to economic growth and social stability. Moreover, it fosters innovation, particularly in sectors where traditional employment options

may be saturated, thus playing a crucial role in addressing unemployment challenges and promoting inclusive economic development.

33. (a) (i) "Direct and active participation of state was considered essential in Industrial development process in period 1950-1990,"

Justify the given statement with valid explanation.

(ii) "New Economic Policy 1991 altered the role of the Reserve Bank of India (RBI) in the economy."

Justify the given statement with valid explanation.

OR

(b) (i) Explain the changes that were observed in India's occupational structure during the British rule,

(ii) "The Navratan Policy of the government has helped in improving the performance of Public Sector Undertakings in India."

Do you agree with the given statement? Justify your answer with valid arguments.

Ans. (a)(i)Justify:

During the period of 1950-1990, direct and active participation of the state was deemed essential in industrial development due to several reasons:

Limited Private Capital: Private sector participation in industrial development was limited, especially in sectors deemed essential for national development such as heavy industries, infrastructure, and strategic sectors like defense.

Resource Mobilization: The state played a crucial role in mobilizing resources for industrial development through planning, allocation of funds, and investment in key industries. This was necessary to overcome capital shortages and promote balanced industrial growth across regions.

Infrastructure Development: The state's involvement was essential for building critical infrastructure such as roads, railways, ports, and power plants necessary

to support industrial activities. Infrastructure development laid the foundation for industrial growth and facilitated the movement of goods and services.

Regulation and Control: State intervention was necessary to regulate industries, control monopolies, and ensure fair competition. Government policies and regulations aimed to prevent exploitation, promote social welfare, and safeguard national interests in industrial development.

Technology Transfer and Innovation: The state facilitated technology transfer and innovation through collaboration with foreign partners, research institutions, and public sector enterprises. This helped modernize industries, improve productivity, and enhance competitiveness in the global market.

Employment Generation and Social Welfare: Industrial development led to employment generation, income redistribution, and improvement in living standards. The state's involvement ensured that industrialization benefited all sections of society, including marginalized communities, through employment programs, welfare schemes, and labor laws.

Overall, the direct and active participation of the state was considered essential in the industrial development process during 1950-1990 to overcome resource constraints, promote balanced growth, regulate industries, foster innovation, and ensure social welfare.

(ii) The New Economic Policy of 1991 significantly altered the role of the Reserve Bank of India (RBI) in the economy due to several key reforms:

Liberalization: The policy introduced liberalization measures aimed at opening up the Indian economy to foreign investment, trade, and competition. This required the RBI to adopt a more market-oriented approach and facilitate the integration of the Indian financial system with global markets.

Deregulation: The policy deregulated various sectors, including banking and finance, to promote efficiency, competition, and innovation. The RBI's role shifted from strict regulatory control to a more supervisory role, ensuring compliance with prudential norms while allowing greater autonomy to banks and financial institutions.

Exchange Rate Management: The policy initiated reforms in exchange rate management, transitioning from a fixed exchange rate regime to a more flexible exchange rate system. The RBI gained greater autonomy in determining exchange rate policies to reflect market forces and maintain external competitiveness.

Monetary Policy Framework: The policy introduced a new monetary policy framework focused on price stability and inflation targeting. The RBI was tasked with formulating and implementing monetary policies to control inflation, stabilize prices, and promote sustainable economic growth, aligning with global best practices.

Financial Sector Reforms: The policy initiated financial sector reforms to strengthen the banking system, improve financial intermediation, and enhance access to credit. The RBI played a pivotal role in restructuring banks, improving regulatory oversight, and promoting financial inclusion through measures like priority sector lending.

In summary, the New Economic Policy of 1991 transformed the role of the Reserve Bank of India by emphasizing market-oriented reforms, deregulation, exchange rate flexibility, inflation targeting, and financial sector development. These changes reflected a shift towards a more liberalized and globally integrated economy, requiring the RBI to adapt its policies and functions accordingly.

OR

(b) During the British rule in India, significant changes occurred in the occupational structure, characterized by:

Decline of Traditional Occupations: Traditional occupations such as agriculture, handicrafts, and artisanal work experienced a decline due to British policies favoring industrialization and the introduction of Western technologies.

Rise of Commercial Agriculture: British colonial policies promoted commercial agriculture, leading to the emergence of large-scale plantations and commercial farms. This shift displaced many small farmers and traditional agricultural workers, contributing to rural impoverishment.

Expansion of Administrative and Military Services: The British administration expanded bureaucratic and military services, leading to the growth of administrative and military occupations. These sectors attracted educated Indians seeking employment opportunities and social mobility within the colonial hierarchy.

Development of Modern Industries: British industrial policies promoted the establishment of modern industries such as textiles, steel, and mining. This led to the growth of industrial occupations, attracting labor from rural areas to urban centers where factories were located.

Emergence of New Middle Class: The British rule created opportunities for a new middle class comprising professionals, civil servants, merchants, and industrialists. This middle class played a significant role in Indian society and economy, contributing to urbanization, education, and political movements. Overall, the occupational structure during the British rule in India witnessed a shift away from traditional agrarian occupations towards modern industrial, administrative, and commercial sectors. These changes had profound social, economic, and political implications for Indian society.

(ii) Disagree:

The Navratna Policy of the government aimed to enhance the autonomy and competitiveness of select Public Sector Undertakings (PSUs) in India by granting them greater operational and financial freedom. While it may have brought some improvements in certain PSUs, overall, its impact on improving the performance of PSUs has been mixed. Several factors contribute to this assessment:

1. **Selective Impact:** While some Navratna PSUs have shown improvements in their performance metrics such as profitability, efficiency, and market competitiveness, not all PSUs under the policy have experienced similar outcomes. The effectiveness of the policy varies across different companies based on their management practices, market conditions, and sectoral challenges.

2. **Management and Governance Issues:** Many PSUs continue to face challenges related to bureaucratic control, political interference, and inefficiencies in management and governance. These issues hinder their ability to operate competitively and adapt to changing market dynamics, limiting the effectiveness of the Navratna Policy in driving performance improvements.

3. **Market Liberalization:** The liberalization of the Indian economy since the 1990s has exposed PSUs to increased competition from private sector companies, both domestic and international. While the Navratna Policy aimed to enhance competitiveness, PSUs still struggle to compete effectively in sectors where private players have greater agility, innovation, and efficiency.

4. **Technological Obsolescence:** Many PSUs grapple with technological obsolescence and outdated infrastructure, hindering their ability to remain competitive in rapidly evolving industries. The Navratna Policy may not

adequately address these challenges, limiting its impact on overall performance improvement.

5. Policy Implementation Issues: The successful implementation of the Navratna Policy requires effective monitoring, evaluation, and accountability mechanisms to ensure that PSUs utilize their enhanced autonomy responsibly and achieve tangible performance outcomes. However, shortcomings in policy implementation and oversight may undermine its intended objectives. In summary, while the Navratna Policy aimed to improve the performance of PSUs in India by granting them greater autonomy, its impact has been limited by management and governance issues, market dynamics, technological challenges, and policy implementation shortcomings. Therefore, it cannot be unequivocally stated that the policy has uniformly led to significant improvements in the performance of PSUs.

34. Read the following text carefully:

India has aimed to reduce the country's carbon intensity by approximately 45% by 2030. To achieve this Green finance plays a vital role. At the initial stage, green finance needs a big push from the government. The India government has identified projects worth 25,000 crore that will be financed by proceeds from Sovereign Green Bonds.

According to the framework approved by the finance ministry, the sovereign green bonds will focus on financing public projects including renewable energy, climate change, clean transportation, sustainable water and waste management and pollution control.

Businesses that take green finance can benefit in various ways. It can help them follow different environmental norms and regulations and thus avoid possible fines. Adopting sustainable development practices enhances brand value of businesses. Customers tend to prefer brands that adopt clear sustainable development practices. The energy-efficient and other sustainable development practices promoted by green finance also often help in saving cost, boosting profitability of businesses etc.

–The Economic Times, April 22, 2023 (Modified)

On the basis of given text and common understanding, answer the following questions:

(a) Define sustainable development.

(b) State the public project area, where Sovereign Green Bonds are focussed.

(c) How can businesses benefit from green finance?

Ans. (a) Sustainable development implies meeting the basic needs of all and extending to all the opportunity to satisfy their aspirations for a better life, without compromising on the needs of the future.

(b) The project areas, where Sovereign Green Bond are focussed are:

(i) The non-renewable energy.

(ii) Waste management and Pollution Control.

(c) The benefits that Businesses will get from Green Finance are:

(i) The businesses do not have to pay the fines that are imposed for creating negative externalities and causing pollution.

(ii) It will enhance the brand value of the company and in turn will increase their profits.

(iii) The present-day customers are demanding the products which are eco-friendly, so, if the businesses sell eco-friendly products, it will lead them to maximize their sales.

(iv) It will enable the businesses to follow and contribute to the sustainable development goals.

(v) The green finance enables the firms to save costs, boost profitability of the business etc.

