Roll No. ☐☐☐☐☐☐☐☐

Q.P. Code 58/1/1

ECONOMICS

CBSE Class XII Board Examination 2023 — with answers

Time allowed: 3 hours **Maximum Marks: 80**

General Instructions:

1. The paper has 34 questions; all are compulsory.
2. It has two sections: Section A – Macro Economics and Section B – Indian Economic Development.
3. 20 multiple-choice questions carry 1 mark each.
4. 4 Short Answer Type-I questions carry 3 marks each (about 60–80 words).
5. 6 Short Answer Type-II questions carry 4 marks each (about 80–100 words).
6. 4 Long Answer questions carry 6 marks each (about 100–150 words).
7. Answer all parts of a question together; internal choice is given in some questions.

SECTION A

Macro Economics. Q1–10 carry 1 mark each; Q11–12: 3 marks; Q13–15: 4 marks; Q16–17: 6 marks.

1. Consider the two statements below. **1**

Statement 1: Primary deposits are the cash that the general public deposits with commercial banks.

Statement 2: Secondary deposits are the deposits that arise because commercial banks give loans (credit) to people.

Choose the correct alternative.

(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.

ANSWER

(c) Both statements are true.

Primary deposits = cash actually deposited by the public in banks – true.
When a bank lends, the loan amount is credited to the borrower's account (or comes back as a deposit in the system); these loan-created deposits are secondary (derivative) deposits – true.
So both statements are correct.

2. National Income at market price minus National Income at factor cost equals _____. **1**

(A) net indirect taxes

(B) net factor income from abroad

(C) consumption of fixed capital

(D) market price

ANSWER

(a) net indirect taxes

NNP at MP = NNP at FC + Net Indirect Taxes (indirect taxes − subsidies).
So NNP at MP − NNP at FC = NIT.
Common mistake: NFIA separates national from domestic, and depreciation separates gross from net – not MP from FC.

OR

Each figure below is a two-sector circular flow with an upper arrow from Firms to Households and a lower arrow from Households to Firms. Which one shows ONLY the real flow?

(A) Upper: goods and services; lower: factor payments

(B) Upper: goods and services; lower: factor services

(C) Upper: factor payments; lower: consumption expenditure

(D) Upper: goods and services; lower: consumption expenditure

ANSWER

(b) Goods and services to households, factor services to firms

Real (physical) flow = flow of goods and services and of factor services.
Money flow = factor payments (rent, wages, interest, profit) and consumption expenditure.
Only figure (b) has both arrows as real items: firms supply goods and services to households, households supply factor services to firms.
The others mix a money flow (factor payments or consumption expenditure) with a real flow.

3. The rate at which commercial banks borrow from the RBI to meet their long-term needs is called _____. **1**

(A) Margin requirement

(B) Bank rate

(C) Repo rate

(D) Reverse repo rate

ANSWER

(b) Bank rate

Bank rate: rate on long-term loans/rediscounting given by the central bank to commercial banks, without any securities being repurchased.
Repo rate is for short-term borrowing against government securities; reverse repo is the rate the RBI pays banks for parking funds with it.

4. Consider the two statements below. **1**

Statement 1: A loan taken by a country from the World Bank to finance its BoP deficit is recorded in the capital account.

Statement 2: Autonomous transactions take place regardless of the position of the BoP account.

Choose the correct alternative.

(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.

ANSWER

(c) Both statements are true.

Borrowing from abroad (including from the World Bank) creates a foreign liability, so it is a capital account item – true.

Autonomous transactions are made for their own sake (profit, welfare) and do not depend on whether the BoP is in surplus or deficit – true.

Both statements are correct.

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5. A news item reports that the central bank fined two cooperative banks (one in Hisar and one in Andaman and Nicobar) for breaking banking rules. Which function of the central bank does this show? **1**

(A) Issue of currency

(B) Banker to the public

(C) Banker to the Government

(D) Banker's Bank

ANSWER

(d) Banker's Bank

As the bankers' bank, the central bank supervises and regulates commercial and cooperative banks; penalising banks for violating norms is part of this supervisory role.

The central bank does not deal with the public directly, so (b) is wrong.

6. The investment multiplier is 4 and autonomous dissaving is (−) 60. Which is the correct saving function? **1**

(A) S = (−) 60 + 0·25 Y

(B) S = (−) 60 + 0·75 Y

(C) S = (−) 60 + 0·20 Y

(D) S = (−) 60 + 0·60 Y

ANSWER

(a) S = −60 + 0·25 Y

$k = \frac{1}{MPS} \Rightarrow 4 = \frac{1}{MPS} \Rightarrow MPS = 0.25$

Saving function: $S = -\bar{C} + MPS \cdot Y = -60 + 0.25Y$.

Common mistake: using MPC (0·75) as the slope of the saving function.

OR

If the consumption function is C = 205 + 0·9 Y, the investment multiplier is _____.

(A) 0·09

(B) 10·0

(C) 0·9

(D) 9·0

ANSWER

(b) 10

MPC = 0·9 (coefficient of Y).

$k = \frac{1}{1 - MPC} = \frac{1}{1 - 0.9} = \frac{1}{0.1} = 10$

7. Assertion (A): At income levels below the break-even level, APC is greater than one. **1**
Reason (R): APC is the ratio of total consumption to total income.

(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.

ANSWER

(b) Both true, but R does not explain A.

Below break-even income, consumption exceeds income (there is dissaving), so C/Y > 1 – A is true.

APC = C/Y – R is true (it is just the definition).

But the definition alone does not explain why C > Y below break-even (that is due to autonomous consumption/dissaving), so R is not the correct explanation.

8. A country's Balance of Trade shows a deficit of ₹ 50,000 crore. Its visible imports are five times its visible exports. Its visible exports are ₹ _____ crore. **1**

(A) 20,000 **(B)** 10,000

(C) 12,500 **(D)** 20,300

ANSWER

(c) ₹ 12,500 crore

Let exports = X, so imports = 5X.
BoT deficit = Imports − Exports: 5X − X = 50,000
4X = 50,000 ⇒ X = ₹ 12,500 crore (imports = ₹ 62,500 crore).

OR

Gifts and remittances sent abroad are entered on the _____ side of the _____ account of the Balance of Payments.

(A) credit, capital **(B)** debit, capital

(C) credit, current **(D) debit, current**

ANSWER

(d) debit, current

Gifts and remittances are unilateral transfers – a current account item.
Sending them abroad causes an outflow of foreign exchange, so it is a debit entry.

9. Which of these equations is true? **1**

(A) MPC + MPS = 0 **(B) MPC + MPS = 1**

(C) MPC + MPS > 1 **(D)** MPC + MPS < 1

ANSWER

(b) MPC + MPS = 1

Any change in income is either consumed or saved: ΔY = ΔC + ΔS.
Dividing by ΔY: $\frac{\Delta C}{\Delta Y} + \frac{\Delta S}{\Delta Y} = 1$, i.e. MPC + MPS = 1.

10. When an able-bodied person does not want to work at the current wage rate, the situation is called _____. **1**

(A) Full employment **(B)** Involuntary unemployment

(C) Voluntary unemployment **(D)** Disguised unemployment

ANSWER

(c) Voluntary unemployment

Voluntary unemployment = a person is able but unwilling to work at the prevailing wage.
Involuntary unemployment = willing and able at the prevailing wage but no job is available.
Voluntary unemployment can exist even at full employment.

11. Distinguish between 'Value Addition' and 'Final Value of Output'. **3**

ANSWER

Value added = value of output − intermediate consumption; value of output = units produced × price.

Value addition: the amount by which a firm raises the value of its output over what it bought from other firms (intermediate consumption). Formula: Value Added = Value of Output − Value of Intermediate Consumption. It avoids double counting and is the firm's contribution to GDP.
Value of output: the total money value of all goods and services produced by a firm in a period.
Formula: Value of Output = Quantity produced × Price per unit (or Sales + Change in stock).
So value of output includes the value of intermediate goods, value added does not.

OR

Calculate the value added by Firm A from the data below (₹ crore):

S.No.	Particulars	₹ crore
(i)	Purchase of factor inputs by Firm A	5
(ii)	Purchase of non-factor inputs by Firm A	2
(iii)	Sales by Firm A to other domestic firms	10
(iv)	Import of raw materials by Firm A from abroad	50
(v)	Excess of opening stock over closing stock	3

ANSWER

Value added by Firm A = ₹ (−) 45 crore

Value of output = Sales + Change in stock. Opening stock exceeds closing stock by 3, so change in stock = −3.
Value of output = 10 − 3 = ₹ 7 crore.
Intermediate consumption = non-factor inputs + imported raw materials = 2 + 50 = ₹ 52 crore.
Value added = 7 − 52 = ₹ (−) 45 crore.
Common mistake: deducting purchase of factor inputs (₹ 5 crore). Factor inputs are not intermediate goods – payments to factors come out of value added, so item (i) is ignored.

12. "The foreign exchange rate and the supply of foreign exchange are positively related." Do you agree? Justify with valid arguments. **3**

ANSWER

Yes – a higher exchange rate raises the supply of foreign exchange.

Yes, I agree.
When the exchange rate rises (e.g. ₹ per $ goes up), the rupee depreciates, so Indian goods become cheaper for foreign buyers.
Indian exports become more competitive and foreign demand for them rises.
More exports bring in more foreign currency, so supply of foreign exchange rises (also, foreign tourism and investment in India become cheaper).
A fall in the exchange rate has the opposite effect. Hence the supply curve of foreign exchange slopes upward.

13. Describe how the economy adjusts if ex-ante (planned) savings are less than ex-ante (planned) investment. **4**

ANSWER

Planned S < planned I ⇒ AD > AS ⇒ inventories fall ⇒ output, income and employment rise until S = I.

Planned S < planned I means AD > AS: households and firms together want to buy more than producers plan to produce.
To meet the extra demand, firms sell from their stocks, so inventories fall below the desired level (unplanned decrease in inventory).
To rebuild inventories, producers plan to raise output, so they hire more factors – employment and income rise.
As income rises, saving also rises; the process continues until planned saving equals planned investment (AD = AS) and equilibrium is restored.

14. A news report of 26 September 2022 says the central bank has raised the benchmark lending rate by 140 basis points. Identify the likely cause of this RBI action and its consequences. **4**

ANSWER

Cause: inflation (excess demand); consequence: costlier credit ⇒ lower borrowing ⇒ fall in AD ⇒ prices ease.

Likely cause: inflationary pressure (excess demand) in the economy; the RBI wants to cool demand.
Consequences:
1. A higher policy rate raises the cost of funds for commercial banks, so they raise their lending rates.
2. Loans become costlier, so households and firms borrow less for consumption and investment.
3. Lower spending reduces aggregate demand.
4. With lower AD, the general price level rises more slowly or falls – inflation is controlled.
(140 basis points = 1·40 percentage points.)

15. Explain the 'Government's Bank' (banker to the government) function of the central bank. **4**

ANSWER

The central bank keeps the government's accounts, makes/receives payments for it, lends to it and manages its securities/debt.

As banker to the government, the central bank:
1. Keeps the bank accounts of the Central and State governments and receives deposits/makes payments on their behalf.
2. Gives loans/advances to the government when it needs funds (e.g. ways and means advances).
3. Buys and sells government securities in the open market on behalf of the government and manages public debt.
4. Acts as financial adviser and agent to the government (e.g. on foreign exchange and monetary matters).

OR

With a hypothetical numerical example, explain how a rise in the reserve ratio affects credit creation by commercial banks.

ANSWER

Credit creation is inversely related to the reserve ratio; e.g. RR 0·2 → ₹ 5,000, RR 0·5 → ₹ 2,000 on an initial deposit of ₹ 1,000.

Reserve ratio (RR) = minimum part of deposits that banks must keep as reserves as directed by the central bank. Credit (money) multiplier = 1/RR, so credit creation varies inversely with RR.
Example: initial deposit = ₹ 1,000.

Case	RR	Multiplier $1/RR$	Total deposits created
I	0.2	5	$1{,}000 \times 5 = 5{,}000$
II	0.5	2	$1{,}000 \times 2 = 2{,}000$

When RR rises from 20% to 50%, banks must keep more money idle and can lend less in each round, so total credit created falls from ₹ 5,000 to ₹ 2,000.

16. (a) "National income is always more than domestic income." Do you agree? Give a valid reason. **6**

ANSWER

No – national income < domestic income whenever NFIA is negative.

No, I do not agree.
National income (NNP at FC) = Domestic income (NDP at FC) + Net Factor Income from Abroad (NFIA).
If factor income received from abroad is less than factor income paid to abroad, NFIA is negative and national income is less than domestic income.
National income is greater only when NFIA is positive, and equal when NFIA = 0.

(b) "While estimating GDP by the expenditure method, only the expenditure of the country's residents is counted." Do you agree? Give valid reasons.

ANSWER

No – all final expenditure within the domestic territory, by residents and non-residents, is counted.

No, I do not agree.
GDP measures production within the domestic territory, so the expenditure method adds up all final expenditure on goods and services produced in the domestic territory: C + I + G + (X − M).
This includes spending by non-residents too – e.g. exports (foreigners buying our goods) are included.
So the focus is on the domestic territory, not on the residency of the spender.

17. (i) A pie-chart titled 'Where India gets its money from (for every ₹ 1 the Government earns)' shows: Corporation tax 21 paise, Borrowings and other liabilities 20 paise, GST and other taxes 19 paise, Income tax 16 paise, Non-tax revenue 9 paise, Excise duties 8 paise, Customs 4 paise, Recovery of loans 3 paise. Classify these items into revenue receipts and capital receipts, with reasons. (4) **6**

(ii) Distinguish between revenue deficit and fiscal deficit. (2)

ANSWER

(i) Revenue: corporation tax, income tax, GST, excise, customs, non-tax revenue; Capital: borrowings and other liabilities, recovery of loans. (ii) RD = revenue expenditure − revenue receipts; FD = total expenditure − total receipts excluding borrowings.

(i) Revenue receipts: Corporation tax (21 p), GST and other taxes (19 p), Income tax (16 p), Excise duties (8 p), Customs (4 p), Non-tax revenue (9 p) – total 77 paise.
Reason: they neither create a liability nor reduce any asset of the government.
Capital receipts: Borrowings and other liabilities (20 p), Recovery of loans (3 p) – total 23 paise.
Reason: borrowings create a liability; recovery of loans reduces an asset (loans given earlier).
(ii) Revenue deficit = estimated revenue expenditure − estimated revenue receipts in a fiscal year; it shows the government dissaving on current account.
Fiscal deficit = total estimated expenditure − total estimated receipts excluding borrowings; it shows the total borrowing requirement of the government.
FD includes capital expenditure and NDCR; RD covers only revenue items.

OR

(i) Calculate primary deficit from the data below (₹ crore): (3)

S.No.	Particulars	₹ crore
(i)	Revenue deficit	40
(ii)	Non-debt creating capital receipts	190
(iii)	Tax revenue	125
(iv)	Capital expenditure	220
(v)	Interest payments	20

(ii) Explain the 'economic stability' function of the government budget. (3)

ANSWER

(i) Primary deficit = ₹ 50 crore. (ii) The budget alters taxes/spending to control inflation or deflation and stabilise income, output and prices.

(i) Fiscal deficit = Revenue deficit + Capital expenditure − Non-debt creating capital receipts
(since FD = RE + CE − RR − NDCR = RD + CE − NDCR)
FD = 40 + 220 − 190 = ₹ 70 crore.
Primary deficit = FD − Interest payments = 70 − 20 = ₹ 50 crore.
Tax revenue (₹ 125 crore) is not needed – it is already reflected in the revenue deficit.
(ii) An economy faces fluctuations in income, output, employment and prices (business cycles), which depend on the level of aggregate demand (spending by households and firms).
The government uses the budget to correct them: during inflation (excess demand) it raises taxes

> and/or cuts expenditure to reduce AD; during deflation/recession (deficient demand) it lowers taxes and/or raises expenditure to increase AD.
> Thus the budget helps keep prices stable and the economy near full employment.

SECTION B

Indian Economic Development. Q18–27 carry 1 mark each; Q28–29: 3 marks; Q30–32: 4 marks; Q33–34: 6 marks.

18. Consider the two statements below. **1**

Statement 1: Commercialisation of agriculture under British rule was responsible for the frequent famines between 1875 and 1900.

Statement 2: During British rule, India started exporting food grains.

Choose the correct alternative.

(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.

ANSWER

(c) Both statements are true.

Under colonial rule farmers were pushed to grow cash crops (indigo, cotton, jute) for British industry instead of food crops; food output fell and famines became frequent, especially in 1875–1900 – Statement 1 is true.

India also exported food grains even when its own people faced shortages – Statement 2 is true.

19. Consider the two statements below. **1**

Statement 1: Food grains bought by the government at the Minimum Support Price (MSP) are kept as buffer stock.

Statement 2: MSP protects farmers from a sharp fall in the prices of farm produce.

Choose the correct alternative.

(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.

ANSWER

(c) Both statements are true.

The government (through FCI) procures wheat and rice at MSP and stores them as buffer stock for the PDS and emergencies – true.

MSP is announced before sowing and the government stands ready to buy at that price, so farmers are protected if market prices crash – true.

OR

Which statement is NOT correct?

(A) Import substitution was a strategy used to save foreign exchange.

(B) The licence policy ensured regional equality.

(C) The Russian economic model was the base of the Indian economic system.

(D) Small-scale industries are an important tool for generating employment.

ANSWER

(c) The Russian model was not the base of the Indian economic system.

(a) True – producing at home what was imported saved foreign exchange.

(b) True – licences were used to promote industry in backward regions (as per the 1956 policy).

(d) True – SSIs are labour-intensive.

(c) Incorrect – India chose a mixed economy, combining features of socialism (public sector, planning) and capitalism; it did not copy the Soviet (Russian) model.

20. Mini-hydel plants are good for the environment because: **1**

(i) they generate electricity for local areas only

(ii) they do not change the land-use pattern

(iii) they use perennial streams

(A) (i), (ii) and (iii) **(B)** (ii) and (iii)

(C) (i) only **(D)** (i) and (ii)

ANSWER

(a) (i), (ii) and (iii)

Mini-hydel plants use the energy of perennial mountain streams to run small turbines; the power is used locally (no long transmission lines/losses) and no big dams are needed, so the land-use pattern does not change. All three points are correct.

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21. China's Great Leap Forward (GLF) campaign focused on _____. **1**

(A) Widespread industrialisation **(B)** New agricultural strategy

(C) Privatisation **(D)** Economic reforms

ANSWER

(a) Widespread industrialisation

The GLF (launched 1958) aimed at industrialising China on a massive scale; people were even encouraged to set up industries (backyard furnaces) in their homes.
Economic reforms/privatisation came only from 1978.

OR

India is NOT a member of which regional/global economic group?

(A) European Union **(B)** BRICS

(C) G20 **(D)** SAARC

ANSWER

(a) European Union

India is a member of BRICS (Brazil, Russia, India, China, South Africa), G20 and SAARC. The European Union is a grouping of European countries only.

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22. The government's 'Skill India' programme is NOT an attempt to increase _____ in India. **1**

(A) human capital formation

(B) efficient utilisation of inputs

(C) increase in GDP growth

(D) inadequate spread of vocational education

ANSWER

(d) inadequate spread of vocational education

Skill India trains people in vocational skills; it raises human capital, makes better use of inputs and boosts GDP growth.
It aims to remove the inadequate spread of vocational education, not to increase it.

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23. Which movement is described here? 'Between 1966 and 1976, Mao started a movement in which students and professionals were sent to the Chinese countryside to work and learn from real rural life.' **1**

(A) Commune System

(B) Great Leap Forward

(C) Open Door Policy

(D) Great Proletarian Cultural Revolution

ANSWER

(d) Great Proletarian Cultural Revolution

The Great Proletarian Cultural Revolution (1966–76) sent students and professionals to the countryside to work and learn.
GLF was 1958 (industrialisation); communes were collective farming; the Open Door policy relates to the reforms after 1978.

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24. Consider the two statements below. **1**

Statement 1: In both India and Pakistan, the service sector has emerged as a major source of growth.

Statement 2: Among India's neighbours (India, China, Pakistan), China has the highest life expectancy.

Choose the correct alternative.

(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.

ANSWER

(c) Both statements are true.

In India and Pakistan the share and growth of the service sector have risen sharply, making it the main driver of growth – true.
China's life expectancy (about 76–77 years) is higher than that of India and Pakistan – true.

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25. Workers who are on the permanent pay-roll of their employer are called _____ workers. **1**

(A) self-employed
(B) casual
(C) regular
(D) hired

ANSWER
(c) regular

Regular salaried employees are engaged by an employer on a permanent basis and paid wages/salary regularly.
Casual workers are hired temporarily and do not get regular wages or social security.

OR

Jobless growth leads to unemployment because _____.

(A) Labour refuses to migrate
(B) Labour is very expensive
(C) Growth rate is low
(D) Growth is due to technological development

ANSWER
(d) Growth is due to technological development

Jobless growth = GDP rises but employment does not rise in proportion. It happens when output growth comes from better (labour-saving) technology rather than from employing more workers.

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26. Growing many different crops instead of one specialised crop is called _____. **1**

(A) diversification of crops
(B) diversification of agricultural production
(C) diversification in sectors
(D) diversification of employment

ANSWER
(a) diversification of crops

Crop diversification = shifting from a single crop (monoculture) to a variety of crops. Diversification of activities/employment means shifting to non-farm work such as animal husbandry, fisheries, etc.

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27. Consider the two statements below. **1**

Statement 1: India announced its First Five Year Plan in 1951.

Statement 2: India, Pakistan and China all adopted economic planning as their main development strategy.

Choose the correct alternative.

(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.

ANSWER

(c) Both statements are true.

India's First Five Year Plan covered 1951–56 – true.

India (1951), Pakistan (1956, First Five Year Plan / Medium Term Plan) and China (1953) all relied on planning – true.

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28. A photograph shows a hillside where many trees have been cut down: tree stumps and a pile of felled logs lie in the foreground, with forest left only in the background. Interpret the picture in terms of current environmental challenges. **3**

ANSWER

The picture shows deforestation – loss of biodiversity, soil erosion, disturbed water cycle, climate change/global warming.

The picture shows deforestation: large-scale felling of trees, often for timber, farming or development projects.

Why it is a serious challenge:

1. Loss of biodiversity and destruction of natural habitats of plants and animals.
2. Soil erosion and land degradation, since roots no longer hold the soil.
3. Disturbance of the water cycle – less rainfall, floods and droughts.
4. Fewer trees absorb less CO_2, adding to global warming and climate change.

Remedy: afforestation, sustainable forest management, using wood substitutes.

29. Critically evaluate the role of the rural banking system in rural development in India. **3**

ANSWER

Expansion of rural banking raised farm and non-farm output, income and employment, but credit is still inadequate, small/marginal farmers are neglected and overdues are high.

Positive role: rapid expansion of banks (commercial banks, RRBs, cooperatives, NABARD) after nationalisation supplied institutional credit; it reduced dependence on moneylenders and raised farm and non-farm output, income and employment; it helped the Green Revolution and food security.
Problems (critical part):
1. The volume of rural credit is still too small compared with demand; institutional sources have not covered the whole country.
2. Small and marginal farmers get too little attention; large farmers take most loans.
3. Large overdues/defaults on agricultural loans weaken the banks.
So rural banking has helped, but needs reform to reach the poorest.

OR

Dr. Khurana, a dentist, earned a fairly low income from his clinic in an economically backward area, so he spent a large amount to shift to a city. Identify and explain the type of expenditure he incurred that directly adds to human capital formation.

ANSWER

Expenditure on migration.

Type: expenditure on migration.
Explanation: people move from low-income to high-income areas in search of better jobs and higher earnings. The cost of moving (transport, higher living cost in the city) is an investment because it lets a person's skills earn more.
Qualified people such as doctors and engineers migrate to use their skills better, so migration raises their productivity and earnings – it is one of the sources of human capital formation.

30. Explain the reasons for slow growth and the re-emergence of poverty in Pakistan. **4**

ANSWER

Volatile agriculture based on good harvests (not technology), over-dependence on remittances and foreign aid, mounting debt-repayment difficulty.

1. Agricultural growth and food supply depended on good harvests rather than on an institutional process of technical change; so farm output was volatile – good in some years, poor in others.
2. Over-dependence on foreign remittances and foreign aid instead of building its own productive base; these flows are uncertain.
3. Growing difficulty in repaying foreign loans, leading to a debt burden.
4. Political instability and a weak, less diversified industrial and export base also slowed growth.
As growth slowed, poverty began to rise again in the 1990s.

31. (a) Briefly explain the reasoning behind the 'Licence Raj' under the Industrial Policy Resolution, 1956. **4**

ANSWER

To keep the private sector under state control and to promote balanced regional development.

Under IPR 1956, industries were placed in three categories and the private sector could operate only under state control.

1. No new industry could be set up, and no existing one expanded, without a licence from the government – this kept the private sector in line with plan targets.
2. Licences were given more easily for units in backward regions (with concessions like tax benefits, cheap power), so licensing was used to promote regional equality.
3. It also prevented concentration of economic power and duplication of capacity.

(b) Define multilateral trade.

ANSWER

Trade in goods and services among more than two countries.

Multilateral trade is the exchange of goods and services among more than two nations (e.g. under the WTO), as opposed to bilateral trade between two countries.

32. State whether the following is true or false and explain with valid arguments: "In the recent past, the Indian economy has made satisfactory progress towards formalisation of its workforce." **4**

ANSWER

False – the workforce has shifted from the formal to the informal sector (informalisation).

False.
In recent years India has seen informalisation of the workforce: the share of workers in the formal sector has fallen and more people work in the informal sector without job security or social security benefits.
Main reason: job opportunities in the formal sector (both public and private) have not grown – public sector recruitment has slowed and private firms prefer contract/casual labour.
So progress towards formalisation has not been satisfactory.

OR

Around 60% of workers in India are self-employed, and underemployment is highest among them. As an economist, suggest and explain any two measures to make employment of the self-employed more productive.

ANSWER

1. Skill development and training; 2. Financial (credit) and technical support from the government.

1. Skill development: training programmes give the self-employed the skills and know-how to improve their work or start new ventures, raising productivity and income.
2. Financial and technical support by the government: easy, cheap credit, subsidies and technical guidance help them meet capital needs, adopt better methods and expand their units.
(Other valid measures: marketing support, infrastructure in rural areas, promotion of small-scale and cottage industries.)

33. (a) Why are fewer women found in regular salaried employment? **6**

ANSWER

Such jobs need higher skills and literacy, which fewer women have; social constraints also limit women's mobility.

1. Regular salaried jobs require skills and a higher level of education; women on average have lower literacy and fewer technical skills.
2. Social constraints – household responsibilities, restrictions on travel and working away from home – limit women's mobility.
3. Hence women are concentrated in self-employment and casual work rather than regular jobs.

(b) Distinguish between human capital and physical capital.

ANSWER

Human capital = knowledge/skills embodied in a person, inseparable and only its services sold; physical capital = tangible assets, separable and saleable.

Human capital: the stock of skill, knowledge and ability embodied in people; it is intangible and inseparable from its owner; it cannot be sold, only its services can be sold in the market.
Physical capital: tangible assets such as machinery, buildings and tools; it is separable from its owner and can be bought and sold in the market.
(Other differences: human capital is not perfectly mobile across countries and gives social benefits; physical capital depreciates with use.)

OR

(a) State and discuss any one strategy for achieving sustainable development in India.

ANSWER

e.g. Mini-hydel plants (or solar power, biogas, CNG, organic farming).

Strategy: mini-hydel plants.
In hilly areas there are many perennial streams. Mini-hydel plants use the energy of these streams to turn small turbines and generate electricity for local use.
They are environment-friendly: no big dams are needed, so the land-use pattern does not change; transmission losses are small; the source is renewable.
(Any other strategy such as solar power, biogas, LPG/CNG, wind power, organic farming may be explained instead.)

(b) Briefly discuss the importance of micro-credit programmes in rural India.

ANSWER

They fill the gap left by formal credit and bring poor rural households (without collateral) into formal credit at low interest, mainly through SHGs.

1. The formal credit system has not fully reached rural society; because banks ask for collateral, most poor households were left out.
2. Micro-credit programmes (Self-Help Groups linked to banks) fill this gap: members pool small savings and get small loans without collateral at reasonable interest.
3. This brings poor households into the formal credit network, reduces dependence on moneylenders, supports small enterprises and helps empower women.

34. A passage based on a NITI Aayog report on digital banks says India has the technology (UPI, Aadhaar, open banking) to support digital banks and needs a licensing and regulatory framework for them. It notes that digital banking lets users set up automatic payments of regular utility bills, reduces the risk of counterfeit currency through fund transfers, and checks black money by promoting a cashless society. **6**

(a) Which institution did NITI Aayog replace? Who is its ex-officio Chairman? (2)

(b) State and discuss any two main advantages of digital banking. (4)

ANSWER

(a) Planning Commission; the Prime Minister. (b) e.g. cashless economy curbing black money/counterfeit notes; convenience of automatic bill payments and quick transfers.

(a) NITI Aayog (2015) replaced the Planning Commission. The Prime Minister is its ex-officio Chairman.

(b) 1. Promotes a cashless society: all transactions go through banks and leave a record, so the use of unaccounted (black) money and counterfeit notes falls.

2. Convenience: users can pay utility bills automatically and transfer funds anytime, anywhere, saving time and cost.

(Other advantages: wider financial inclusion, lower transaction costs, faster transfers.)

— END —

Questions restated from the CBSE Class XII Board Examination 2023 (set 58/1/1) for practice. Reading passages and map items are described, not reproduced.