



All India Civil Services Coaching Centre

(Under the aegis of Government of Tamil Nadu)

NCERT Economy

Answer Key Explanation

Maximum Questions: 100

Maximum Marks: 200

1. Ans: a

Exp: Option a is correct:

- The P J Nayak Committee or officially the Committee to Review Governance of Boards of Banks in India was set up by the Reserve Bank of India (RBI) to review the governance of the board of banks in India.
- The Committee was set up in January 2014. The Committee was chaired by P J Nayak, the former CEO and Chairman of Axis Bank. PJ Nayak Committee Recommendations
- Repeal the Bank Nationalisation Act (1970, 1980), the SBI Act and the SBI Subsidiaries Act. This is because these acts require the government to have above 50% share in the banks.
- After the above acts are repealed, the government should set up a Bank Investment Company (BIC) as a holding company or a core investment company.
- The government can transfer its share in the banks to this BIC. Thus, the BIC would become the parent holding company of all these national banks, which would become subsidiaries. As a result of this, all the PSBs (public sector banks) would become 'limited' banks. BIC will be autonomous and have the power to appoint the Board of Directors and make other policy decisions.
- Until the BIC is formed, a temporary body called the Bank Boards Bureau (BBB) will be formed to do the functions of the BIC. Once BIC is formed, the BBB will be dissolved.

- The BBB will advise on appointments to the board, banks' chairman and other executive directors.

2. Ans: d

Exp: Balance of Payments & Its Components:

- BoP can be broken into balance of current account and balance of capital account.

Current Account includes:

- The balance of trade (i.e. Export and import of goods)
- The balance of services
- Remittances
- Transfer Payments

Capital Account includes:

- Investment (i.e. FDI and FII)
- Borrowings (External Commercial Borrowings, sovereign loans)
- NRI Deposits
- Since, all points are correct; hence the correct answer is option d.

Note - The sum of the current account and capital account reflected in the balance of payments will always be zero.

3. Ans: c

Exp: Repo Rate

- It is the rate at which the central bank of a country (Reserve Bank of India in case of India) lends money to commercial banks in the event of any shortfall of funds.

- Statement 3 is correct: If the repo rate is lowered, then banks can potentially charge lower interest rates on the loans taken by borrowers and vice versa. Thus, it will benefit the borrowers as EMIs (equated monthly instalments) will decrease.
- Statement 2 is not correct: A decrease in the repo rates helps in improving the growth and economic development of the country. A decline in the repo rate can lead to the banks bringing down their lending rate which is beneficial for retail loan borrowers.
- Statement 1 is not correct: It will inject liquidity over a period. It has several purposes to serve – a stronger money market, stability, and better costing and signalling of the loan products.
- Injecting liquidity may lead to inflation in the country.

4. Ans: d

Exp: GDP deflator

- Statement 1 is not correct: It represents the ratio of GDP at current prices to GDP at constant prices.
- The GDP deflator is published on a quarterly basis since 1996 with a lag of two months.
- It is because of this very reason that economists prefer the use of Wholesale Price Index (WPI) or Consumer Price Index (CPI) for deflating nominal price estimates to derive real price estimates.
- Statement 2 is not correct: Unlike the WPI and the CPI, GDP deflator is not based on a fixed basket of goods and services, it covers the whole economy.
- It does not include the prices of imported goods.
- The weights are constant in CPI, but they differ according to the production level of each good in GDP deflator.

5. Ans: c

Exp: Measures to check Inflation

- Point 1 is not correct: Reducing Cash Reserve Ratio will further increase inflation.
- Point 2 is correct: The government may go for import of goods which are in short supply- as a short-term measure (as happened in India in the case of 'onion' and meeting the buffer stock norm of wheat).
- As a long-term measure, governments go on to increase production to match the level of demand. Storage, transportation, distribution, hoarding are the other aspects of price management of this category
- Point 3 is correct: Governments may try to cool down the price by cutting down the production cost of goods showing price rise with the help of tax breaks- cuts in the excise and customs duties (as happened in June 2003 in India in the case of crude oil and steel). This helps as a short-term measure.

6. Ans: b

Exp: Open Market Operations refers to buying and selling of bonds issued by the Government in the open market. This purchase and sale is entrusted to the Central bank on behalf of the Government.

- Statement 'b' is correct: When RBI buys a Government bond in the open market; it pays for it by giving a cheque. This cheque increases the total amount of reserves in the economy and thus increases the money supply.
- Selling of a bond by RBI (to private individuals or institutions) leads to reduction in quantity of reserves and hence the money supply.
- The Reserve Bank of India conducts repo and reverse repo operations at various maturities:

- overnight, 7-day, 14- day, etc. This type of operations has now become the main tool of monetary policy of the Reserve Bank of India.

7. Ans: c

Exp: Qualitative Tools (RBI)

- Option c is correct: The RBI controls the money supply in the economy in various ways. The tools used by the Central bank to control money supply can be quantitative or qualitative. Quantitative tools control the extent of money supply by changing the CRR, or bank rate or open market operations.
- Points 3 and 4 are not correct: Qualitative tools include persuasion by the Central bank in order to make commercial banks discourage or encourage lending which is done through moral suasion, margin requirement, credit ceiling, and consumer credit controls etc.

8. Ans: a

Exp: The demand for money tells us what makes people desire a certain amount of money.

- Since money is required to conduct transactions, the value of transactions will determine the money people will want to keep: the larger is the quantum of transactions to be made, the larger is the quantity of money demanded.
- Since the quantum of transactions to be made depends on income, it should be clear that a rise in income will lead to rise in demand for money.
- Also, when people keep their savings in the form of money rather than putting it in a bank which gives them interest, how much money people keep also depends on rate of interest.
- Statement 'a' is correct: Specifically, when interest rates go up, people become less interested in holding money since holding

money amounts to holding less of interest-earning deposits, and thus less interest received.

- Therefore, at higher interest rates, money demanded comes down.

9. Ans: c

Exp: Co-operative Banks

- A Co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. It is distinct from commercial banks.
- Statement 1 is correct: These banks are owned and controlled by the members, who democratically elect a board of directors.
- Members usually have equal voting rights, according to the cooperative principle of "one person, one vote".
- Statement 3 is correct: They are registered under the Co-operative Societies Act of the State concerned or under the Multi-State Co-operative Societies Act, 2002.
- Statement 2 is not correct: Recently, the Central government approved an Ordinance to bring all urban and multi-state co-operative banks under the direct supervision of the Reserve Bank of India (RBI).
- Note: The Co-operative banks are also governed by the Banking Regulations Act, 1949 and Banking Laws (Co-operative Societies) Act, 1955.

10. Ans: c

Exp: Priority Sector Lending

- All points are correct: The RBI mandates banks to lend a certain portion of their funds to specified sectors, like agriculture, Micro, Small and Medium Enterprises (MSMEs), export credit, education, housing, social infrastructure, renewable energy among others.

- All scheduled commercial banks and foreign banks (with a sizable presence in India) are mandated to set aside 40% of their Adjusted Net Bank Credit (ANDC) for lending to these sectors.
- Regional rural banks, co-operative banks and small finance banks have to allocate 75% of ANDC to PSL.
- The idea behind this is to ensure that adequate institutional credit reaches some of the vulnerable sectors of the economy, which otherwise may not be attractive for banks from the profitability point of view.

11. Ans: d

Exp: Marginal Standing Facility:

- Statement 1 is not correct: MSF or Marginal Standing Facility Rate is the rate at which RBI lends funds overnight to banks which are included in the second schedule of Reserve bank of India Act 1934, against government securities (Only Scheduled Banks).
- Statement 2 is not correct: The RBI, as a temporary measure, had increased the borrowing limit of scheduled banks under the MSF scheme from 2% to 3% of their deposits.
- Statement 3 is correct: Under MSF, banks are also allowed to use the securities that come under Statutory Liquidity Ratio (SLR) in the process of availing loans from RBI.
- Note: Under SLR, commercial banks are mandated by RBI to maintain a stipulated proportion of their deposits in the form of liquid assets like cash, gold and unencumbered (free from debt) securities.

12. Ans: d

Exp: Moral Suasion

- Option d is correct: Moral Suasion refers to a method adopted by the central bank to persuade or convince the commercial banks to advance credit in accordance

with the directives of the central bank in the economic interest of the country.

- Simply, the process in which the central bank requests or persuades the commercial banks to comply with the general monetary policy of the central bank is called a moral suasion.
- Moral suasion is applied in addition to the quantitative and other selected methods, especially in the situations where these methods prove to be less effective. The central bank relies heavily on this method where there are a large number of commercial banks, with a view to accomplishing the objectives. Also, the central bank can request or convince the commercial banks to not to advance additional credit to the public or finance the non-priority industrial sectors.

13. Ans: b

Exp: Open Market Operations

- Statement 'b' is correct: Open Market Operations refers to buying and selling of bonds issued by the Government in the open market. This purchase and sale is entrusted to the Central bank on behalf of the Government.
- When RBI buys a Government bond in the open market, it pays for it by giving a cheque.
- This cheque increases the total amount of reserves in the economy and thus increases the money supply.
- Selling of a bond by RBI (to private individuals or institutions) leads to reduction in quantity of reserves and hence the money supply.

14. Ans: c

Exp: Base Rate

- Statement 'c' is correct: Base rate is the minimum rate set by the Reserve Bank of India below which banks are not allowed to lend to its customers.

- Base rate is decided in order to enhance transparency in the credit market and ensure that banks pass on the lower cost of fund to their customers. Loan pricing will be done by adding base rate and a suitable spread depending on the credit risk premium.
- Bank rate is the rate charged by the central bank for lending funds to commercial banks.
- Interbank exchange rate is the rate at which banks swap currencies between one another.

15. Ans: d

Exp: In a modern economy money consists mainly of currency notes and coins issued by the monetary authority of the country.

- In India currency notes are issued by the Reserve Bank of India (RBI), which is the monetary authority in India. However, coins are issued by the Government of India.
- All points are correct: Apart from currency notes and coins, the balance in savings, or current account deposits, held by the public in commercial banks is also considered money since cheques drawn on these accounts are used to settle transactions. Such deposits are called demand deposits as they are payable by the bank on demand from the account-holder.
- Other deposits, e.g. fixed deposits, have a fixed period to maturity and are referred to as time deposits.

16. Ans: b

Exp: Statements 1 and 3 are correct:

- Gross Domestic Product measures the aggregate production of final goods and services taking place within the domestic economy during a year.
- But the whole of it may not accrue to the citizens of the country. (Income generated

by foreign companies or foreign citizens inside the country is taken into account while calculating the GDP).

- Statement 2 is not correct: For example, a citizen of India working in Saudi Arabia may be earning her wage and it will be included in the Saudi Arabian GDP.
- Hence, the correct answer is option b.

17. Ans: d

Exp: National Income (NI)

- $NNP \equiv GNP - \text{Depreciation}$
- It is to be noted that all these variables are evaluated at market prices. Through the expression given above, we get the value of NNP evaluated at market prices. But market price includes indirect taxes. When indirect taxes are imposed on goods and services, their prices go up.
- We have to deduct the indirect taxes from NNP evaluated at market prices in order to calculate that part of NNP which actually accrues to the factors of production. Similarly, there may be subsidies granted by the government on the prices of some commodities (in India petrol is heavily taxed by the government, whereas cooking gas is subsidised). So we need to add subsidies to the NNP evaluated at market prices.
- Statement d is correct: The measure that we obtain by doing so is called Net National Product at factor cost or National Income.
- Thus, $NNP \text{ at factor cost} \equiv \text{National Income (NI)} \equiv NNP \text{ at market prices} - (\text{Indirect taxes} - \text{Subsidies}) \equiv NNP \text{ at market prices} - \text{Net indirect taxes}$ ($\text{Net indirect taxes} \equiv \text{Indirect taxes} - \text{Subsidies}$)

18. Ans: b

Exp: Consumer Price Index (CPI) is the index of prices of a given basket of commodities which are bought by the representative consumer.

- CPI is generally expressed in percentage terms. We have two years under consideration – one is the base year, the other is the current year.
- We calculate the cost of purchase of a given basket of commodities in the base year. We also calculate the cost of purchase of the same basket in the current year. Then we express the latter as a percentage of the former. This gives us the Consumer Price Index of the current year vis-à-vis the base year.

CPI differs from GDP deflator in the following ways:

- Statement 1 is not correct: The goods purchased by consumers do not represent all the goods which are produced in a country. GDP deflator takes into account all such goods and services.
- Statement 2 is correct: CPI includes prices of goods consumed by the representative consumer; hence it includes prices of imported goods. GDP deflator does not include prices of imported goods.
- Statement 3 is not correct: Weights are constant in CPI but they differ according to production level of each good in GDP deflator

19. Ans: d

Exp: Economic Agents

- Option d is correct: By economic units or economic agents, we mean those individuals or institutions which take economic decisions.
- They can be consumers who decide what and how much to consume. They may be producers of goods and services who decide what and how much to produce.
- They may be entities like the government, corporation, banks which also take different economic decisions like how much to spend, what interest rate to charge on the credit, how much to tax, etc.

20. Ans: a

Exp: Capital Account (Balance of Payment)

- Capital Account records all international transactions of assets. An asset is any one of the forms in which wealth can be held, for example: money, stocks, bonds, Government debt, etc. Purchase of assets is a debit item on the capital account.
- If an Indian buys a UK Car Company, it enters capital account transactions as a debit item (as foreign exchange is flowing out of India).
- On the other hand, sale of assets like sale of share of an Indian company to a Chinese customer is a credit item on the capital account.
- Points 2 and 3 are not correct: Shipping and banking form part of Current Account.
- Option 'a' is correct: Capital Account includes Foreign Direct Investments (FDIs), Foreign Institutional Investments (FIIs), external borrowings and assistance.

21. Ans: d

Exp: Primary Deficit

- Statement 1 is not correct: Primary deficit is defined as fiscal deficit of current year minus interest payments on previous borrowings.
- In other words whereas fiscal deficit indicates the borrowing requirement inclusive of interest payment, primary deficit indicates the borrowing requirement exclusive of interest payment (i.e., amount of loan).
- It excludes the burden of the past debt and shows the net increase in the government's indebtedness due to the current year's fiscal operations.
- Statement 2 is not correct: A reduction in primary deficit is reflective of government's efforts at bridging the fiscal gap during a financial year.
- We have seen that borrowing requirement of the government includes not only

accumulated debt, but also interest payment on debt. If we deduct 'interest payment on debt' from borrowing, the balance is called primary deficit.

- It shows how much government borrowing is going to meet expenses other than Interest payments. Thus, zero primary deficits means that government has to resort to borrowing only to make interest payments. To know the amount of borrowing on account of current expenditure over revenue, we need to calculate primary deficit.
- Thus, primary deficit is equal to fiscal deficit less interest payments.
- Primary deficit = Fiscal deficit – Interest payments.

22. Ans: b

Exp: Capital Receipts

- Government receipts which either create liabilities (e.g. borrowing) or reduce assets (e.g. disinvestment) are called capital receipts. Thus when the government raises funds either by incurring a liability or by disposing off its assets, it is called a capital receipt.
- Sale of government assets, like sale of shares in Public Sector Undertakings (PSUs) which is referred to as PSU disinvestment, reduce the total amount of financial assets of the government. All those receipts of the government which create liability or reduce financial assets are termed as capital receipts.
- When government takes fresh loans it will mean that in future these loans will have to be returned and interest will have to be paid on these loans.
- Similarly, when government sells an asset, then it means that in future its earnings from that asset will disappear. Thus, these receipts can be debt creating or non-debt creating.

- Points 2 and 5 are not correct: Interest receipts on account of loans by the central government, dividends and profits on investments made by the government, fees and other receipts for services rendered by the government and the cash grants- in-aid from foreign countries and international organisations form part of revenue receipts.
- Therefore the correct answer to the question is option 'b'.

23. Ans: c

Exp: The concept of domestic territory (economic territory) is different from the geographical or political territory of a country.

Domestic territory of a country includes the following:

- Political frontiers of the country including its territorial waters
- Ships, and aircrafts operated by the residents of the country between two or more countries for example, Air India's services between different countries.
- Fishing vessels, oil and natural gas rigs and floating platforms operated by the residents of the country in the international waters or engaged in extraction in areas where the country has exclusive rights of operation.
- Embassies, consulates and military establishments of the country located in other countries, for example, Indian embassy in U.S.A., Japan etc.
- Points 2 and 4 are not correct: It excludes all embassies, consulates and military establishments of other countries and offices of international organisations located in India.
- Thus, domestic territory may be defined as the political frontiers of the country including its territorial waters, ships, aircrafts, fishing vessels operated by the

residents of the country, embassies and consulates located abroad etc.

24. Ans: c

Exp: General Anti Avoidance Rule (GAAR)

- These rules were incorporated in Income Tax Act in 2012 on the suggestions of Parthasarathi Shome panel.
- Statement c is correct: GAAR empowers Income Tax officials to send notices to both Indians and foreigners for suspected Tax Avoidance. For Tax evasion, we have separate laws- PMLA, UFIA, BTPA.
- However, critics alleged GAAR will result in tax terrorism, harassment, no ease of doing business.
- So, successive Budgets kept delaying the GAAR- implementation. Finally these were implemented on 1/4/2017.

25. Ans: b

Exp: Statement 1 is not correct: Real GDP is calculated in a way such that the goods and services are evaluated at some constant set of prices (or constant prices).

- Since these prices remain fixed if the Real GDP changes we can be sure that it is the volume of production which is undergoing changes.
- Nominal GDP, on the other hand, is simply the value of GDP at the current prevailing prices.
- Statement 2 is correct: The main difference between nominal GDP and real GDP is the adjustment for inflation.
- A positive difference in nominal minus real GDP signifies inflation and a negative difference signifies deflation.
- In other words, when nominal GDP is higher than real GDP, inflation is occurring and when real GDP is higher than nominal GDP, deflation is occurring.
- The ratio of nominal GDP to real GDP gives us an idea of how the prices have moved from the base year to the current year.

- In the calculation of real and nominal GDP of the current year, the volume of production is fixed. Therefore, if these measures differ it is only due to change in the price level between the base year and the current year.
- The ratio of nominal to real GDP is a well-known index of prices. This is called GDP Deflator.

26. Ans: c

Exp: Demand-pull inflation

- Demand-pull inflation exists when aggregate demand for a good or service outstrips aggregate supply. If aggregate demand rises faster than productive capacity, then firms will respond by putting up prices, creating inflation. It is the most common cause of inflation.

Causes of Demand-Pull Inflation:

- Point 1 is correct: A growing economy: when consumers feel confident, they spend more and take on more debt. This leads to a steady increase in demand, which means higher prices.
- Point 2 is not correct: Lower interest rates: A cut in interest rates causes a rise in consumer spending and higher investment. This boost to demand causes a rise in aggregate demand and inflationary pressures.
- Devaluation in the exchange rate increases domestic demand (exports cheaper, imports more expensive). Devaluation will also cause cost-push inflation (imports more expensive).
- Point 3 is not correct: Government spending: When the government spends more freely, prices go up.
- Point 4 is correct: More money in the system: An expansion of the money supply with too few goods to buy makes prices increase.

27. Ans: c

Exp: Trade Receivables Discounting System (TReDS)

- Statement 1 is correct: It is a digital platform where small businesses can get access to capital by auctioning their trade receivables.
- It is an online electronic institutional mechanism for facilitating the financing of trade receivables of MSMEs through multiple financiers.
- The process is also commonly known as 'bills discounting', a financier (typically a bank) buying a bill (trade receivable) from a seller of goods before it's due or before the buyer credits the value of the bill.
- In other words, a seller gets credit against a bill which is due to him at a later date.
- Statement 2 is correct: It facilitates the discounting of both invoices as well as bills of exchange.

28. Ans: a

Exp: Beveridge curve

- Option 'a' is correct: This refers to a graphical representation that shows the relationship between the unemployment rate (on the horizontal axis) and the job vacancy rate (on the vertical axis) in an economy.
- It is named after British economist William Beveridge.
- The Beveridge curve usually slopes downwards because times when there is high job vacancy in an economy are also marked by relatively low unemployment since companies may actually be actively looking to hire new people.
- By the same logic, a low job vacancy rate usually corresponds with high unemployment as companies may not be looking to hire many people in new jobs

29. Ans: c

Exp: Tax Evasion

- Option c is correct: Tax evasion is an illegal action in which a person or entity deliberately avoids paying a true tax liability
- It is the wilful and illegal evasion of taxes by individuals, trusts and corporations. In this case, taxpayers misrepresent their financial state of affairs deliberately to the tax authorities.
- This includes fraudulent practices such as dishonest tax reporting, declaration of less income or profits than the amount actually earned, and also overstating their deductions.

30. Ans: b

Exp: Option b is correct:

- The Logistics Performance Index (LPI), developed by the World Bank Group, is an interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their performance on trade logistics and what they can do to improve their performance.

The logistics performance (LPI) is the weighted average of the country's scores on the six key dimensions:

- Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs
- Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology).
- Ease of arranging competitively priced shipments.
- Competence and quality of logistics services (e.g., transport operators, customs brokers).
- Ability to track and trace consignments
- Timeliness of shipments in reaching destinations within the scheduled or expected delivery time
- India was ranked 44th on the LPI in 2018.

31. Ans: a

Exp: Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme

- Statement 3 is not correct: Taking a major step to boost exports, Government has decided to extend the benefit of the Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) to all export goods with effect from 1st January, 2021.
- The RoDTEP Scheme came into existence because USA filed a complaint against India at the WTO stating that export subsidies like the MEIS scheme given by the Government of India (GOI) gave undue benefits to Indian exporters and was against the WTO rules.
- India lost the case at WTO and had to come up with a new WTO-compliant scheme to help Indian exporters. Hence, the RoDTEP Scheme was approved by the Union Cabinet on 13th March 2020 and it will be effective from January 2021
- Statement 1 is correct: It is a new scheme to replace the existing MEIS scheme for exports of goods from India, which aims to reimburse the taxes and duties incurred by exporters such as local taxes, coal cess, mandi tax, electricity duties and fuel used for transportation, which are not exempted or refunded under any other existing scheme.
- It is a scheme for exporters to make Indian products cost-competitive and create a level playing field for them in the global market.
- Statement 2 is not correct: The Scheme will enclose all sectors (including textiles), with priority given to labour-intensive sectors which are enjoying benefits under MEIS Scheme at 2%, 3% or 5% of the export value.
- Both merchant exporters (traders) and manufacturer exporters are eligible.

- SEZ Units and EOU Units are also eligible to claim benefits. There are no minimum turnover criteria to claim RoDTEP.
- Goods exported through e-commerce platforms via courier are also eligible.

32. Ans: d

Exp: PM-MUDRA Scheme

- Statement 1 is not correct: It provides indirect lending via SCB, RRB, Cooperatives, MFI & other NBFCs through refinancing.
- Statement 2 is not correct: It is wholly owned by SIDBI, and also receives the funding from PSL- shortfalls via RBI, and budgetary support via Department of Financial Services
- Beneficiaries are Micro Enterprises from Agri- allied sectors, manufacturing & service sector who are not registered under the companies act i.e., those company which are non-corporate type
- Statement 3 is correct: Mudra loans are collateral-free. If borrower defaults on loan, then lender's losses are covered through Credit Guarantee Fund for Micro Units [CGFMU] which is operated by National Credit Guarantee Trustee Company Ltd.

33. Ans: b

Exp: The Centrally Planned Economy

- Statement 1 not is correct: In a centrally planned economy, the government or the central authority plans all the important activities in the economy.
- All important decisions regarding production, exchange and consumption of goods and services are made only by the government.
- Statement 2 is correct: The central authority may try to achieve a particular allocation of resources and a consequent distribution of the final combination of goods and services which is thought to be desirable for society as a whole.

- Statement 3 is not correct: For example, if it is found that a good or service which is very important for the prosperity and well-being of the economy as a whole, e.g. education or health service, is not produced in adequate amount by the individuals on their own, the government might try to induce the private sector to produce adequate amount of such a good or service or, alternatively, the government may itself decide to produce the good or service in question.

34. Ans: c

Exp: Twin Deficit

- Option c is correct: Current Account Deficit and Fiscal Deficit (also known as "budget deficit" is a situation when a nation's expenditure exceeds its revenues) are together known as twin deficits and both often reinforce each other, i.e., a high fiscal deficit leads to higher CAD and vice versa.
- The current account measures the flow of goods, services and investments into and out of the country.
- There is a deficit in Current Account if the value of the goods and services imported exceeds the value of those exported.
- It can be reduced by boosting exports and curbing non-essential imports such as gold, mobiles, and electronics.
- A fiscal deficit is a shortfall in a government's income compared with its spending. It is usually measured as percentage of GDP.

35. Ans: a

Exp: Statement 1 is correct: The law of demand states that other things being equal, there is a negative relation between demand for a commodity and its price.

- In other words, when price of the commodity increases, demand for it falls and when price of the commodity

decreases, demand for it increases, other factors remaining the same.

- The downward sloping demand curve shows that at lower prices, the individual is willing to buy more of commodity x; at higher prices, he/she is willing to buy less of commodity x.
- Statement 2 is not correct: An explanation for a downward sloping demand curve rests on the notion of diminishing marginal utility.
- The law of diminishing marginal utility states that each successive unit of a commodity provides lower marginal utility.
- Therefore the individual will not be willing to pay as much for each additional unit and it results in a downward sloping demand curve.
- At a price of Rs. 40 per unit x, the individual's demand for x were 5 units. The 6th unit of commodity x will be worth less than the 5th unit. The individual will be willing to buy the 6th unit only when the price drops below Rs. 40 per unit.
- Hence, the law of diminishing marginal utility explains why demand curves have a negative slope.

36. Ans: b

Exp: Human Development Index (HDI)

- HDI is a part of the Human Development Report (HDR), which was first published in 1990 by United Nations Development Programme (UNDP).
- HDI was led by the Pakistani Economist Mahbub ul Haq and Inge Kaul.
- HDR measures development by combining three indicators- Health, Education and Standard of living converted into a composite HDI.
- It measures the average achievements in a country in three basic dimensions of human development:
- Health (Life expectancy at birth)

- Mean of years of schooling and expected years of schooling
- A standard of living measured by Gross National Income per capita at purchasing power parity in US dollars.
- Point 2 is not correct: Gender Equality is not a parameter to calculate Human Development Index.
- Hence, the correct answer is option 'b'.

37. Ans: d

Exp: Law of Diminishing Marginal Utility

- The rate of change in total utility due to change in quantity of commodity consumed is a measure of marginal utility. This marginal utility diminishes with increase in consumption. This follows from the law of diminishing marginal utility.
- Statement 1 is not correct: Law of Diminishing Marginal Utility states that marginal utility from consuming each additional unit of a commodity declines as its consumption increases, while keeping consumption of other commodities constant.
- Statement 2 is not correct: Marginal Utility becomes zero at a level when Total Utility remains constant.

38. Ans: a

Exp: Cardinal Utility Analysis

- Cardinal utility analysis assumes that level of utility can be expressed in numbers. For example, we can measure the utility derived from a shirt and say, this shirt gives me 50 units of utility.
- Statement 1 is correct: Total utility of a fixed quantity of a commodity (TU) is the total satisfaction derived from consuming the given amount of some commodity x. More of commodity x provides more satisfaction to the consumer.
- TU depends on the quantity of the commodity consumed. Therefore, TU (n)

refers to total utility derived from consuming n units of a commodity x.

- Statement 2 is correct: Marginal utility (MU) is the change in total utility due to consumption of one additional unit of a commodity. For example, suppose 4 bananas give us 28 units of total utility and 5 bananas give us 30 units of total utility.
- Clearly, consumption of the 5th banana has caused total utility to increase by 2 units (30 units minus 28 units). Therefore, marginal utility of the 5th banana is 2 units.
- Statement 3 is not correct: Marginal Utility (MU) diminishes with increase in consumption of the commodity. This happens because having obtained some amount of the commodity; the desire of the consumer to have still more of it becomes weaker.

39. Ans: a

Exp: Statement 1 is correct: In China, due to topographic and climatic conditions, the area suitable for cultivation is relatively small — only about 10 per cent of its total land area.

- Statement 2 is incorrect: The total cultivable area in China accounts for 40 per cent of the cultivable area in India.
- Statement 3 is correct: Until the 1980s, more than 80 per cent of the people in China were dependent on farming as their sole source of livelihood.

40. Ans: c

Exp: Statement 1 is correct: Brain drain is the migration of highly skilled labour. It adversely affects economic development and human capital formation.

- Statement 2 is correct: A large portion of the population lives below the poverty line. Due to the low level of income, they cannot afford higher and quality education or expensive medical facilities.

- Statement 3 is correct: Gender Inequality and High Regional Disparity is important for human capital formation.
- Statement 4 is correct: School dropout or low attainment of education. Education is the most effective way of increasing the productive workforce in the country.
- Statement 5 is incorrect: High consumption in economy shows higher demand and availability. This is sign of human capital development.

41. Ans: b

Exp: Statement 1 is incorrect:

- National Social Assistance Programme is a programme to give pension to elderly people who do not have anyone to take care of them.
- Statement 2 is correct: Pradhan Mantri Gramodaya Yojana aims to provide better connectivity in the villages by improving roads.

42. Ans: a

Exp: Statement 1,2 and 3 is correct:

Maoist vision of economic development based on: -

- Decentralization
- self sufficiency
- shunning of foreign technology
- goods and capital
- Statement 4 is incorrect: Outsourcing is the purchase of goods or services from an outside source.

43. Ans: a

Exp: Statement 1 is incorrect: The commune system of collectivized agriculture was implemented in the 1950s. Under the Commune system, people collectively cultivated lands.

- In 1958, there were 26,000 communes covering almost all the farm population.

- Statement 2 is correct: The communes attempted to equalize income among cooperatives by joining several cooperative together.

44. Ans: c

Exp: Statement 1 is correct:

- It was introduced by Mao, in 1975.
- Statement 2 is correct: The Great Proletarian Cultural Revolution under which students and professionals were sent to work and learn from the countryside.

45. Ans: a

Exp: Statement 1 is correct:

- GBD is an indicator used by experts to gauge the number of people dying prematurely due to a particular disease, as well as, the number of years spent by them in a state of 'disability' owing to the disease.
- Statement 2 is incorrect: The proportion of deaths occurs due to cancer (8 per cent) injuries (11 per cent) also has been increasing over the last two decades.

46. Ans: d

Exp: Statement 1 is correct:

- More than 50 per cent of married women in the age group of 15–49 years have anemia and nutritional anemia.
- Statement 2 is correct: Nutritional anemia is caused by iron deficiency.
- Statement 3 is incorrect: The deterioration in the child sex ratio in the country from 927 in 2001 to 919 in 2011 points to the growing incidence of female foeticide.

47. Ans: d

Exp: According to Herman Daly, a leading environmental economist, to achieve sustainable development, the following needs to be done:-

- Statement 1 is correct: Limiting the human population to a level within the carrying capacity of the environment. The carrying capacity of the environment is like a 'plimsoll line' of the ship which is its load limit mark.
- In the absence of the plimsoll line for the economy, human scale grows beyond the carrying capacity of the earth and deviates from sustainable development.
- Statement 2 is correct: Technological progress should be input efficient and not input consuming
- Statement 3 is correct: Renewable resources should be extracted on a sustainable basis, that is, rate of extraction should not exceed rate of regeneration for non-renewable resources rate of depletion should not exceed the rate of creation of renewable substitutes.
- Statement 4 is correct: Inefficiencies arising from pollution should be corrected.

48. Ans: d

Exp: All the statements are correct.

Some of the factors responsible for land degradation are: -

- Loss of vegetation occurring due to deforestation
- Unsustainable fuel wood and fodder extraction
- Shifting cultivation
- Encroachment into forest lands
- Forest fires and over grazing
- Non-adoption of adequate soil
- Conservation measures
- Improper crop rotation
- Indiscriminate use of agro-chemicals such as fertilisers and pesticides
- Improper planning and management of irrigation systems
- Extraction of ground water in excess of the recharge capacity open access resource

- Poverty of the agriculture-dependent people.

49. Ans: c

Exp: Statement 1 is incorrect: 'Appiko', which means to hug; movement aimed to protect forest of Karnataka.

- On 8 September 1983, when the felling of trees was started in Salkani forest in Sirsi district, 160 men, women and children hugged the trees and forced the woodcutters to leave.
- They kept vigil in the forest over the next six weeks. Only after the forest officials assured the volunteers that the trees will be cut scientifically and in accordance with the working plan of the district, did they leave the trees.
- Statement 2 is incorrect: Appiko volunteers want the contractors and forest officials to follow certain rules and restrictions. For instance, local people should be consulted when trees are marked for felling and trees within 100 metres of a water source and on a slope of 30 degrees or above should not be felled.

50. Ans: c

Exp: Statement 1 is correct:

- India accounts for nearly 8 per cent of the world's total iron-ore reserves.
- Statement 2 is correct: India placed second among the top coal-producing countries after China.

51. Ans: b

Exp: Most of the Deccan is occupied by Black soil.

- Statement 1 is correct: Self-ploughing is a characteristic of the black soil as it develops wide cracks when dried.
- Statement 2 is incorrect: Black soil rich in Iron, lime, calcium, potassium, aluminium and magnesium.

- Statement 3 is incorrect: Black soil is deficient in Nitrogen, Phosphorous and organic matter.

52. Ans: d

Exp: Statement 1 is incorrect:

- Self-Employed Women's Association – Ahmedabad, Gujarat
- Statement 2 is correct: Action for Community Organisation, Rehabilitation and Development – Nilgiris
- Statement 3 is correct: Mines Sharmik Sangh – Chhattisgarh

53. Ans: d

Exp: All statements are correct.

- Primary health care includes education concerning prevailing health problems and methods of identifying, preventing and controlling them;
- promotion of food supply and proper nutrition and adequate supply of water and basic sanitation;
- maternal and child health care;
- immunization against major infectious diseases and injuries;
- promotion of mental health and provision of essential drugs.

54. Ans: c

Exp: Sectoral Share of Commercial Energy Consumption (in %).

- Household – 24
- Agriculture – 18
- Industries – 42
- Transport – 1
- Others – 15

55. Ans: b

Exp: Statement 1 is incorrect:

- In India, commercial energy consumption makes up about 74 percent of the total energy consumed in India.

- Statement 2 is correct: This commercial energy consumption includes coal and lignite with the largest share of 74 per cent
- Statement 3 is incorrect: Coal and lignite followed by oil at 10 per cent, natural gas at 9 per cent, hydro and other new and renewable energy at 7 per cent.

56. Ans: c

Exp: Statement 1 is correct:

- As economies mature and most of their basic consumption demands are met.
- Statement 2 is incorrect: The share of agriculture in the economy shrinks.
- Statement 3 is correct: More service-related infrastructure is required. This is why, the share of power and telecommunication infrastructure is greater in high-income countries.

57. Ans: a

Exp: Countries and their investment in infrastructure as a percentage of GDP.

- China – 44
- Honking – 22
- India – 30
- South Korea – 31
- Pakistan – 16
- Singapore – 28
- Indonesia – 34

58. Ans: c

Exp: Statement 1 is correct:

- Morbidity is the state of being unhealthy for a particular disease or situation.
- Improvements in water supply and sanitation have a large impact by reducing morbidity from major waterborne diseases and reducing the severity of disease when it occurs.
- Statement 2 is correct: Mortality is the number of deaths that occur in a population.

59. Ans: c

Exp: Infrastructure divided into two categories — economic and social.

- Statement 1 and 2 is correct: Infrastructure associated with energy, transportation and communication are included in the economic infrastructure category.
- Statement 3 and 4 is incorrect: Those related to education, health and housing are included in the social infrastructure.

60. Ans: a

Exp: Statement 1 is incorrect:

- This transition happens largely because of a decrease in the total fertility rate after the increase in life expectancy gets stabilised.
- Statement 2 is correct: India has one of the youngest populations in an aging world.

61. Ans: d

Exp: Micro finance credit, a microfinance institution is an organisation that offers financial services to low- income populations.

- Usually, their area of operations of extending small loans are rural areas and among low-income people in urban areas.
- Statement 1,2,3 and 4 are correct: Micro finance credit includes credit facilities, savings facilities, insurance facilities, fund transfer facilities.

62. Ans: c

Exp: Statement 1 is correct:

- It is phenomenon wherein more people are employed than actually needed.
- Statement 2 is correct: One-third of agriculture workers in India as disguisedly unemployed.
- Economists call unemployment prevailing in Indian farms as disguised unemployment.

63. Ans: b

Exp: Statement 1 is incorrect:

- The Frictional Unemployment, refers to the time lag between the jobs when an individual is searching for a new job or is switching between the jobs.
- Cyclical unemployment rises during recessions and declines with economic growth.
- Statement 2 is correct: Structural unemployment are rising from the mismatch between the jobs available in the market and the skills of the available workers in the market.
- Statement 3 is correct: Seasonal Unemployment occurs during certain seasons of the year.
- Agricultural labourers in India rarely have work throughout the year.

64. Ans: d

Exp: Statement 1 is incorrect:

- All the public sector establishments and those private sector establishments which employ 10 hired workers or more are formal sector establishments.
- Statement 2 is incorrect: The information relating to employment in the formal sector is collected by the Ministry of labour.

65. Ans: d

Exp: Statement 1 is correct:

- Process of moving from self- employment and regular salaried employment to casual wage work as casualization of workforce.
- Statement 2 is correct: Casualization of workforce makes the workers highly vulnerable.
- Statement 3 is correct: In last four decades (1972-2018), people have moved from self-employment and regular salaried employment to casual wage work. Yet self-employment continues to be the major employment provider.

66. Ans: c

Exp: Statement 1 is incorrect:

- Primary sector is the main source of employment for majority of workers.
- Statement 2 is correct: Secondary sector provides employment to only about 24 per cent of workforce.
- About 31 per cent of workers are in the service sector.
- Statement 3 is incorrect: Agriculture is major source of employment in rural area. In urban area service sector is major source of employment.

67. Ans: c

Exp: Statement 1 is correct:

- India ranks first in number of organic farmers.
- Statement 2 is correct: Organic produce may also have more blemishes and a shorter shelf life than sprayed produce.
- Statement 3 is correct: Organically grown food has more nutritional value than chemical farming.
- Statement 4 is incorrect: It has been observed that the yields from organic farming are less than modern agricultural farming in the initial years.
- Therefore, small and marginal farmers may find it difficult to adapt to large- scale production.

68. Ans: b

Exp: Statement 1 is correct:

- Horticulture sector contributes nearly one-third of the value of agriculture output.
- Statement 2 is incorrect: Horticulture contributes six per cent of Gross Domestic Product of India.
- India has emerged as a world leader in producing a variety of fruits like mangoes, bananas, coconuts, cashew nuts and a number of spices

- Statement 3 is incorrect: India is the second largest producer of fruits and vegetables.

69. Ans: b

Exp: Statement 1, 2, 3 and 4 are correct:

- A large share of fish worker families are poor.
- Rampant underemployment, low per capita earnings, absence of mobility of labour to other sectors and a high rate of illiteracy and indebtedness are some of the major problems fishing community face today.
- Statement 5 is incorrect: India is home to more than 10 percent of the global fish diversity.
- Presently, the country ranks second in the world in total fish production with an annual fish production of about 9.06 million metric tonnes.

70. Ans: a

Exp: Statement 1 is correct:

- Diversification includes two aspects - one relates to change in cropping pattern and the other relates to a shift of workforce from agriculture to other allied activities (livestock, poultry, fisheries etc.) and non-agriculture sector.
- Statement 2 is incorrect: The need for diversification arises from the fact that there is greater risk in depending exclusively on farming for livelihood.
- Statement 3 is incorrect. Diversification towards new areas is necessary not only to reduce the risk from agriculture sector but also to provide productive sustainable livelihood options to rural people.

71. Ans: a

Exp: Some important local marketing channel:

- Statement 4 is incorrect: Apni Mandi Punjab, Haryana and Rajasthan

- Statement 2 is correct: Hadaspar Mandi (Pune);
- Statement 1 is correct: Rythu Bazars (vegetable and fruit markets in Andhra Pradesh and Telangana)
- Statement 3 is incorrect: Uzhavar Sandies (farmers markets in Tamil Nadu)

72. Ans: d

Exp: All of the statements are correct.

- Agricultural marketing is a process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country.

73. Ans: c

Exp: Statement 1 is correct:

- 'Kudumbashree' is a women- oriented community-based poverty reduction.
- Statement 2 is incorrect: This programme being implemented in Kerala.
- Statement 3 is correct: In 1995, a thrift and credit society were started as a small savings bank for poor women with the objective to encourage savings.
- The thrift and credit society mobilised Rs 1 crore as thrift savings.
- These societies have been acclaimed as the largest informal banks in Asia in terms of participation and savings mobilised.

74. Ans: a

Exp: Statement 1 is incorrect:

- Microcredit refers to the granting of very small loans to low - income/impooverished borrowers. It aims to enable the borrowers to use that capital to become self-employed and strengthen their businesses.
- Statement 2 is correct: The core idea of microcredit to provide credit access to people who are outside the mainstream institutions' scope.

75. Ans: a

Exp: Statement 1 is incorrect:

- HDI is a statistical tool used to measure a country's overall achievement in its social and economic dimensions.
- Statement 2 is correct: Pakistani economist Mahbub-ul-Haq created HDI in 1990.
- Statement 3 is correct: Every year UNDP ranks countries based on the HDI report released in their annual report.
- Statement 4 is incorrect: Calculation of the index combines four major indicators: life expectancy for health, expected years of schooling, mean of years of schooling for education and GNI per capita for the standard of living.

76. Ans: b

Exp: Statement 1 is correct:

- Small and large services received by companies from outside countries is outsourcing.
- Statement 2 is incorrect: India's low wage rates and availability of skilled labour force have made it a global destination for outsourcing.
- Statement 3 is correct: With the proliferation of information technology, these services have acquired the nature of a distinct economic activity.

77. Ans: a

Exp: Statement 1 is incorrect:

- Human capital considers education and health as a means to increase labour productivity.
- Statement 3 is correct: Human development is based on the idea that education and health are integral to human well-being because only when people have the ability to read and write and the ability to lead a long and healthy life, they will be able to make other choices which they value.

- Statement 2 is incorrect: Human capital treats human beings as a means to an end; the end being the increase in productivity. In this view, any investment in education and health is unproductive if it does not enhance output of goods and services.
- In the human development perspective, human beings are ends in themselves.

78. Ans: c

Exp: Statement 1, 2 and 3 are correct:

- Investment in education is considered as one of the main sources of human capital.
- There are several other sources as well.
- Investments in health, on- the- job training, migration and information are the other sources of human capital formation.
- Statement 4 is incorrect: Investment on capital goods is physical capital formation.

79. Ans: b

Exp: Statement 1 is incorrect:

- Human capital is not perfectly mobile between countries as movement is restricted by nationality and culture. While physical capital is completely mobile between countries except for some artificial trade restrictions.
- Statement 2 is correct: Human capital formation is to be done through conscious policy formulations in consonance with the nature of the society and economy and expenditure by the state and the individuals.

80. Ans: c

Exp: Statement 1 is incorrect:

- Absolute poverty is a state of being in which a person can mobilize enough resources to arrange for minimum means of the of subsistence.
- Statement 2 is incorrect: Relative poverty is a state in which a person is not in a position to enjoy these comforts of life

which are normally enjoyed by large number of persons in a society.

81. Ans: a

Exp: Statement 1 is correct:

- Alagh committee (1979) constituted by the Planning Commission constructed a poverty line for rural and urban areas on the basis of nutritional requirements.
- Statement 2 is correct: Tendulkar committee was constituted by the Planning Commission to address the following shortcomings of the previous methods.
- The Committee recommended using Mixed Reference Period (MRP) based estimates.
- Statement 3 and 4 is incorrect: Swaminathan committee and Dalwai committee are related to agricultural sector.

82. Ans: c

Exp: Statement 1 is correct:

- The Mahatma Gandhi National Rural Employment Guarantee Act was passed on 23rd August 2005.
- Statement 2 is correct: provide guaranteed wage employment to every rural household whose adult volunteer is to do unskilled manual work for a minimum of 100 days in a year.
- Statement 3 is incorrect: This programme aimed to generate wage employment for the poor unskilled labours.

83. Ans: b

Exp: Scholars cite several factors that have led farmers to commit suicides

- Statement 1 is correct: The shift from traditional farming to the farming of high yielding commercial crops without adequate technical support combined with withdrawal of the state in the area of agricultural extension services in providing counselling on farm technologies, problems

faced, immediate remedial steps and lack of timely advice to farmers.

- Statement 2 is correct: Decline in public investment in agriculture in the last two decades.
- Statement 3 is correct: Low rates of germination of seeds provided by large global firms, spurious seeds and pesticides by private agents.
- Statement 4 is correct: Crop failure, pest attack and drought.
- Statement 5 is incorrect: Debt at very high interest rate of 36 per cent to 120 per cent from private money lenders
- Cheap imports leading to decline in pricing and profits
- Lack of access to water for crops which forced the farmers to borrow money at exorbitant rates of interest to sink borewells that failed.

84. Ans: c

Exp: Statement 1 is correct:

- India has the largest area under cotton cultivation in the world covering 125 lakh hectares in 2017–18.
- Statement 3 is correct: The low yield of 476 kg per hectare pushes it into third position in production.
- Statement 2 is incorrect: High production costs, low and unstable yields, decline in world prices, global glut in production due to subsidies by the U.S.A. and other countries, and opening up of the domestic market due to globalisation have increased the exposure of farmers and led to agrarian distress and suicides especially in the cotton belt of Andhra Pradesh and Maharashtra.

85. Ans: c

Exp: Statement 1 is correct:

- During the reforms, growth of agriculture and industry has gone down but the service sector has registered growth.

- Statement 2 is incorrect: Reforms have not benefited the agriculture sector. There has also been a decline in public investment in this sector.
- Statement 3 is correct: Industrial sector growth has slowed down due to availability of cheaper imports and lower investment.

86. Ans: b

Exp: Liberalisation of trade and investment regime was initiated to increase international competitiveness of industrial production and also foreign investments and technology into the economy.

- Statement 1 is correct: The aim was also to promote the efficiency of local industries and adoption of modern technologies.
- Statement 2 and 4 is correct: Trade policy reforms aimed at dismantling of quantitative restrictions on imports and exports and reduction of tariff rates.
- Statement 3 is incorrect: Removal of licensing procedures for imports. Import licensing was abolished except in case of hazardous and environmentally sensitive industries. Quantitative restrictions on imports of manufactured consumer goods and agricultural products were also fully removed from April 2001.

87. Ans: c

Exp: Statement 1 is incorrect:

- Direct taxes consist of taxes on incomes of individuals, as well as, profits of business enterprises.
- Statement 2 is correct: Since 1991, there has been a continuous reduction in the taxes on individual incomes as it was felt that high rates of income tax were an important reason for tax evasion.
- It is now widely accepted that moderate rates of income tax encourage savings and voluntary disclosure of income.

- Statement 3 is incorrect: the rate of corporation tax, which was very high earlier, has been gradually reduced.

88. Ans: b

Exp: Statement 1 is correct:

- The RBI decides the amount of money that the banks can keep with themselves.
- Statement 2 is incorrect: The financial sector in India is regulated by the Reserve Bank of India.
- Statement 3 is incorrect: In 1949, the Reserve Bank of India was nationalized.

89. Ans: a

Exp: Statement 1,2 and 4 is correct:

- The only industries which are now reserved for the public sector are a part of defence equipment, atomic energy generation and railway transport.
- Statement 3 and 5 is incorrect: industrial explosives and alcohol are not reserved for the public sector only.

90. Ans: b

Exp: Statement 1 is correct:

- Marketable surplus refers to the difference between the total output produced by a farmer and his on-farm consumption.
- Statement 2 is incorrect: With the increase in supply, the price of food grains decreases, relative to the other items of consumption.
- Statement 3 is correct: The increase in food prices caused worsening the conditions of the low-income groups

91. Ans: b

Exp: Statement 1 is incorrect:

- In the first phase of the green revolution (approximately mid 1960s up to mid-1970s), the use of HYV seeds was restricted to the more affluent states such as Punjab, Andhra Pradesh and Tamil Nadu.

- Statement 2 is correct: Further, the use of HYV seeds primarily benefited the wheat-growing regions only.

92. Ans: d

Exp: Statement 1 is correct:

- The economic justification of subsidies in agriculture is, at present, a hotly debated question.
- It is generally agreed that it was necessary to use subsidies to provide an incentive for adoption of the new HYV technology by farmers in general and small farmers in particular.
- Any new technology will be looked upon as being risky by farmers. Subsidies were, therefore, needed to encourage farmers to test the new technology.
- Statement 2 is correct: Eliminating subsidies will increase the inequality between rich and poor farmers and violate the goal of equity.

93. Ans: a

Exp: Statement 1 is incorrect:

- In a market economy, all economic activities such as supply and demand interactions, individuals freely exchanging their products with each other etc. are organized through the market without any government interference.
- There may be some government intervention or planning, but usually it refers to an economy that is more market oriented in general.
- In this kind of an economy most economic decision making is done through voluntary transactions according to the laws of supply and demand.
- Hence the arrangement which allow people to buy and sell commodities freely are the defining features of a market economy.
- Statement 2 is correct: Most of the economies are mixed economies, where

some important decisions are taken by the government and the economic activities are by and large conducted by the market.

- The extent of government control varies, for example the United States of America the role of government is minimal whereas in China, the role of the government is much more interventionist.

94. Ans: d

Exp: The goals of the five-year plans were: growth, modernisation, self-reliance and equity.

- Statement 1 is correct: Growth refers to increase in the country's capacity to produce the output of goods and services within the country.
- It implies either a larger stock of productive capital, or a larger size of supporting services like transport and banking, or an increase in the efficiency of productive capital and services.
- Statement 2 is correct: Modernisation increase the production of goods and services the producers have to adopt new technology.
- modernisation does not refer only to the use of new technology but also to changes in social outlook such as the recognition that women should have the same rights as men.
- Statement 3 is correct: Self-reliance: A nation can promote economic growth and modernisation by using its own resources or by using resources imported from other nations.
- Statement 4 is correct: A country can have high growth, the most modern Technology developed in the country itself, and also have most of its people living in poverty.
- It is important to ensure that the benefits of economic prosperity reach the poor sections as well instead of being enjoyed only by the rich. So, in addition to growth,

modernisation and self-reliance, equity is also important.

95. Ans: a

Exp: Statement 1, 2 and 3 is correct:

- Lack of adequate public health facilities, occurrence of frequent natural calamities and famines pauperised the hapless Indian people and resulted in engendering high mortality rates.
- Statement 4 is incorrect: There was no Arab invasion during this period.

96. Ans: d

Exp: Statement 1 is correct:

- Before 1921, India was in the first stage of demographic transition. The second stage of transition began after 1921.
- Statement 2 is correct: The various social development indicators were also not quite encouraging. The overall literacy level was less than 16 per cent. Out of this, the female literacy level was at a negligible low of about seven per cent.
- Statement 3 is correct: Life expectancy was also very low—44 years in contrast to the present 69 years.

97. Ans: a

Exp: Statement 1 is incorrect:

- Britain maintained a monopoly control over India's exports and imports. As a result, more than half of India's foreign trade was restricted to Britain while the rest was allowed with a few other countries like China, Ceylon (Sri Lanka) and Persia (Iran). The opening of the Suez Canal further intensified British control over India's foreign trade.
- Statement 2 is incorrect: The most important characteristic of India's foreign trade throughout the colonial period was the generation of a large export surplus. But this surplus came at a huge cost to the country's economy.

- Statement 3 is correct: The opening of the Suez Canal further intensified British control over India's foreign trade.

98. Ans: b

Exp: Statement 1, 3 and 4 is correct:

- India has been one of the important trading countries, exporting primary items like cotton, raw silk, sugar, wool, jute, and indigo, etc.
- Statement 2 and 5 is incorrect: India was importer of finished consumer goods like woollen clothes, cotton, silk, and capital goods like light machinery manufactured in Britain.

99. Ans: d

Exp: In manufacturing, India could not develop a sound industrial base under the colonial rule.

- Statement 4 is correct: Even as the country's world - famous handicraft industries declined.
- Statement 1 is incorrect: No corresponding modern industrial base was allowed to come up to take pride of place so long enjoyed by the former handicrafts.
- The intention was, first, to reduce India to the status of a mere exporter of important raw materials for the upcoming modern industries in Britain and, second, to turn India into a sprawling market for the finished products of those industries so that their continued expansion could be ensured to the maximum advantage of their home country — Britain.
- Statement 3 is incorrect: The unfolding economic scenario, the decline of the indigenous handicraft industries created not only massive unemployment in India but also a new demand in the Indian consumer market, which was now deprived of the supply of locally made goods.

- This demand was profitably met by the increasing imports of cheap manufactured goods from Britain.
- During the second half of the nineteenth century, modern industry began to take root in India but its progress remained very slow. Initially, this development was confined to the setting up of cotton and jute textile mills.
- Statement 2 is incorrect: The cotton textile mills, mainly dominated by Indians, were located in the western parts of the country, namely, Maharashtra and Gujarat, while the jute mills dominated by the foreigners were mainly concentrated in Bengal.

100. Ans: c

Exp: Statement 1 is incorrect:

- Muslin is a type of cotton textile.
- Statement 2 is incorrect: Muslin had its origin in Bengal, particularly, places in and around Dhaka (spelled during the pre-independence period as Dacca), now the capital city of Bangladesh.
- 'Daccai Muslin' had gained worldwide fame as an exquisite type of cotton textile.
- Statement 3 is correct: finest variety of muslin was called malmal.
- Sometimes, foreign travellers also used to refer to it as malmal shahi or malmal khas implying that it was worn by, or fit for, the royalty.