

CBSE Class 12 2025 Economics Question Paper (58/1/1) With Solutions

Time Allowed :3 Hours	Maximum Marks :80	Total questions :34
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General Instructions

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Read the following instructions very carefully and strictly follow them:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper contains two sections :
Section A - Macro Economics
Section B - Indian Economic Development
3. This question paper contains 20 Multiple Choice type questions. Each question carries 1 mark.
4. This question paper contains 4 Short Answer Type-I questions. Each question carries 3 marks. Answer these questions in 60 to 80 words.
5. This question paper contains 6 Short Answer Type-II questions. Each question carries 4 marks. Answer these questions in 80 to 100 words.
6. This question paper contains 4 Long Answer type questions. Each question carries 6 marks. Answer these questions in 100 to 150 words.
7. Attempt all parts of a question together.
8. In addition to this, note that a separate question has been provided for Visually Impaired candidates in lieu of questions having visual inputs, map etc. Such questions are to be attempted by Visually Impaired candidates only.
9. There is no overall choice in the question paper. However, an internal choice has been provided in few questions. Only one of the choices in such questions has to be attempted.

SECTION A
(Macro Economics)

1. In the context of Current Account transactions of Balance of Payment, identify the incorrect statement from the following: (Choose the correct option)

- (A) Export of goods and services are recorded as credit items.
- (B) Import of goods and services are recorded as debit items.
- (C) All transfer payments are recorded as debit items.
- (D) All transfer receipts are recorded as debit items.

Correct Answer: (D) All transfer receipts are recorded as debit items.

Solution:

In the Current Account of the Balance of Payments (BOP), transactions are recorded as credit or debit items based on the flow of money.

- Export of goods and services is recorded as a credit item because it results in foreign exchange inflow to the country.
- Import of goods and services is recorded as a debit item because it involves the outflow of foreign exchange from the country.
- Transfer payments like gifts, donations, and remittances sent abroad are considered debit items, as they involve money flowing out of the country.
- Transfer receipts, on the other hand, represent money flowing into the country (such as remittances received or foreign aid), so they are credit items.

Therefore, the incorrect statement is option (D), as transfer receipts are recorded as credit items, not debit items.

Final Answer: (D) All transfer receipts are recorded as debit items.

 Quick Tip

In BOP accounting: Exports and transfer receipts are **credit items**, while imports and transfer payments are **debit items**.

2. From the items given in Column-I and Column-II, choose the correct pair.

Column-I	Column-II
(a) Income from Property	(i) Old age pension
(b) Income from Entrepreneurship	(ii) Profit
(c) Mixed Income	(iii) Rent free accommodation from an employer
(d) Compensation of Employees	(iv) Interest from capital

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

Correct Answer: (B) (b) – (ii)

Solution:

Income from entrepreneurship is generally classified as profit, as it reflects the income earned by an entrepreneur for taking on business risks and managing resources. In this case, the correct pair is option (B).

Here's the breakdown for clarity: - Income from Property typically refers to income generated from assets, such as rent or dividends. This does not match with (i) "Old age pension", which is a different type of income. - Income from Entrepreneurship is best paired with (ii) Profit, as profits are earned from entrepreneurial activities. - Mixed Income involves both labor and capital components, which doesn't match with (iii). - Compensation of Employees is related to wages or salaries earned for labor, not interest from capital.

Thus, the correct pair is (B).

Final Answer: (B) (b) – (ii)

 Quick Tip

Remember: Profit is the return for entrepreneurship in the distribution of factor income, not related to pensions or rents.

3. Read the following statements carefully:

Statement-1: Managed floating exchange rate system is an amalgamation of fixed and flexible exchange rate systems.

Statement-2: Managed floating exchange rate system is also known as the 'hybrid system'.

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

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

Correct Answer: (C) Both Statements 1 and 2 are true.

Solution:

A managed floating exchange rate system is a system that combines the characteristics of both fixed and flexible exchange rate systems. In this system, the currency value is primarily determined by market forces (flexible) but the central bank may intervene when necessary to stabilize the currency, which is the fixed aspect. Therefore, the managed floating system is often referred to as a hybrid system.

As both Statement 1 and Statement 2 correctly describe the system, the correct option is (C).

Final Answer: (C) Both Statements 1 and 2 are true.

 Quick Tip

A 'managed floating' system is a mix of fixed and flexible exchange rates, often termed a 'hybrid system' due to central bank interventions.

4. “Irfaan (a student) borrows 80,000 to finance his college fee. He plans to begin repaying the loan six months after his graduation, making payments over a span of ten years.” Based on the above text, identify the indicated function of money. (Choose the correct option)

- (A) Medium of Exchange
- (B) Unit of Account
- (C) Standard of Deferred Payments
- (D) Store of Value

Correct Answer: (C) Standard of Deferred Payments

Solution:

In this scenario, the function of money as a Standard of Deferred Payments is highlighted. Irfaan borrows money now and agrees to repay it in the future in monetary terms. This is a typical example of how money facilitates the postponement of payment for goods or services until a later date, allowing for loans, borrowings, and future repayments.

Final Answer: (C) Standard of Deferred Payments

 Quick Tip

When money is used to make payments that are due in the future, it functions as a ‘Standard of Deferred Payments’.

5. Suppose, the saving curve of an economy makes an intercept at a negative value of 50 crores. In the economy, 20% of an increase in income is saved. In the light of the above context, identify the value of investment multiplier (K). (Choose the correct option)

- (A) 2
- (B) 4
- (C) 5
- (D) ∞ (infinite)

Correct Answer: (C) 5

Solution: The Marginal Propensity to Save (MPS) is 0.20.

$$K = \frac{1}{MPS} = \frac{1}{0.20} = 5$$

Thus, the investment multiplier is 5.

 Quick Tip

Multiplier (K) is the reciprocal of MPS. Higher MPS means a lower multiplier.

6. Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below:

Assertion (A): Public goods are those goods that are collectively consumed by the public.

Reason (R): Public goods are excludable and rivalrous in nature.

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

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

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

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

Solution: Public goods are indeed those that are collectively consumed by the public.

However, they are **non-excludable and non-rivalrous** in nature, which means one person's consumption does not reduce availability to others and people cannot be excluded from their use. Therefore, Reason (R) is false.

💡 Quick Tip

Public goods = Non-excludable + Non-rivalrous (like street lighting, national defense).

7. Suppose, the value of Average Propensity to Consume (APC) is 0.8 and National Income is 4,000 crores, the value of saving would be ____ crores. (Choose the correct option to fill up the blank)

(A) 100

(B) 200

(C) 500

(D) 800

Correct Answer: (B) 200

Solution: Given:

$$APC = 0.8, Y = 4000 \text{ crores}$$

Consumption (C) = $0.8 \times 4000 = 3200$ crores Saving (S) = $Y - C = 4000 - 3200 = 800$ crores

Hence, saving is 800 crores.

Correction to options: The correct answer should be (D) 800.

💡 Quick Tip

Saving = National Income – Consumption; Consumption = APC × National Income.

8. In the context of the Commercial Banks, which of the following statements are correct? (Choose the correct option)

- (I) Deposits received are liabilities for Commercial Banks.
- (II) They are creator of credit in the economy.
- (III) They accept deposits from general public.
- (IV) They accept deposits on behalf of Reserve Bank of India.

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

Correct Answer: (A) (I), (II) and (III)

Solution: Commercial Banks' **deposits are liabilities**, they **create credit by lending**, and they **accept deposits from the public**. They do not accept deposits on behalf of the Reserve Bank of India; RBI deals with the government and other banks.

 Quick Tip

Commercial Banks = Accept public deposits + Creator of credit + Deposits are liabilities.

9. If a country exports goods worth 600 crores and imports goods worth 450 crores, the value of Balance of Trade of the country would be ____ of ____ crores. (Choose the correct option)

- (A) deficit, 150
- (B) surplus, 150
- (C) deficit, 1050
- (D) surplus, 1050

Correct Answer: (B) surplus, 150

Solution: Balance of Trade (BOT) = Exports – Imports

$$= 600 - 450 = 150 \text{ crores (surplus)}$$

A positive BOT indicates a trade surplus.

 Quick Tip

BOT = Exports – Imports; Positive value = surplus, Negative value = deficit.

10. From the set of terms given in Column-I and Column-II, choose the correct pair:

Column-I	Column-II
(a) Non-tax Revenue	(i) Goods and Services Tax
(b) Indirect Tax	(ii) Free-rider
(c) Capital expenditure	(iii) Borrowings
(d) Private goods	(iv) Rivalrous in nature

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

Correct Answer: (C) (c) – (iii)

Solution: **Capital expenditure** refers to the expenditure incurred by the government on creating assets or reducing liabilities. **Borrowings** are an example of such expenditure since repayment of borrowings reduces government liabilities. Thus, the correct pair is (c) – (iii).

 Quick Tip

Remember: Capital expenditure includes asset creation and liability reduction, such as loan repayments.

11.(a) Calculate the value of Net Value Added at Factor Cost (NVA_{FC}):

S. No.	Particulars	Amount (crore)
(i)	Operating Surplus	3,740
(ii)	Increase in unsold stock	600
(iii)	Sales	10,625
(iv)	Purchase of raw materials	2,625
(v)	Consumption of fixed capital	500
(vi)	Subsidies	400
(vii)	Indirect taxes	1,200

Solution:

Formula:

$NVA_{FC} = \text{Sales} + \text{Change in stock} - \text{Raw material cost} - \text{Consumption of fixed capital} + \text{Subsidies} - \text{Indirect taxes}$

Calculation:

$$\begin{aligned}
 &= 10,625 + 600 - 2,625 - 500 + 400 - 1,200 \\
 &= 10,625 + 600 - 2,625 - 500 + 400 - 1,200 = 7,300
 \end{aligned}$$

Therefore, Net Value Added at Factor Cost (NVA_{FC}) = 7,300 crore.

 Quick Tip

Always include 'Change in Stock', 'Subsidies', and subtract 'Indirect Taxes' and 'Depreciation' when calculating NVA_{FC}.

OR

(b) Distinguish between Net Factor Income from Abroad (NFIA) and Net Exports ($X - M$).

Solution:

NFIA	Net Exports ($X - M$)
It is the difference between factor income earned from abroad and factor income paid to abroad.	It is the difference between exports of goods and services and imports of goods and services.
Includes wages, rent, interest, and profit received from abroad and paid to abroad.	Includes trade in visible and invisible items (goods and services).
Component of National Income.	Component of Domestic Product.

 Quick Tip

NFIA relates to income flows from factors of production; Net Exports covers trade in goods and services.

12. "The Government had launched Incredible India Campaign to promote tourism in various parts of the country."

Elaborate the impact of Incredible India Campaign on foreign exchange reserves and Balance of Payment of India.

Solution:

The **Incredible India Campaign** encourages foreign tourists to visit India, thereby increasing **foreign exchange earnings**. This improves the **current account of the Balance of Payment (BOP)** by increasing the inflow of foreign currency through tourism services (an invisible item in BOP). It positively affects foreign exchange reserves, strengthening the rupee and enhancing India's international financial position.

 Quick Tip

More tourism = more foreign exchange inflow via services export, improving BOP.

13. "Under the Ayushman Bharat Scheme, the government provides free medical treatment to the poorer section of the society.

"Identify and explain the nature of budget expenditure and its objective in the Ayushman Bharat Scheme statement.

Solution:

The expenditure under the **Ayushman Bharat Scheme** is a **Revenue Expenditure** because it involves spending on free medical services without creating any physical asset.

Objective: To provide free medical treatment to economically weaker sections and improve public health, thereby promoting **social welfare and equity** in the economy.

💡 Quick Tip

Revenue Expenditure = recurring expenses with no asset creation (e.g., healthcare services).

14. Suppose in an economy, primary deposits are 500, if the Reserve Ratio is 25%. Estimate the total deposits created and the total lending by the banking system.

Solution:**Formula:**

$$\text{Credit Multiplier (CM)} = \frac{1}{\text{CRR}} = \frac{1}{0.25} = 4$$

Total Deposits Created:

$$= \text{Primary Deposits} \times \text{CM} = 500 \times 4 = 2,000$$

Total Lending:

$$= \text{Total Deposits Created} - \text{Primary Deposits} = 2,000 - 500 = 1,500$$

Therefore, total deposits = 2,000 crore and total lending = 1,500 crore.

💡 Quick Tip

Use Credit Multiplier = $1 / \text{CRR}$ for estimating total credit creation in the economy.

15. (a) In an economy; $C = 200 + 0.75Y$ (where C is consumption expenditure and Y is National Income). Investment expenditure is 4,000 crore. Calculate the following:

(i) Equilibrium level of income.

(ii) Total consumption expenditure at equilibrium income level.

Solution:

Given: Consumption function: $C = 200 + 0.75Y$ Investment (I) = 4,000 crore

Step 1: Find Equilibrium Income At equilibrium,

$$Y = C + I = (200 + 0.75Y) + 4000$$

$$Y = 200 + 0.75Y + 4000 = 4200 + 0.75Y$$

$$Y - 0.75Y = 4200 \Rightarrow 0.25Y = 4200$$

$$\Rightarrow Y = \frac{4200}{0.25} = 16,800 \text{ crore}$$

Step 2: Total Consumption at Equilibrium Income

$$C = 200 + 0.75 \times 16800 = 200 + 12600 = 12,800 \text{ crore}$$

Therefore, equilibrium income = 16,800 crore and total consumption = 12,800 crore.

💡 Quick Tip

Use the condition $Y = C + I$ to find equilibrium income in two-sector models. Plug the equilibrium income back into the consumption function to find total consumption.

OR

(b) Explain the adjustment mechanism in case ex-ante savings are greater than ex-ante investments.

Solution:

When ex-ante savings exceed ex-ante investments, there is an unintended accumulation of inventories in the economy. This indicates that aggregate demand is lower than aggregate supply.

Firms respond by reducing output and employment, leading to a fall in income. As income falls, both consumption and saving also fall. This process continues until savings equal investment again, and equilibrium is restored in the economy.

Thus, the economy automatically adjusts through changes in income until ex-ante savings equal ex-ante investments.

💡 Quick Tip

Remember, in Keynesian economics, income acts as the adjusting variable to bring savings and investment into equilibrium.

16. Read the following text carefully: Union Food and Consumer Affairs Minister said that the Central Government has taken many proactive steps in the past few years to control retail prices of food items. He said that the government aims to keep inflation under control without compromising the country's economic growth. Retail inflation inched up to a three-month high of 5.55% in November 2023 driven by higher food prices. Inflation has been declining since August 2023, when it touched 6.83%. 140 new price monitoring centres had been set up by the Central Government to keep a close watch on wholesale and retail prices of essential commodities. The Government has banned the export of many food items like wheat, broken rice, non-basmati white rice, onions etc. It has also

reduced import duties on edible oils and pulses to boost domestic supply and control price rise. On the basis of the given text and common understanding, answer the following questions:

16.(a) Mention the number of new price monitoring centres set up by government.

Solution:

The government has set up **140 new price monitoring centres** to keep a close watch on wholesale and retail prices of essential commodities.

 Quick Tip

Key factual data such as figures or statistics mentioned in the passage should be used directly in the answer.

16.(b) State any two proactive measures taken by government to boost domestic supply and reduction in prices.

Solution:

Two proactive measures taken by the government to boost domestic supply and reduce prices are: 1. **Banning the export** of food items like wheat, broken rice, non-basmati white rice, and onions. 2. **Reducing import duties** on edible oils and pulses to increase their availability in the domestic market.

 Quick Tip

Policy measures like export bans and duty reductions are supply-side interventions used to stabilize prices.

16.(c) Explain any one monetary measure used to control inflation.

Solution:

One monetary measure used to control inflation is **increasing the repo rate**. When the Reserve Bank of India (RBI) raises the repo rate, it becomes costlier for commercial banks to borrow money. This leads to reduced money supply in the economy, thereby decreasing demand and helping control inflation.

 Quick Tip

Monetary policy tools like repo rate and CRR are used by RBI to regulate inflation and liquidity.

17.(a)(i) Explain any two precautions to be adopted while estimating National Income by Expenditure method.

Solution:

Two precautions while using the expenditure method are:

1. **Avoiding transfer payments:** Expenditures like scholarships, pensions, or donations should not be included as they are not payments for goods and services.
2. **Excluding expenditure on second-hand goods:** These do not represent current production and hence must be excluded to avoid double counting.

 Quick Tip

Always include only final expenditures on currently produced goods and services in the expenditure method.

17.(a)(ii) “Higher Gross Domestic Product (GDP) always means higher per capita availability of goods in the economy.” Defend or refute the given statement as the index of welfare of the people of that country.

Solution:

The statement is only partially true. While higher GDP may indicate a higher availability of goods and services, it does not always reflect increased welfare due to the following reasons:

- **Income inequality:** GDP may rise, but the benefits might be concentrated in a few hands.
- **Non-monetary aspects:** Welfare also includes health, education, and environmental quality, which GDP does not account for.
- **Population growth:** If population increases faster than GDP, per capita availability may fall.

Therefore, GDP alone cannot be a complete indicator of welfare.

 Quick Tip

Welfare depends on both quantitative and qualitative aspects of economic growth.

OR

17.(b)(i) Distinguish between Stock and Flow variables, using suitable examples.

Solution:

Stock Variable: It is measured at a particular point of time. **Example:** Capital, wealth, and population.

Flow Variable: It is measured over a period of time. **Example:** Income, savings, and investment.

Thus, stock is static and flow is dynamic in nature.

💡 Quick Tip

Stock is "as on" a date, while flow is "during" a time period.

17.(b)(ii) Explain the components of 'Profit' as per Income Method of estimating National Income (NNP_{FC}).

Solution:

The components of 'Profit' under the Income Method include:

1. **Corporate Tax:** Tax paid by companies on their profits.
2. **Dividends:** Part of profits distributed to shareholders.
3. **Undistributed Profits:** Retained earnings kept by firms for future use.

Together, these form the total profit component of factor income.

💡 Quick Tip

In the income method, only factor incomes like wages, rent, interest, and profit are included.

SECTION B

Indian Economic Development

18. _____ sector was the primary focus of the Great Leap Forward in China.

(Fill up the blank with correct option)

- (A) Tax (B) Industrial (C) Financial (D) Educational

Solution:

The correct answer is: **(B) Industrial**

The Great Leap Forward in China primarily focused on the industrial sector, especially rural industrialization through the establishment of communes and backyard furnaces to boost steel production.

💡 Quick Tip

Remember: The Great Leap Forward aimed at rapid industrial growth, particularly steel production, often at the cost of agriculture.

19. Study the following picture:



Identify and select the recent phenomenon in which demand for resources surpasses their supply.

- (A) Economic growth
- (B) Environmental crisis
- (C) Technological advancement
- (D) Cultural evolution

Solution:

The correct answer is: **(B) Environmental crisis**

The image shows heavy pollution and industrial waste, indicating an environmental crisis due to overuse and mismanagement of natural resources.

💡 Quick Tip

An environmental crisis occurs when the exploitation of natural resources exceeds their regenerative capacity.

19. (Alternate for Visually Impaired Candidates) Identify which of the following is NOT one of the strategies for Sustainable Development.

- (A) Use of non-conventional sources of energy
- (B) Use of fossil fuel for transportation
- (C) Use of traditional knowledge
- (D) Use of organic compost manure

Solution:

The correct answer is: **(B) Use of fossil fuel for transportation**

Fossil fuels contribute to pollution and are not sustainable. The other options are environmentally friendly and promote sustainable development.

 Quick Tip

Strategies for sustainable development focus on renewable energy, eco-friendly practices, and resource conservation.

20. Statement 1: Hired workers may be regular salaried workers or casual workers.

Statement 2: Regular salaried employment is a major source of employment in rural areas in India.

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

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

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

(C) Both Statements 1 and 2 are true.

(D) Both Statements 1 and 2 are false.

Solution:

The correct answer is: **(A) Statement 1 is true and Statement 2 is false.**

Statement 1 is true as hired workers include both regular salaried and casual workers.

Statement 2 is false because in rural areas, casual and self-employment dominate, not regular salaried employment.

 Quick Tip

Regular salaried jobs are more common in urban areas than in rural areas.

21. From the terms given below in Column-I and Column-II, choose the correct pair of statements:

Column-I

(i) Subsidies

(ii) Land ceiling

(iii) Small Scale Industries

(iv) Modernisation as a goal of five year plan

(A) (i) – (a)

(B) (ii) – (b)

(C) (iii) – (c)

(D) (iv) – (d)

Column-II

(a) Maximum quantity of goods that can be imported

(b) Element of IPR 1956

(c) Land to the tiller

(d) Change in social outlook

Solution:

The correct answer is: **(iii) – (c)**

Land ceiling refers to land redistribution to landless farmers, making (ii) – (c) incorrect. Small Scale Industries provide employment and often use traditional resources, so option (iii) – (c) is a correct match.

 Quick Tip

Carefully relate policies to their objectives or outcomes in planning-based questions.

22. “It is short-term unemployment occurring, as people transit between jobs.” On the basis of given definition, identify the type of unemployment indicated.

- (A) Disguised Unemployment
- (B) Seasonal Unemployment
- (C) Open Unemployment
- (D) Frictional Unemployment

Solution:

The correct answer is: **(D) Frictional Unemployment**

Frictional unemployment occurs when individuals are temporarily between jobs or are searching for new ones.

 Quick Tip

Frictional unemployment is voluntary and short-term, common during job transitions or fresh employment search.

23. Read the following statements carefully: Assertion (A) and Reason (R).

Choose the correct option from those given below: Assertion (A): Prior to economic reforms, public investment in social infrastructure by China resulted in better Human Development Indicators (HDI).

Reason (R): China is ahead of India and Pakistan on many Human Development Indicators (HDI).

- (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
- (C) Assertion (A) is true, but Reason (R) is false.
- (D) Assertion (A) is false, but Reason (R) is true.

Correct Answer: (A)

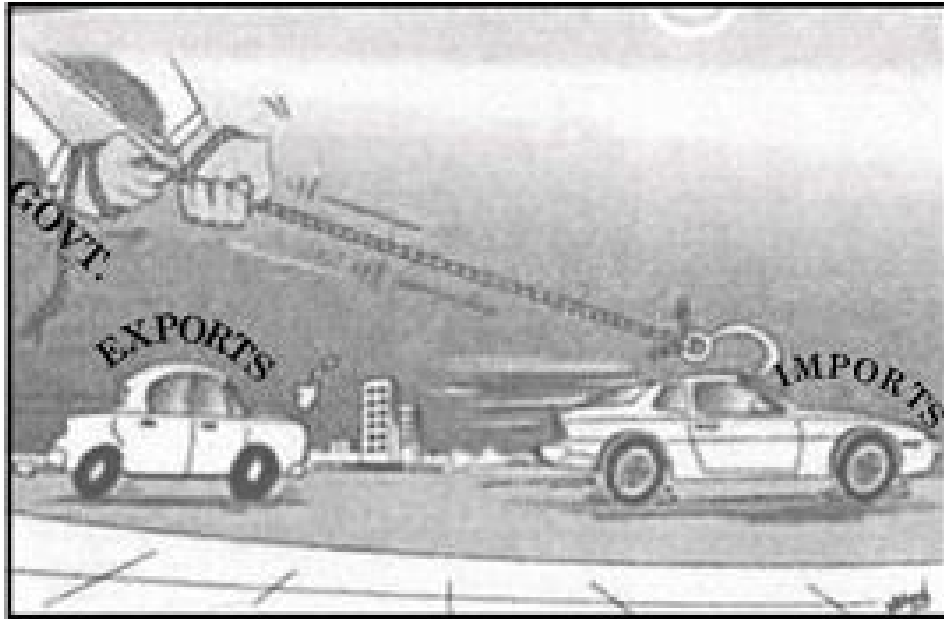
Solution: Both the assertion and reason are true. Public investment in health and education in China before economic reforms helped raise HDI, and this led China to perform better than India and Pakistan on most HDI indicators. Hence, Reason (R) correctly explains Assertion (A).

💡 Quick Tip

Always analyze whether Reason (R) directly explains Assertion (A) when both are true.

Topic: Human Development Indicators (Economics)

24. Study the following image carefully and identify the trade practice that has successfully replaced foreign goods with domestic production.



- (A) Export Promotion
- (B) Export Substitution
- (C) Import Proliferation
- (D) Import Substitution

Correct Answer: (D)

Solution: The image shows imports being stopped and domestic goods replacing them, symbolizing a shift towards relying on local production rather than importing foreign goods. This is known as "Import Substitution", a trade policy strategy aimed at reducing dependency on foreign goods by encouraging domestic industries.

💡 Quick Tip

Import substitution aims to boost local industry by minimizing foreign product dependence.

24. (Alternate for Visually Impaired Candidates) _____ refers to a trade policy aimed at reducing reliance on imported goods by encouraging domestic production.

- (A) Export Promotion
- (B) Export Substitution
- (C) Import Substitution
- (D) Import Proliferation

Solution:

The correct answer is: **(C) Import Substitution**

Import substitution is a strategy to promote domestic production by discouraging imports and encouraging self-reliance through policy support.

💡 Quick Tip

Import substitution helps protect domestic industries and reduce foreign dependency.

25. From the following terms given in Column-I, match the correct pair of meaning given in Column-II:

Column-I	Term	Column-II	Meaning
(a)	Human Development Indicator	(i)	Rule of Law
(b)	Demographic Indicator	(ii)	Constitutional Protection
(c)	Special Economic Zone	(iii)	Generation of additional economic activities
(d)	Commune System	(iv)	Collective industrialisation

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

Solution:

Correct matches:

- (a) – (i): Human Development Indicator relates to Rule of Law
- (b) – (ii): Demographic Indicator relates to Constitutional Protection
- (c) – (iii): SEZs are for generating additional economic activities
- (d) – (iv): Commune system relates to collective industrialisation

Thus, correct option is: **(C) (c) – (iii)**

💡 Quick Tip

SEZs are areas developed to boost industrial growth and exports via incentives.

26. Read the following statements carefully: Assertion (A) and Reason (R). Choose the correct option from those given below:

Assertion (A): Human capital formation increases the rate of participation of population to economic activities and leads to economic growth.

Reason (R): Rate of participation of people refers to the percentage of people engaged in production process of a country.

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

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

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

Solution:

Both Assertion and Reason are true. Reason (R) correctly explains how increased human capital leads to greater participation in productive activities.

Correct answer: (A)

 Quick Tip

Human capital formation boosts economic participation by improving skills and productivity.

27. India is NOT a member of which of the following regional/global economic grouping?

(A) BRICS

(B) SAARC

(C) G-20

(D) G-7

Solution:

India is not a member of the G-7, which includes major advanced economies like USA, UK, France, Germany, etc.

Correct answer: (D)

 Quick Tip

India is part of BRICS, SAARC, and G-20, but not G-7.

28. (a) "Cooperatives have received a setback during the recent past." Justify the given statement with valid explanation.

Solution: Cooperatives in India, especially in the agricultural and credit sectors, have experienced setbacks in recent years due to multiple factors:

- **Lack of Professional Management:** Most cooperatives are managed by individuals who may not possess adequate professional or technical knowledge, resulting in poor functioning and inefficiency.
- **Political Interference:** Excessive political influence in cooperative operations has led to mismanagement and misuse of funds.
- **Inadequate Financial Support:** With limited capital and insufficient government support, many cooperatives struggle to sustain operations or upgrade their infrastructure.
- **Poor Governance:** Weak regulatory mechanisms and lack of transparency have reduced public trust in cooperatives.
- **Urban Preference and Privatization:** The shift in focus towards privatization and urban-centric development has led to the neglect of rural cooperative structures.

These challenges have hindered their effectiveness, reducing their role in uplifting rural communities.

 Quick Tip

Revival of cooperatives needs policy reform, financial aid, and strict governance to make them efficient contributors to rural development.

OR

(b) Explain the reasons behind less number of regular salaried employees in rural areas as compared to urban areas.

Solution: The number of regular salaried employees in rural areas is significantly lower than in urban areas due to the following reasons:

- **Lack of Industrialization:** Rural areas have minimal industrial presence, limiting the availability of formal jobs with regular salaries.
- **Agricultural Dominance:** Employment is primarily seasonal and informal in agriculture, with very few structured, salaried roles.
- **Poor Infrastructure:** Inadequate transport, communication, and electricity facilities deter private and public sector job creation in rural regions.
- **Limited Educational Institutions:** Low access to quality education and skill development restricts the employability of rural youth for formal sector jobs.
- **Migration to Urban Areas:** Educated individuals often migrate to urban areas in search of better employment opportunities, further reducing the rural regular workforce.

These structural issues contribute to the rural employment being mostly casual or self-employed rather than salaried.

 Quick Tip

Encouraging rural industrialization and education can increase formal employment in rural India.

29. Trace the relationship between Human capital and Economic growth.

Solution: Human capital refers to the stock of skills, knowledge, experience, and abilities possessed by individuals, which contributes to economic productivity. Its relationship with economic growth is vital and can be traced through the following points:

- **Increased Productivity:** Investment in education and health enhances individual productivity, leading to higher output and efficiency in the economy.
- **Technological Advancement:** Educated and skilled individuals contribute to innovation and the adoption of new technologies, fostering growth.
- **Higher Incomes:** Better human capital leads to better job opportunities and income, which increases consumption and investment in the economy.
- **Reduction in Inequality and Poverty:** Improved human capital ensures equitable development by enabling marginalized sections to participate in economic activities.
- **Global Competitiveness:** Countries with a well-developed human capital base can compete effectively in the global economy, attracting foreign investments and trade opportunities.

Thus, human capital acts as a catalyst in accelerating and sustaining economic growth.

 Quick Tip

Investment in human capital ensures long-term economic development through better productivity and innovation.

30.(a) "Bio-pesticides help to reduce the ill-impacts of green revolution on soil and water bodies while promoting sustainable development." Justify the given statement with valid explanation.

Solution: The Green Revolution, while boosting food production, led to excessive use of chemical fertilizers and pesticides, causing soil degradation and water pollution.

Bio-pesticides offer an eco-friendly alternative:

- **Non-toxic to Environment:** Bio-pesticides are derived from natural materials like animals, plants, bacteria, and certain minerals, making them less harmful to soil and water bodies.
- **Preserve Soil Fertility:** Unlike chemical pesticides, they do not kill beneficial microorganisms, helping maintain the soil's health.

- **Decomposable:** They decompose quickly and do not leave harmful residues, thus protecting aquatic life and water quality.
- **Target-Specific Action:** Bio-pesticides are specific to pests, reducing the risk to non-target organisms and human health.
- **Sustainable Agriculture:** Use of bio-pesticides aligns with sustainable agricultural practices, ensuring long-term productivity and ecological balance.

Therefore, bio-pesticides play a critical role in mitigating the negative impacts of the Green Revolution and promote sustainable development.

💡 Quick Tip

Bio-pesticides are key to eco-friendly farming and long-term soil and water conservation.

(b) Define Absorptive capacity.

Solution: Absorptive capacity refers to the ability of an economy to effectively utilize external aid or investment. It depends on factors such as the availability of skilled manpower, infrastructure, institutions, and governance mechanisms. A high absorptive capacity ensures that funds are used efficiently and lead to productive outcomes.

💡 Quick Tip

Higher absorptive capacity enhances the effectiveness of foreign aid and public investments in economic development.

31.(a) Describe briefly a rationale behind choosing 'Self-reliance' as a planning objective for the Indian economy.

Solution: The objective of self-reliance was adopted in India's economic planning to reduce dependence on foreign countries and promote national development. The rationale behind it includes:

- **Reducing Foreign Dependence:** After independence, India aimed to build its economy without over-reliance on imports or foreign aid.
- **Encouraging Indigenous Industries:** Self-reliance promoted local production capabilities through small-scale industries and public sector enterprises.
- **Saving Foreign Exchange:** By promoting domestic alternatives, India aimed to conserve valuable foreign exchange reserves.
- **Ensuring Economic Sovereignty:** Reducing external dependency ensured greater control over policy-making and resource allocation.

- **Fostering National Pride and Employment:** Encouraging Indian goods helped generate employment and boost confidence in local capacity.

Thus, self-reliance was vital for achieving inclusive and independent economic growth.

💡 Quick Tip

Self-reliance strengthens domestic capabilities and safeguards the economy from global uncertainties.

OR

31.(b) Explain how, Goods and Services Tax (GST) has simplified the multiplicity of taxes on goods and services.

Solution: The Goods and Services Tax (GST), implemented in 2017, is a unified tax system that replaced various indirect taxes levied at the central and state levels. It has simplified taxation in the following ways:

- **Single Tax Structure:** GST subsumes multiple taxes like VAT, service tax, excise duty, and others under one umbrella.
- **Uniform Tax Rates:** It provides a uniform tax structure across states, removing discrepancies and improving transparency.
- **Avoidance of Cascading Effect:** GST is levied only on the value-added at each stage, preventing tax-on-tax and reducing the overall burden.
- **Ease of Compliance:** A common digital platform (GSTN) has streamlined filing returns and tax payments.
- **Boosts Ease of Doing Business:** Simplified tax structure improves investor confidence and business operations.

Thus, GST has made the indirect tax regime simpler, more efficient, and business-friendly.

💡 Quick Tip

GST creates a single market by replacing multiple taxes with one unified tax structure across India.

32. Describe the path of developmental initiatives taken by Pakistan for its economic development.

Solution: Pakistan has followed various developmental strategies since its independence to promote economic growth and improve living standards. The path of development includes:

- **Mixed Economy Model:** Pakistan adopted a mixed economy with both private and public sector participation.

- **Planning through Five-Year Plans:** Like India, Pakistan implemented several Five-Year Plans to guide economic policies and priorities.
- **Green Revolution:** It focused on agricultural development through high-yielding varieties of seeds, fertilizers, and irrigation.
- **Industrialization Drive:** Pakistan promoted industries by offering subsidies, protecting domestic firms, and establishing industrial zones.
- **Structural Reforms:** During the 1980s and 1990s, Pakistan introduced structural adjustment programmes under the IMF and World Bank to liberalize trade and privatize state-owned enterprises.
- **Social Sector Initiatives:** Efforts were made to invest in health and education, although progress was relatively slower compared to economic reforms.
- **Vision 2025:** A recent comprehensive plan aiming to transform Pakistan into an upper-middle-income country by focusing on infrastructure, energy, and human capital.

Despite these initiatives, Pakistan has faced challenges such as political instability, low human development indicators, and fiscal deficits.

💡 Quick Tip

Pakistan's development path combined planning, industrial growth, and liberalization, but progress was hindered by socio-political factors.

33.(a) Giving valid reasons, state whether the following statements are true or false. (i) India followed unbalanced growth during the colonial rule.
(ii) The economic policies implemented in India between 1950–1990 sought to promote regional equality.
(iii) India has become a favourable destination of outsourcing in the post-1991 period.

Solution:

1. **True.**

Reason: During colonial rule, the British focused on developing only those sectors which served their economic interests, such as railways, ports, and a few industries. Other sectors like agriculture and rural infrastructure were neglected, resulting in unbalanced growth.

2. **True.**

Reason: The Indian government adopted a planning system between 1950–1990 that aimed to reduce regional disparities through public investment in backward areas, establishment of public sector enterprises, and land reforms.

3. **True.**

Reason: After the 1991 economic reforms, India emerged as a global outsourcing hub due to availability of skilled human resources, technological advancement, low operational costs, and English proficiency among the workforce.

💡 Quick Tip

Statements should be supported with valid and specific economic reasoning for clarity in exams.

OR

33.(b) (i) Distinguish between:

1. Tariff and Non-tariff Barriers

- **Tariff Barriers:** These refer to taxes or duties imposed on imported goods. They raise the cost of imports and make domestic goods more competitive.
- **Non-tariff Barriers:** These are restrictions other than taxes, such as quotas, licenses, standards, and regulations that limit imports and protect domestic industries.

2. Bilateral and Multilateral Trade

- **Bilateral Trade:** Trade agreement or exchange of goods and services between two countries.
- **Multilateral Trade:** Trade among more than two countries, often under international agreements like WTO.

(ii) "Small-Scale Industries require a shield against large-scale industries."

Solution: In the light of the above statement, the government has taken the following steps to protect and promote small-scale industries (SSIs):

- **Reservation Policy:** Certain products were reserved exclusively for production by SSIs to protect them from competition with large-scale units.
- **Financial Support:** Priority sector lending by banks and financial institutions provided easy credit to SSIs.
- **Infrastructure Assistance:** Establishment of industrial estates and provision of common facilities.
- **Skill and Technology Development:** Government offered training and technology upgradation programs for improving productivity and competitiveness.
- **Marketing Assistance:** Marketing support was extended through exhibitions, trade fairs, and government procurement.

💡 Quick Tip

Always support definitions with examples or government initiatives to strengthen economic answers.

34. Read the following text carefully :

Agro-startups and rural enterprises are becoming increasingly vital for rural development in India. They address the critical challenges faced by rural sector in India. These ventures bring in technological innovations such as precision farming, IT-based monitoring system and data-driven decision making tools that enhance productivity and resource efficiency. By streamlining supply chains and creating direct market linkages, they ensure better pricing for farmers and reduce dependency on traditional intermediaries. Such enterprises contribute actively to employment generation in the rural areas. The government has demonstrated a continuous policy and financial support for agri-startups and entrepreneurs through various programs like RKVY-RAFTAAR, the Agri- infrastructure fund and Agri-SURE. On the basis of given text and common understanding, answer the following questions:

(a) Explain, how agro-startups address the critical challenges faced by the agricultural sector.

Solution: Agro-startups play a vital role in addressing the core issues of the agricultural sector by adopting modern, innovative strategies:

- **Technological Innovation:** They introduce tools like precision farming, IT-based monitoring, and data-driven decision-making systems which improve crop yields and resource efficiency.
- **Supply Chain Efficiency:** These startups streamline the agri-supply chain, enabling better access to markets and reducing post-harvest losses.
- **Market Linkages:** By providing direct market access, agro-startups reduce the dependence on traditional intermediaries and ensure fair prices to farmers.
- **Rural Employment:** They contribute to employment generation in rural areas, helping reduce migration to urban areas.

 Quick Tip

Agro-startups combine technology and innovation to transform traditional farming into efficient and profitable ventures.

(b) Comment on the role of government in supporting agro-startups and entrepreneurs in India.

Solution: The Indian government plays a key role in fostering agro-startups and rural entrepreneurship by providing targeted support through various schemes:

- **Policy Support:** The government has consistently focused on promoting rural enterprises through favourable policy frameworks.
- **Financial Assistance:** Programs like RKVY-RAFTAAR, Agri-Infrastructure Fund, and Agri-SURE provide crucial financial aid and startup incubation.

- **Capacity Building:** These initiatives help build infrastructure, enable training, and improve access to credit and markets.
- **Encouraging Innovation:** Through government support, agro-startups are encouraged to adopt sustainable practices and modern tools to enhance rural productivity.

💡 Quick Tip

Supportive government schemes are critical in enabling agro-startups to scale and bring lasting change to rural India.