

CBSE Class 12 2025 Economics Question Paper (58/6/1) With Solutions

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

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 If the value of Investment Multiplier (K) is 5, the relevant saving function would be

-----.

(A) $S = -60 + 0.25Y$

(B) $S = -60 + 0.75Y$

(C) $S = -60 + 0.20Y$

(D) $S = -60 + 0.60Y$

Correct Answer: (C) $S = -60 + 0.20Y$

Solution:

The Investment Multiplier (K) is given by $K = \frac{1}{1 - MPC}$

$$\text{So, } MPC = 1 - \frac{1}{K} = 1 - \frac{1}{5} = 0.8.$$

Since $MPC + MPS = 1$, we get $MPS = 1 - 0.8 = 0.2$.

The savings function is: $S = -C + MPS \times Y$.

The options provide the constant term as -60.

So, the relevant saving function is: $S = -60 + 0.20Y$.

Quick Tip

Always remember: Investment Multiplier $K = \frac{1}{MPS}$. So, if you know K , you can easily find MPS .

2 Identify, which of the following items will not be included in estimating National Income of India.

(A) Salary to Indian residents working at the Russian Embassy in India

(B) Income generated from smuggling

(C) Payments to farm workers in the form of foodgrains

(D) Interest paid by a firm to a bank

Correct Answer: (B) Income generated from smuggling

Solution:

National Income includes the income of legal activities within a country.

Income generated from smuggling is illegal and hence does not count towards National Income.

Quick Tip

National Income includes only legal activities and official transactions.

3 If an upward sloping straight line consumption function makes an intercept at the Y-axis at a positive coordinate, it implies that Marginal Propensity to Consume (MPC) _____ and Average Propensity to Consume (APC) _____ as the income increases.

(A) remains constant, rises

(B) rises, rises

(C) remains constant, falls

(D) falls, falls

Correct Answer: (B) rises, rises

Solution:

As income increases, the Marginal Propensity to Consume (MPC) typically remains constant.

Since the Average Propensity to Consume (APC) is calculated as $APC = \frac{C}{Y}$, it decreases with increasing income.

But since the MPC remains constant, APC rises initially and then falls as income increases.

Quick Tip

For an upward sloping consumption function, MPC remains constant and APC decreases as income increases.

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

Assertion (A): Other things remaining constant, devaluation of domestic currency may lead to rise in National Income of the nation.

Reason (R): Devaluation of domestic currency refers to reduction in the value of domestic currency by the government with respect to foreign currency under the fixed exchange rate

system.

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

Solution:

Devaluation of currency leads to making exports cheaper and imports more expensive. This helps in increasing national income. The assertion is correct, and the reason correctly explains how devaluation impacts national income.

Quick Tip

Devaluation boosts exports by making them cheaper, which can increase national income.

5 Central Bank can decrease the money supply in the economy by ----- .

(A) lowering the cash reserve

(B) increasing the bank rate

(C) lowering the bank rate

(D) purchase of G-Secs (Government Securities)

Correct Answer: (B) increasing the bank rate

Solution:

Increasing the bank rate increases the cost of borrowing for commercial banks, leading them to reduce the money supply.

Quick Tip

An increase in the bank rate leads to a reduction in borrowing, which in turn decreases the money supply.

6 If the total credit created by the banks is 500 and Reserve Ratio is 20%, the value of primary deposits would be ----- .

- (A) 200
- (B) 300
- (C) 100
- (D) 500

Correct Answer: (C) 100

Solution:

The formula for total credit is: $\text{Total Credit} = \frac{\text{Primary Deposits}}{\text{Reserve Ratio}}$.

Substitute the values:

$$500 = \frac{X}{0.20}, \quad \text{where X is the primary deposits.}$$

Solving for X:

$$X = 500 \times 0.20 = 100.$$

Quick Tip

To find primary deposits, multiply total credit by the reserve ratio (or use the formula: Primary Deposits = Total Credit × Reserve Ratio).

7 Using the given information, complete the following table:

Income (Y) (in crore)	Savings (in crore)	Consumption (in crore)	Average Propensity to Consume
0	(i)	30	-
100	0	30	1
200	30	170	0.85
300	60	240	0.8

Options:

- (A) - 30, 120

- (B) 30, 120
- (C) 0, 70
- (D) - 30, 100

Correct Answer: (D) - 30, 100

Solution:

To complete the table:

1. The formula for Savings is: $S = Y - C$, where C is consumption.
2. For Income = 0, Savings (i) is: $S = 0 - 30 = -30$.
3. For Income = 100, Savings (ii) is: $S = 100 - 30 = 70$.

4. APC is calculated as: $APC = \frac{C}{Y}$.

For Income = 100, $APC = \frac{30}{100} = 0.3$.

Quick Tip

To calculate savings, use the formula: Savings = Income - Consumption. To calculate APC, use the formula: $APC = \text{Consumption} / \text{Income}$.

8 Identify, which of the following is not a source of demand for foreign exchange.

- (A) Imports of goods and services
- (B) Gifts by Indians to their families living abroad
- (C) Indian tourists visiting foreign countries
- (D) Loans from Rest of the World

Correct Answer: (D) Loans from Rest of the World

Solution:

Demand for foreign exchange arises from imports, gifts, and tourism. Loans from the rest of the world r

Quick Tip

Remember: Foreign exchange demand comes from imports, gifts, tourism, and investments. Loans typically represent foreign exchange supply.

9 Suppose in an economy, planned spending is greater than planned output. Identify the correct option with respect to effects on the economy:

- (i) Decrease in planned inventories in the economy
 - (ii) Rise in National Income
 - (iii) Decrease in real output level in the economy
 - (iv) Decrease in employment level in the economy
- (A) Only (i)
(B) (i) and (ii)
(C) (iii) and (iv)
(D) (ii), (iii) and (iv)

Correct Answer: (B) (i) and (ii)

Solution:

When planned spending exceeds planned output, inventories will decrease because more goods are being

Quick Tip

Excess planned spending leads to inventory depletion, national income increase, and more production to meet higher demand.

10 Read the following statements carefully:

Statement 1: The price of a given currency in terms of another is known as bank rate.

Statement 2: Demand curve for foreign exchange is a downward sloping curve.

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

Solution:

The price of a currency in terms of another is known as the exchange rate, not the bank rate. The demand

Quick Tip

The exchange rate determines currency price, not the bank rate, and the demand curve for foreign exchange slopes downward.

11 Distinguish between autonomous transactions and accommodating transactions in the Balance of Payments of the economy.

Solution:

- Autonomous Transactions:

These are transactions that occur due to economic conditions or external factors and do not require any adjustment in the Balance of Payments. They are also known as *independent transactions*. Examples include exports, imports, foreign investment, and loans.

- Accommodating Transactions:

These transactions occur as a result of adjustments to maintain the Balance of Payments equilibrium. They include borrowing from foreign countries or drawing down reserves. They are required to balance the inflows and outflows from autonomous transactions.

Quick Tip

Autonomous transactions are driven by market factors, while accommodating transactions are adjustments to balance the payments.

12(b) Calculate Net Domestic Product at Market Price (NDP_{MP}) from the data given below:

S. No.	Particulars	Amount (in lakh)
(i)	Gross Domestic Product at Factor Cost	2200
(ii)	Subsidies	50
(iii)	Indirect Taxes	70
(iv)	Net Factor Income from Abroad	100
(v)	Consumption of Fixed Capital	150
(vi)	Net Exports	40

Solution:

To calculate Net Domestic Product at Market Price (NDP_{MP}), we need to adjust the Gross Domestic Product at Factor Cost by adding indirect taxes and subtracting subsidies.

$$NDP_{MP} = \text{Gross Domestic Product at Factor Cost} + \text{Indirect Taxes} - \text{Subsidies}$$

$$NDP_{MP} = 2200 + 70 - 50$$

$$NDP_{MP} = 2200 + 20 = 2220 \text{ lakh}$$

Quick Tip

To calculate NDP_{MP} , add indirect taxes and subtract subsidies from GDP at factor cost.

OR**12(b) Define Net Factor Income from Abroad (NFIA) and discuss its components.****Solution:**

Net Factor Income from Abroad (NFIA) is the difference between the total income earned by the residents of a country and the total income earned by foreign residents in the country.

Components of NFIA:

- **Income Earned by Residents Abroad:** This includes income from foreign investments, wages earned by citizens working in foreign countries, and any other income generated by the country's residents from abroad.
- **Income Paid to Foreign Residents:** This is the income earned by foreign nationals working in the country, along with the income earned by foreign investors in the country.

$$NFIA = \text{Income earned by residents abroad} - \text{Income paid to foreign residents.}$$

Quick Tip

NFIA is calculated as the difference between income earned by residents abroad and income paid to foreigners within the country.

13. Estimate the value of Aggregate Demand (AD) in an imaginary economy:

Solution: We are given the following data:

- Autonomous Investment $I_0 = 100$ crore
- Marginal Propensity to Save (MPS) = 0.2
- Level of Income (Y) = 4000 crore

- Autonomous Consumption Expenditure $\bar{C} = 50$ crore

To calculate Aggregate Demand (AD), we need to determine the Consumption (C) and Investment (I).

1. The Marginal Propensity to Consume (MPC) is the complement of MPS:

$$MPC = 1 - MPS = 1 - 0.2 = 0.8$$

2. The consumption function is given by:

$$C = \bar{C} + (MPC \times Y)$$

Substituting the given values:

$$C = 50 + (0.8 \times 4000) = 50 + 3200 = 3250 \text{ crore}$$

3. The Aggregate Demand (AD) is the sum of Consumption (C) and Investment (I):

$$AD = C + I_0 = 3250 + 100 = 3350 \text{ crore}$$

Thus, the Aggregate Demand (AD) is 3350 crore.

Quick Tip

To calculate Aggregate Demand, we add the consumption value (which depends on income and the Marginal Propensity to Consume) and autonomous investment.

13. (b) State the meaning of propensity to consume.

Solution: The propensity to consume refers to the proportion of income that is spent on consumption rather than saved. It is a key concept in economics and is often expressed as the Marginal Propensity to Consume (MPC), which is the fraction of any additional income that is used for consumption.

A higher MPC means that individuals tend to spend more of their income on goods and services rather than saving it.

Quick Tip

The propensity to consume determines how much of an individual's income is allocated towards consumption, which impacts overall demand in the economy.

14. "An economy is operating at under-employment level of income." What does this situation indicate? Discuss any one fiscal measure to tackle this situation.

Solution: An economy operating at an under-employment level of income indicates that the economy is not fully utilizing its available resources, such as labor and capital. There is insufficient demand for goods and services, leading to idle capacity in the economy. This typically results in unemployment and lower levels of income. The economy is producing below its potential output, and workers are underutilized.

One fiscal measure to tackle this situation is **increased government spending**. The government can invest in public infrastructure projects, welfare programs, or social services. This injection of spending will increase aggregate demand, stimulate production, and create jobs, which will reduce unemployment and increase income levels.

By boosting demand, the government can push the economy toward its potential output and full employment.

Quick Tip

Increasing government spending is a common fiscal policy used to combat under-employment by stimulating demand and encouraging businesses to expand and hire more workers.

OR

14. (b) Elaborate using a hypothetical numerical example, how a given initial increase in investment affects the level of final income of the economy.

Solution: Let's assume the Marginal Propensity to Consume (MPC) is 0.75, and the initial increase in investment is 200 crore.

The formula for the multiplier effect is:

$$\text{Multiplier} = \frac{1}{1 - MPC}$$

Substituting the given MPC value:

$$\text{Multiplier} = \frac{1}{1 - 0.75} = 4$$

Now, we calculate the final income increase (Y) as follows:

$$\Delta Y = \text{Multiplier} \times \text{Initial Investment} = 4 \times 200 = 800 \text{ crore}$$

Thus, the final increase in income in the economy is 800 crore. This shows how an initial investment of 200 crore can lead to a larger increase in the overall income of the economy due to the multiplier effect.

Quick Tip

The multiplier effect demonstrates that an initial increase in investment can have a larger impact on the economy. The greater the MPC, the larger the multiplier and, consequently, the greater the final increase in income.

15. "In the 1990s, on the advice of Reserve Bank of India (RBI), the Government of India took a decision of hypothecation of gold reserves to different nations."

In the light of the above statement, discuss briefly the role of the Central Bank as Banker, Agent, and Adviser to the Government.

Solution: The Reserve Bank of India (RBI) plays an important role in assisting the Government of India in various capacities. These roles are as follows:

1. **Banker to the Government:** As the Government's banker, the RBI handles all transactions related to the Government. This includes managing the Government's accounts, conducting treasury operations, and handling public debt. The RBI also maintains the Government's gold and foreign exchange reserves and facilitates government borrowing by managing the issuance of Government securities.
2. **Agent to the Government:** The RBI also acts as an agent for the Government in terms of managing foreign exchange reserves. The hypothecation of gold reserves, as mentioned in the statement, was a part of the arrangement where the RBI played a role in managing India's gold reserves by lending them to other countries or using them as collateral for foreign loans. This allowed the Government to manage financial transactions with different nations more effectively.
3. **Adviser to the Government:** The RBI advises the Government on matters related to monetary policy, fiscal management, and economic stability. Its role as an adviser is critical

in ensuring that government decisions, especially those related to banking, money supply, and credit management, are in line with the country's overall economic objectives. The RBI helps in formulating strategies for managing inflation, interest rates, and foreign exchange reserves, which are essential for maintaining economic stability.

In conclusion, the RBI plays a key role in the functioning of the Government's financial system, not only by performing technical banking and advisory functions but also by guiding fiscal policies and ensuring economic stability.

Quick Tip

The RBI's role is crucial for the smooth operation of government finances, and its advisory capacity helps the Government navigate economic challenges. Its ability to manage both domestic and international financial relations strengthens the Indian economy.

16. Read the following text carefully :

Government provides certain goods and services which cannot be provided by the market mechanism. Examples of such goods are national defence, roads, government administration etc. which are referred to as public goods.

There are two major differences between public and private goods. One, the benefits of public goods are available to all and are not only restricted to one particular consumer. For example, if a person wears a shirt, it will not be available to others. It is said that this person's consumption stands in rival relationship to the consumption of others. However, if we consider a public park or measures to reduce air pollution, the benefits will be available to all. One person's consumption of a good does not reduce the amount available for consumption for others and so several people can enjoy the benefits, that is, the consumption of many people is not 'rivalrous'.

Two, in case of private goods, anyone who does not pay for the goods can be excluded from enjoying its benefits. If you do not buy a ticket, you will not be allowed to watch a movie at a local cinema hall. However, in case of public goods, there is no feasible way of excluding anyone from enjoying the benefits of the good. That is why public goods are called non-excludable. Even if some users do not pay, it is difficult and sometimes impossible to

collect fees for the public good. These non-paying users are known as 'free-riders'. Consumers will not voluntarily pay for what they can get for free and for which there is no exclusive title to the property being enjoyed. The link between the producer and consumer which occurs through the payment process is broken and the government must step in to provide for such goods.

(a) Describe how the Government's role in providing public goods impacts community welfare.

Solution: The Government's role in providing public goods has a significant impact on community welfare. Public goods, such as national defense, roads, and public parks, are essential for the overall well-being of society but cannot be effectively provided by the market mechanism.

1. ****Accessibility to All:****

Public goods are available to all members of society, and their consumption is not restricted to individual consumers. For example, a public park is available to everyone, and one person's use of the park does not reduce its availability to others. This ensures that all members of society can benefit from these goods, promoting equality and community welfare.

2. ****Non-Rivalry and Non-Excludability:****

Since public goods are non-rivalrous, the consumption by one individual does not diminish the amount available for others. Additionally, they are non-excludable, meaning that no one can be excluded from enjoying the benefits, even if they do not pay for them. The provision of these goods by the Government ensures that all members of society can enjoy them, which leads to an improvement in collective welfare.

3. ****Government's Responsibility:****

The Government provides these goods because it is difficult for private entities to profitably offer them. By investing in public goods, the Government fills the gap left by the private sector, ensuring that everyone has access to essential services, which enhances overall societal welfare. This contribution is vital in promoting economic and social development.

Quick Tip

Public goods provided by the Government improve community welfare by ensuring that essential services are available to all, regardless of individual contributions.

(b) Define free-riders. Explain the challenges posed by the free-riders in the context of public goods.

Solution: ****Free-riders**** are individuals who benefit from public goods without contributing to the cost of providing those goods. Since public goods are non-excludable, people can enjoy the benefits without paying for them, leading to a situation where some individuals take advantage of the goods without sharing the financial burden.

1. ****Challenges Posed by Free-Riders:****

- ****Under-Provision of Public Goods:**** Since free-riders do not contribute financially, there is often under-funding for public goods. If everyone relies on others to pay, the government may not have sufficient resources to provide these goods in the long term, which can reduce their availability and quality.

- ****Inefficiency in the System:****

The existence of free-riders creates an imbalance where some individuals benefit without contributing, leading to inefficiency. This can result in an overuse of the good by those who don't pay, while those who contribute may feel that their payments are not being fairly utilized.

- ****Difficulty in Collecting Funds:****

The Government may face challenges in collecting the necessary funds to provide public goods because individuals who benefit from these goods may not willingly pay taxes or fees. The absence of a direct link between payment and consumption makes it difficult to implement user fees or taxes for public goods.

2. ****Solution to Free-Riders:****

The Government plays a crucial role in addressing the issue of free-riders by taxing individuals and businesses, ensuring that everyone contributes to the funding of public goods. This way, the benefits of public goods can be shared fairly, and the government can continue providing essential services to the population.

Quick Tip

Free-riders undermine the funding of public goods. Governments address this issue through taxation and collective funding, ensuring that everyone shares the cost of maintaining public goods.

17. (i) Suppose, there are only three firms in a hypothetical economy, viz. A, B, and C.

During a given period of time, the following transactions were undertaken by them:

(I) Firm A sold goods worth 2,000 to Firm B and 1,200 to Firm C.

(II) Firm B sold goods worth 1,100 to Firm A and 3,500 to Firm C.

(III) Firm C sold to households for final consumption goods worth 5,700.

Estimate the value of Net Domestic Product at Market Price (NDP_{MP}) assuming depreciation to be 120.

Solution: To calculate the Net Domestic Product at Market Price (NDP_{MP}), we will use the following formula:

$$NDP_{MP} = \text{Gross Domestic Product at Market Price (GDP}_{MP}) - \text{Depreciation}$$

Step 1: Calculate GDP_{MP}

GDP_{MP} is the total market value of all final goods and services produced in an economy. We can calculate GDP_{MP} by adding the value of final goods produced and sold:

- **Firm A** sold goods worth 2,000 to Firm B and 1,200 to Firm C. But these are intermediate goods, and therefore, do not count in the final GDP calculation.

- **Firm B** sold goods worth 1,100 to Firm A and 3,500 to Firm C. These are also intermediate goods, so they don't count in GDP_{MP} .

- **Firm C** sold goods worth 5,700 to households for final consumption. This is a final good, so we count 5,700 in GDP_{MP} .

Thus, the GDP_{MP} is 5,700.

Step 2: Subtract depreciation

We are given that depreciation is 120. So, the Net Domestic Product at Market Price (NDP_{MP}) is:

$$NDP_{MP} = 5700 - 120 = 5,580$$

Thus, the NDP_{MP} is 5,580.

Quick Tip

When calculating NDP_{MP} , ensure that you only include the value of final goods and subtract depreciation from GDP_{MP} .

(ii) Explain the likely impact of construction of 2000 new schools providing high-quality education in a nation on Gross Domestic Product and welfare in an economy.

Solution: The construction of 2000 new schools providing high-quality education can have significant impacts on both Gross Domestic Product (GDP) and welfare in an economy:

1. **Impact on GDP:**

- **Increased Investment:**

The construction of schools would be considered as an investment in infrastructure, which directly contributes to GDP. The construction sector will experience growth, leading to an increase in employment and economic activity in the short run.

- **Higher Educational Services Output:**

The provision of high-quality education leads to increased human capital. Over time, the economy will experience an increase in productivity as the educated workforce enters the job market, contributing further to GDP.

- **Multiplier Effect:**

The initial investment in constructing the schools and the subsequent spending by those employed in these projects will have a multiplier effect, increasing the overall economic activity. As more people gain access to education, their ability to contribute to economic output increases, leading to long-term GDP growth.

2. **Impact on Welfare:**

- **Improved Human Capital:**

High-quality education leads to better skills and knowledge, which enhances the employability of individuals and can lead to higher wages. Over time, this will improve the standard of living and overall welfare in the economy.

- **Better Health and Productivity:**

Education is linked to better health outcomes, as educated individuals are more likely to adopt healthier lifestyles. Additionally, education improves overall productivity, leading to higher incomes and better living standards for the population.

- **Social Benefits:**

Education contributes to social benefits such as reduced poverty, lower inequality, and better social mobility. It also promotes better decision-making and civic participation, improving the quality of governance and democracy.

In conclusion, the construction of schools and provision of high-quality education will positively impact both the economy's GDP and the welfare of its citizens in the long run.

Quick Tip

The construction of schools contributes to economic growth by creating jobs, increasing human capital, and promoting long-term improvements in productivity and welfare.

OR

17.b. (i) Distinguish between Real Gross Domestic Product (GDP) and Nominal Gross Domestic Product.

Solution: Real GDP and Nominal GDP are both used to measure the total economic output of a country, but they are calculated differently:

1. **Nominal GDP:**

Nominal GDP measures the total value of goods and services produced in a country within a specific time period, using current prices (i.e., the prices prevailing in the year in which the GDP is calculated). Nominal GDP does not account for inflation or deflation, meaning that if prices increase, Nominal GDP will also increase, even if the quantity of goods and services produced remains the same. Therefore, Nominal GDP can be misleading when comparing economic output across different periods, as it is affected by price changes.

2. **Real GDP:**

Real GDP adjusts for inflation or deflation by using constant prices from a base year. This means Real GDP represents the value of goods and services produced in a country, adjusted for changes in price levels. Real GDP is a more accurate reflection of the economy's actual

growth because it removes the effect of price changes over time. This allows for meaningful comparisons of economic performance between different periods.

****Key Difference:****

The main difference between Real GDP and Nominal GDP is that Real GDP accounts for inflation, while Nominal GDP does not. Therefore, Real GDP provides a more accurate representation of an economy's true growth by eliminating the impact of price changes.

Quick Tip

When comparing economic growth across different years, Real GDP is preferred because it removes the impact of inflation, providing a clearer view of actual growth.

(ii) As per a news dated April 11, 2023:

“Electric Vehicle sales crossed one million mark in FY 2023.”

Analyse its impact on Gross Domestic Product (GDP) and economic welfare.

Solution: The sale of Electric Vehicles (EVs) crossing the one million mark in FY 2023 is likely to have significant impacts on both Gross Domestic Product (GDP) and economic welfare:

1. ****Impact on GDP:****

- ****Increase in Production:****

The production and sale of electric vehicles directly contribute to GDP as it is considered part of the manufacturing sector. This surge in sales indicates higher production and demand for electric vehicles, thereby contributing to increased economic output.

- ****Expansion of Related Sectors:****

The growing EV market stimulates other related industries such as battery manufacturing, infrastructure development (e.g., charging stations), and research and development in clean energy technologies. These activities further contribute to GDP, creating a ripple effect throughout the economy.

- ****Investment in Technology and Infrastructure:****

The expansion of EV sales will likely lead to increased investments in green technologies and infrastructure, further boosting GDP. Government spending on incentives for EVs or the

development of EV-related infrastructure (charging stations, renewable energy sources, etc.) also boosts GDP.

2. **Impact on Economic Welfare:**

- **Environmental Benefits:**

EVs contribute to environmental sustainability by reducing carbon emissions, which is crucial for addressing climate change. As EVs become more widely adopted, the reduction in pollution improves overall public health and welfare, leading to long-term economic benefits from reduced healthcare costs and improved quality of life.

- **Energy Independence:**

Increased adoption of electric vehicles reduces reliance on fossil fuels, which can help countries become more energy independent. This leads to a more stable and sustainable energy economy, contributing to long-term economic welfare.

- **Social Welfare and Employment:**

The EV industry is likely to create new jobs, not only in vehicle manufacturing but also in the sectors related to renewable energy, battery production, and EV maintenance. These job opportunities can enhance social welfare by reducing unemployment and increasing income levels.

- **Affordability and Accessibility:**

Over time, as the production of electric vehicles scales up, their prices are likely to decrease, making them more accessible to a larger segment of the population. This increased affordability could lead to greater adoption, further improving welfare.

In conclusion, the rise in electric vehicle sales contributes positively to both GDP and economic welfare by promoting sustainable growth, creating jobs, and enhancing environmental and social outcomes.

Quick Tip

The transition to electric vehicles not only boosts GDP by stimulating economic activity in multiple sectors but also improves welfare by contributing to environmental sustainability and energy security.

SECTION B

Indian Economic Development

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

Assertion (A): The year 1921 is called the Year of Great Divide.

Reason (R): After the year 1921, India experienced a sharp rise in its population growth rate.

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

Solution:

The year 1921 is called the Year of Great Divide because it marks a significant demographic shift in India's population growth.

However, the sharp rise in population growth began later, so Reason (R) is true, but it does not explain why 1921 is the Year of Great Divide.

Quick Tip

The "Year of Great Divide" refers to a demographic shift, while the sharp population growth came later in the 20th century.

19 Mao initiated the 'Great Leap Forward' movement in the year

(A) 1951

(B) 1955

(C) 1958

(D) 1962

Correct Answer: (C) 1958

Solution:

The "Great Leap Forward" was a social and economic campaign initiated by Mao Zedong in China in 1958, aimed at rapidly transforming the country from an agrarian economy to an industrialized one.

Quick Tip

Mao's "Great Leap Forward" began in 1958 and aimed at rapid industrialization, but it ultimately resulted in widespread famine.

20 "The Indian Government adopted a policy of fixing maximum land holding limit (ownership) for an individual."

It is commonly known as

- (A) Green Revolution
- (B) Land Ceiling
- (C) Marketable Surplus
- (D) Golden Revolution

Correct Answer: (B) Land Ceiling

Solution:

The Land Ceiling Act refers to the policy adopted by the Indian government to limit the maximum land ownership by an individual or a family in order to promote equitable distribution of land.

Quick Tip

Land Ceiling refers to government regulations on land ownership, aiming to ensure that no individual holds an excessive amount of agricultural land.

21 Study the following image and identify the measure adopted by the Government to improve agricultural marketing.

Based on the image, the measure adopted is a regulated market system where agricultural produce is bought and sold in a regulated environment to ensure fair prices and reduce

exploitation.

(A) Cooperative credit societies

(B) Regulated markets

(C) Transportation facilities

(D) Dissemination of information

Correct Answer: (B) Regulated markets

Solution:

The image shows a market setup with agricultural products being sold in an organized manner. This is an indication of **regulated markets**, which are designed to protect both farmers and consumers by ensuring fair pricing, quality standards, and preventing exploitation.

Quick Tip

Regulated markets ensure fair trade by implementing pricing rules, preventing exploitation of farmers, and ensuring transparency in transactions.

22 Identify, which of the following correctly defines liberalization.

(A) Outright sale of part of shares of Public Sector Undertakings (PSUs)

(B) Increased integration with the rest of the world

(C) Removal of restrictions imposed by government on different sectors of the economy

(D) Focus on import substitution

Correct Answer: (C) Removal of restrictions imposed by government on different sectors of the economy

Solution:

Liberalization refers to the process of reducing or eliminating government regulations and restrictions in different sectors of the economy. It aims to promote economic growth by encouraging more private sector participation and fostering competition.

The option that defines this process is the removal of restrictions imposed by the government on various sectors of the economy.

Quick Tip

Liberalization involves reducing government intervention, allowing market forces to operate more freely and encouraging investment.

23 In China, under, peasants were provided with pooled land to create larger fields that could yield greater output and they shared farm implements.

- (A) Joint Farming System
- (B) Commune System
- (C) Great Proletarian Cultural Revolution
- (D) Green Revolution

Correct Answer: (B) Commune System

Solution:

Under the Commune System in China, land was pooled together, and peasants worked collectively on large fields to increase agricultural output. The system was aimed at improving productivity through shared resources and farming implements.

Quick Tip

The Commune System in China involved collective farming to boost productivity, which differed from the Green Revolution's focus on technology and agriculture.

24 White Revolution is associated with

- (A) Horticulture
- (B) Fisheries
- (C) Dairy Production
- (D) Animal Husbandry

Correct Answer: (C) Dairy Production

Solution:

The White Revolution, also known as Operation Flood, was a national campaign in India that focused on increasing milk production through better breeding, cattle management, and

cooperative systems.

Quick Tip

The White Revolution was focused on dairy production, revolutionizing milk production in India.

25 indicator may be defined as the measure of the extent of demographic participation in social and political decision-making.

- (A) Economic
- (B) Liberty
- (C) Health
- (D) Demographic

Correct Answer: (D) Demographic

Solution:

A demographic indicator is used to measure the extent of participation of different demographic groups in the decision-making process, including political and social participation.

Quick Tip

Demographic indicators track the involvement of different population segments in key societal processes, such as voting or public decision-making.

26 Read the following statements carefully:

Statement 1: Employment is an activity which enables a person to earn means of livelihood for his/her family.

Statement 2: A worker is one who contributes to the process of Gross Domestic Product (GDP) by rendering his productive services.

- (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:

Both statements are correct. Employment is indeed an activity that provides livelihood, and a worker contributes to GDP by producing goods and services for the economy.

Quick Tip

Employment and work are fundamental components of economic production and contribute to the GDP through productive services.

27 Which of the following country/countries followed the Five Year Planning structure of economic development?

(i) India (ii) China (iii) Pakistan (iv) USA

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

(B) (ii) and (iii)

(C) (i) and (iv)

(D) Only (iv)

Correct Answer: (A) (i), (ii) and (iii)

Solution:

The Five Year Plan was a model of economic planning used by several countries for development.

India, China, and Pakistan all implemented Five Year Plans to guide their economic development, while the USA did not adopt this structure.

India's first Five Year Plan began in 1951, China adopted the model in the 1950s, and Pakistan also started its own Five Year Plans.

Quick Tip

Countries like India, China, and Pakistan used Five Year Plans to structure their economic development, focusing on growth targets and resource allocation.

28. (a) "During the British rule, the contribution of the industrial sector to the Gross Domestic Product (GDP) remained very low."

Justify the given statement with valid arguments in support of your answer.

Solution: The contribution of the industrial sector to India's GDP remained very low during the British rule for the following reasons:

1. **Colonial Economic Policy:**

The British colonial policy was primarily designed to exploit India's resources for the benefit of Britain. The British government focused on raw material extraction rather than developing a strong industrial base in India. As a result, the industrial sector was neglected, and India remained largely dependent on the British for manufactured goods.

2. **Deindustrialization of India:**

During British rule, India experienced deindustrialization, especially in the handicraft and textile industries. British policies, such as high tariffs on Indian textiles and the promotion of British manufactured goods, led to the decline of Indian industries. This further reduced India's industrial output and contribution to GDP.

3. **Limited Infrastructure Development:**

The British invested minimal resources in developing infrastructure to support industrial growth. Railways, roads, and ports were built, but these were primarily aimed at facilitating the extraction and export of raw materials from India to Britain, rather than fostering domestic industrialization.

4. **Emphasis on Agriculture:**

The British regime focused on extracting agricultural goods, such as cotton, jute, and indigo, for export. The agricultural sector was taxed heavily, and the surplus was used to finance British industrial development. This led to stagnation in industrial growth in India, as resources were diverted away from industrial development.

5. **Lack of Industrial Policy:**

The British did not formulate any industrial policy for the development of Indian industries. There were no incentives for the growth of domestic industries, and foreign enterprises, mainly British, dominated the industrial landscape. The absence of a conducive environment for industrial development hindered the contribution of the industrial sector to GDP.

In conclusion, the British colonial policies, focusing on resource extraction and serving

British interests, prevented India from developing a strong industrial base during the British period.

Quick Tip

The industrial sector's low contribution to GDP under British rule was a result of colonial policies that prioritized resource extraction and the promotion of British industries, while hindering domestic industrial growth.

OR

(b) "The real motive behind infrastructural development under the British rule was not to provide basic amenities to the people of India but to subserve various colonial interests."

Do you agree with the given statement? Give valid reasons in support of your answer.

Solution: I agree with the given statement, as the primary motive behind infrastructural development during British rule was to serve colonial interests rather than to benefit the Indian population. The reasons for this are:

1. **Railways for Resource Extraction:**

The primary purpose of the railway network built by the British was to transport raw materials from the interior of India to ports for export to Britain. The railways were not designed to connect rural India or facilitate the mobility of Indian citizens but to enhance the efficiency of colonial trade and resource extraction.

2. **Ports for British Trade:**

Ports were developed to facilitate the import and export of goods, especially raw materials from India to Britain and British goods to India. These ports were not primarily intended for the benefit of the Indian population but served the British Empire's economic interests.

3. **Limited Investment in Public Welfare:**

While some infrastructural projects, such as irrigation systems and roads, were undertaken, they were mainly focused on facilitating British revenue generation, such as the transportation of agricultural goods. There was little emphasis on improving the general living conditions of the Indian population or providing basic amenities like education, health,

or sanitation.

4. **Exploitation of Indian Resources:**

Infrastructural development, such as the establishment of administrative offices, was meant to ensure British control over Indian resources and to maintain colonial governance. These developments were not for the welfare of the people but to strengthen British control over the Indian economy and society.

5. **Neglect of Indian Needs:**

The British government largely neglected the basic needs of the Indian population. For example, despite the growth of British-controlled urban areas, rural India saw minimal development in terms of infrastructure, education, or healthcare.

In conclusion, while the British did undertake infrastructural projects, their primary goal was to serve colonial interests and enhance their control over India, rather than to improve the welfare of the Indian population.

Quick Tip

The British built infrastructure primarily to extract resources and maintain control, not to improve the welfare of the Indian people. This led to limited benefits for the Indian population during colonial rule.

29. Explain 'Investment in Education' as a source of human capital formation.

Solution: Investment in education is one of the most important sources of human capital formation. Human capital refers to the knowledge, skills, and abilities possessed by individuals that contribute to their productivity and economic growth. Investment in education improves these attributes and plays a crucial role in contributing to a nation's economic development.

1. **Improved Knowledge and Skills:**

Education provides individuals with the necessary knowledge and skills required to perform various tasks effectively. Well-educated individuals are more productive, innovative, and efficient in their work, which leads to an increase in national output. Higher levels of education also contribute to the development of specialized skills needed in different sectors,

which is crucial for the growth of industries and services.

2. **Boost to Technological Advancement:**

Investment in education helps foster technological advancements by providing individuals with the skills needed to engage in research, development, and innovation. Educated individuals are more likely to contribute to technological progress, which plays a significant role in enhancing productivity and fostering economic growth.

3. **Economic Development and Growth:**

Educated individuals are more likely to engage in entrepreneurial activities, start businesses, and create employment opportunities, all of which contribute to economic growth.

Furthermore, higher education contributes to a more skilled workforce that can adapt to the demands of a rapidly changing economy. This helps in attracting foreign investment and improving the global competitiveness of the country.

4. **Social and Economic Welfare:**

Education not only enhances the economic capacity of individuals but also improves social outcomes such as better healthcare, improved living standards, and a more informed and active citizenry. Educated populations are more likely to make informed decisions that contribute to the well-being of society, including better health and family planning choices.

5. **Cumulative Benefits for Future Generations:**

Investment in education also has cumulative benefits, as educated parents are more likely to invest in the education of their children, creating a cycle of human capital formation. This leads to a more skilled and educated future workforce, which further drives economic growth.

In conclusion, investment in education is a fundamental driver of human capital formation, and its impact extends beyond individual development to the overall growth and development of the economy.

Quick Tip

Education is a long-term investment that yields returns in the form of increased productivity, innovation, and economic growth. A well-educated workforce is key to sustainable development and competitiveness in the global economy.

30. Evaluate any two factors that led to the rapid growth in economic development in China.

Solution: Two key factors that contributed to the rapid economic growth in China are:

1. **Economic Reforms and Opening Up:**

In 1978, China began implementing economic reforms under the leadership of Deng Xiaoping. These reforms included opening up the country to foreign trade and investment, decentralizing economic control, and transitioning from a centrally planned economy to a socialist market economy. The opening up of the economy allowed China to integrate into the global market, attracting foreign direct investment (FDI) and facilitating technology transfer, which played a significant role in driving industrial growth and modernization.

2. **Export-Led Growth and Manufacturing Sector Expansion:**

China has leveraged its large, low-cost labor force to become a global manufacturing hub. The country's focus on export-oriented industries, such as electronics, textiles, and machinery, has driven its economic growth. China became known as the "world's factory," where products are manufactured at a competitive price, leading to an increase in exports. The expansion of the manufacturing sector not only boosted GDP but also created millions of jobs, further fueling economic development.

These two factors—economic reforms and export-led growth—have been pivotal in driving China's rapid economic rise, transforming it into one of the world's largest economies.

Quick Tip

Economic reforms, especially the opening up of markets and the emphasis on manufacturing and exports, have been fundamental in China's economic success over the past few decades.

31. (a) "IT can play a critical role in achieving sustainable development and food security in the 21st century in the country."

Justify the given statement with valid arguments.

Solution: Information Technology (IT) can significantly contribute to sustainable development and food security in the following ways:

1. **Improved Agricultural Practices:**

IT can help farmers access critical information related to weather patterns, soil conditions, pest control, and market prices. Through technologies such as mobile apps, satellite imagery, and GPS systems, farmers can make informed decisions, leading to better crop management, higher yields, and reduced wastage. This contributes to both sustainable farming practices and food security by optimizing resource use and minimizing environmental impact.

2. **Efficient Supply Chain Management:**

IT plays a crucial role in improving the efficiency of agricultural supply chains.

Technologies like blockchain, big data, and IoT (Internet of Things) help track produce from farm to table, ensuring that food reaches markets efficiently and with minimal loss. These technologies can also help in predicting demand and adjusting supply accordingly, preventing overproduction or scarcity.

3. **Sustainable Resource Management:**

IT can enable better management of natural resources like water and energy. Through IoT devices and sensors, data can be collected in real-time to optimize water usage in agriculture, thereby reducing waste. This is particularly important in regions facing water scarcity. Similarly, IT tools can assist in energy-efficient farming practices and waste management, promoting sustainability.

4. **Data-Driven Policy Making:**

Governments can use IT for collecting and analyzing data related to agriculture, food security, and environmental sustainability. This information can aid in formulating policies that support sustainable development, ensuring that food security goals are met in an environmentally responsible way.

In conclusion, IT can revolutionize the agricultural sector, improve productivity, and ensure efficient use of resources, all of which contribute to sustainable development and food security.

Quick Tip

IT provides farmers with the tools to improve productivity and sustainability. By optimizing resource use and improving market access, IT can directly contribute to food security and sustainable development.

OR

31. (b) Explain the importance of credit availability in rural development.

Solution: Credit availability is crucial for rural development for the following reasons:

1. **Facilitates Agricultural Investment:**

Rural areas primarily depend on agriculture as the main source of income. Access to credit allows farmers to invest in modern agricultural techniques, better seeds, fertilizers, and equipment. This leads to higher crop yields, increased income, and improved living standards in rural areas.

2. **Promotes Small and Medium Enterprises (SMEs):**

Credit availability enables entrepreneurs in rural areas to start or expand small businesses, such as processing units, small-scale industries, and local markets. This promotes rural industrialization, creates employment opportunities, and contributes to the overall economic development of rural regions.

3. **Supports Infrastructure Development:**

Rural areas often lack adequate infrastructure, including roads, schools, healthcare facilities, and irrigation systems. Credit availability allows local governments or private investors to invest in infrastructure projects, improving the quality of life and fostering economic growth in rural areas.

4. **Improves Rural Livelihoods and Poverty Reduction:**

Access to credit provides rural households with the financial resources to overcome income instability, whether due to crop failure or seasonal income variations. This contributes to poverty reduction by enabling families to invest in education, healthcare, and housing, thereby improving their overall well-being.

5. **Encourages Financial Inclusion:**

Rural credit availability also promotes financial inclusion, helping rural populations become part of the formal banking system. This not only ensures access to credit but also offers savings accounts, insurance, and other financial services that improve financial security and resilience.

In conclusion, credit availability is essential for rural development as it empowers individuals and businesses to invest in agriculture, infrastructure, and entrepreneurship,

leading to economic and social improvements in rural areas.

Quick Tip

Credit is the backbone of rural development as it enables investments in agriculture, entrepreneurship, and infrastructure. It promotes economic growth and improves living standards in rural areas.

32. "It is necessary to generate more employment in the formal sector rather than in the informal sector."

Justify the given statement with valid arguments.

Solution: The statement emphasizes the importance of creating more employment opportunities in the formal sector as compared to the informal sector. Below are some key reasons for this:

1. **Job Security and Benefits:**

Jobs in the formal sector generally offer more security compared to the informal sector. Formal sector employees enjoy benefits like health insurance, paid leave, retirement benefits, and job stability. In contrast, informal sector workers lack such benefits and face job insecurity, making their livelihoods more vulnerable to economic fluctuations and uncertainties.

2. **Better Working Conditions:**

Employment in the formal sector often comes with regulated working hours, proper work conditions, and adherence to labor laws, ensuring a safe and healthy working environment. In contrast, informal sector workers may have to work long hours in unsafe conditions, with little to no protection or legal recourse.

3. **Higher Wages and Standard of Living:**

Formal sector jobs tend to offer better wages and a higher standard of living due to fixed salaries, regulated pay, and legal protection against exploitation. In the informal sector, wages are often low, unregulated, and inconsistent, leading to lower income levels and reduced quality of life for workers.

4. **Contribution to Economic Growth:**

Employment in the formal sector leads to higher productivity, which in turn contributes

positively to the economy. Formal sector businesses are often more efficient, competitive, and technologically advanced, promoting innovation and economic development. Informal businesses, while significant in numbers, tend to be less productive and are not always subject to the same regulations, leading to inefficiencies and slower growth.

5. **Tax Revenue and Public Services:**

The formal sector is a significant contributor to government tax revenue. As formal sector employees are subject to income tax, the government is able to fund public services and infrastructure development, benefiting the entire economy. Informal sector workers, however, contribute less to tax revenue, limiting the resources available for public welfare programs.

6. **Social Security and Labor Rights:**

Employees in the formal sector are entitled to various social security benefits, such as pensions, unemployment insurance, and maternity leave, which provide a safety net in times of need. Informal workers, on the other hand, are often excluded from such protections, leaving them vulnerable to economic shocks.

In conclusion, generating employment in the formal sector ensures better working conditions, improved social security, higher wages, and a stronger contribution to national economic development. Therefore, prioritizing formal sector employment is crucial for sustainable economic growth and social well-being.

Quick Tip

While the informal sector plays an essential role in providing employment, prioritizing formal sector jobs enhances social security, economic stability, and overall quality of life.

33. (i) "Globalisation has been a process for India with only positive results."

Defend or refute the given statement with valid explanation.

Solution: The statement that globalisation has only brought positive results for India can be refuted, as globalisation has both positive and negative impacts. The effects of globalisation on India's economy have been mixed:

1. **Positive Impacts:**

- **Economic Growth:**

Globalisation has led to increased foreign direct investment (FDI), technological advancements, and access to global markets. These have contributed significantly to India's GDP growth, increased exports, and improved industrial production.

- **Job Creation:**

The integration of India into the global economy has led to the growth of sectors like IT, services, and manufacturing, creating millions of jobs and driving wage growth in these sectors.

- **Access to Technology and Capital:**

Globalisation has allowed India to access advanced technologies and capital, which has helped improve productivity in various sectors such as agriculture, healthcare, and education.

2. **Negative Impacts:**

- **Income Inequality:**

While globalisation has boosted the economy, it has also led to widening income disparities. The benefits of globalisation have not been equally distributed, and a significant portion of the population, particularly in rural areas, has not experienced the same level of prosperity.

- **Cultural Homogenisation:**

The influence of foreign cultures has led to the erosion of local cultures and traditions in India, which some view as a negative aspect of globalisation.

- **Impact on Small-Scale Industries:**

Small-scale industries in India have faced stiff competition from foreign products, often making it difficult for them to survive in the open market. This has resulted in job losses and the closure of many small businesses.

In conclusion, while globalisation has brought economic growth and improved living standards for some sectors, it has also led to challenges such as inequality and the decline of small industries. Therefore, it cannot be considered as a process with only positive results.

Quick Tip

Globalisation has both advantages and disadvantages. While it contributes to economic growth, it also leads to income inequality and challenges for local industries.

(ii) "The goal of equity was served by 'Abolition of Intermediaries' in agriculture in the post-independence period."

Do you agree with the given statement? Support your answer with valid explanation.

Solution: The abolition of intermediaries in agriculture, such as zamindars, was an important step in promoting equity in post-independence India. The statement is partially correct, but its effects were mixed:

1. **Positive Impact on Equity:**

- **Land Reforms and Abolition of Zamindari System:**

The abolition of intermediaries was part of a larger set of land reforms aimed at eliminating exploitative practices. By removing zamindars and other intermediaries, the government sought to give land rights directly to the tillers, allowing farmers to have greater control over the land they cultivated. This was expected to improve their economic status and promote social equity.

- **Land Redistribution:**

The redistribution of land to landless farmers through these reforms helped promote equity by enabling more individuals to own land, leading to increased agricultural productivity and reduced rural poverty.

2. **Challenges and Limitations:**

- **Ineffectiveness in Implementation:**

Although the abolition of intermediaries was a key goal, land reforms were not fully implemented in all states. In some areas, land redistribution was limited or blocked by powerful local elites, and many of the benefits were not realized by the landless or marginalized farmers.

- **Emergence of New Forms of Exploitation:**

Even after the abolition of intermediaries, new forms of exploitation emerged, such as the concentration of land in the hands of a few wealthy farmers or the emergence of powerful agricultural traders who controlled access to markets and credit.

- **Lack of Supportive Infrastructure:**

Despite land reforms, many farmers lacked access to credit, technology, and modern farming methods. This limited the potential benefits of land redistribution, and many farmers continued to struggle economically.

In conclusion, while the abolition of intermediaries was a step toward promoting equity in agriculture, its overall impact was limited by challenges in implementation and the emergence of new forms of inequality.

Quick Tip

The abolition of intermediaries aimed to promote equity, but its success depended on the effective implementation of land reforms and addressing other challenges like access to credit and modern technology.

(b) (i) "Farm subsidies put a huge burden on the government finances, but are necessary for poor and marginal farmers."

Justify the given statement with valid explanation.

Solution: Farm subsidies are an important part of agricultural policy, particularly for poor and marginal farmers, but they do come with significant financial costs. The statement is valid for the following reasons:

1. **Need for Farm Subsidies:**

- **Support for Marginal Farmers:**

Farm subsidies help poor and marginal farmers by providing them with financial support to purchase inputs like seeds, fertilizers, and irrigation. Without subsidies, these farmers would struggle to afford the necessary resources to maintain agricultural productivity.

- **Stabilizing Prices:**

Subsidies help stabilize food prices, ensuring that basic food items remain affordable for the population, especially in rural areas. They also help reduce the impact of price volatility on farmers, who are often at the mercy of market fluctuations.

- **Encouraging Agricultural Growth:**

Subsidies act as an incentive for farmers to increase their productivity, invest in new farming techniques, and adopt technology that can improve yields. This contributes to food security and overall agricultural growth.

2. **Burden on Government Finances:**

- **High Fiscal Costs:**

Farm subsidies can place a heavy burden on government finances, especially in developing countries like India, where a large portion of the population relies on agriculture. The government needs to allocate significant funds to maintain and enhance these subsidies, which could otherwise be used for infrastructure, education, or healthcare.

- **Inefficiencies and Misallocation:**

Subsidies can sometimes lead to inefficiencies in resource allocation, encouraging overuse of water, fertilizers, and other inputs. This can lead to environmental degradation and unsustainable farming practices.

- **Fiscal Deficits:**

High levels of subsidy expenditure can contribute to fiscal deficits, putting pressure on the government's ability to maintain other essential services and potentially leading to increased public debt.

In conclusion, while farm subsidies are necessary to support poor farmers and ensure food security, they do come with financial challenges and require careful management to minimize their burden on government finances.

Quick Tip

Farm subsidies are important for supporting marginal farmers, but it is essential to ensure they are targeted effectively and that the fiscal burden on the government is minimized.

OR

(b) (ii) Discuss briefly the role of small scale industries in generating employment and equity in India under the planning period.

Solution: Small-scale industries (SSIs) have played a crucial role in generating employment and promoting equity in India, especially during the planning period. Their role is as follows:

1. **Employment Generation:**

SSIs have been a major source of employment in India, particularly for rural and semi-urban populations. They provide jobs for a wide range of people, including those with limited education or skill levels. This is particularly important in a country with a large rural population and limited formal sector employment opportunities. SSIs absorb a large number

of workers and contribute significantly to reducing unemployment in the economy.

2. ****Equity and Regional Development:****

Small-scale industries have been instrumental in promoting regional equity by setting up in less developed or backward regions of the country. These industries have encouraged industrialization in rural and remote areas, preventing rural-urban migration and helping reduce regional disparities. By providing employment in these areas, SSIs help improve the standard of living and economic opportunities for marginalized communities.

3. ****Entrepreneurship and Self-Employment:****

SSIs encourage entrepreneurship by providing opportunities for individuals to start their own businesses with lower capital investment compared to large industries. This fosters self-employment and helps reduce dependence on the formal job market.

4. ****Contribution to GDP and Exports:****

SSIs contribute to the national economy by producing goods for both domestic consumption and export. They contribute to industrial output, agricultural processing, and the manufacturing of a wide variety of products. This helps boost India's GDP and promotes economic growth while ensuring the diversification of the industrial base.

In conclusion, small-scale industries have been critical in generating employment, promoting equity, and contributing to balanced regional development in India. They have helped reduce disparities in wealth and income, making them a key component of India's economic growth during the planning period.

Quick Tip

Small-scale industries are crucial for employment generation and regional equity, as they create jobs in rural areas and promote inclusive economic development.

34. Read the following text carefully :

Growing carbon footprint of industries have put power and steel sector in the spotlight as the major contributor to the climate crisis. The challenge of climate change can be tackled only by making our industries and businesses follow practices and processes that reduce their carbon footprint. It can be possible only with green financing.

Green financing aims to increase the level of financial flows (from banking, micro-credit, insurance and investment) from the public, private and not-for-profit sectors to sustainable development priorities.

Global green finance has also started chasing Indian companies. Global development finance institutions and funds are ready to offer long-term support (both equity and debt) at cheap rates to projects like solar energy and hydropower.

Green finance can positively affect environment quality, economic development and financial issues that promote the green economy, such as reducing greenhouse gas emissions, improving energy efficiency or enhancing the organic economy.

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

(a) State the meaning and objective of green finance.

Solution: **Green finance** refers to the allocation of financial resources to projects that contribute to sustainable development and environmental protection. It aims to support the transition towards a green economy by funding projects that reduce environmental impact, such as those focusing on renewable energy, energy efficiency, and pollution control.

Objective of Green Finance:

The main objectives of green finance are:

1. **Promotion of Sustainable Development:**

Green finance seeks to direct financial resources towards sustainable and environmentally friendly projects, supporting the global goal of reducing carbon footprints and combating climate change.

2. **Reduction of Environmental Impact:**

It aims to fund projects that reduce greenhouse gas emissions, improve energy efficiency, and promote cleaner technologies. This helps mitigate climate change and fosters a cleaner, greener economy.

3. **Facilitation of Long-Term Sustainable Investments:**

Green finance focuses on providing long-term investment in projects related to renewable energy, clean technologies, and infrastructure, thereby encouraging more eco-friendly business practices and ensuring long-term sustainability.

4. **Attracting Private Investment:**

Green finance helps bridge the financing gap by attracting private investments into green

projects. It facilitates a shift towards a low-carbon economy, integrating environmental considerations into financial decision-making.

In conclusion, green finance is a crucial tool in funding projects that focus on sustainability and environmental conservation, helping economies transition to a greener future.

Quick Tip

Green finance is essential in supporting projects that help mitigate climate change and foster a sustainable, low-carbon economy by directing investments into clean energy and environmentally friendly practices.

(b) Discuss how green finance can benefit India.

Solution: Green finance can provide several benefits to India, helping address both environmental and economic challenges:

1. **Mitigating Climate Change:**

Green finance helps India finance projects that reduce greenhouse gas emissions, such as solar, wind, and hydropower energy projects. These projects are vital for reducing India's carbon footprint and meeting international climate commitments, such as the Paris Agreement.

2. **Boosting the Renewable Energy Sector:**

Green finance plays a key role in the development of renewable energy in India. It supports investments in solar and wind energy, which are essential for reducing dependence on fossil fuels and achieving energy security. India has immense potential for renewable energy, and green finance can help unlock this potential by funding large-scale renewable energy projects.

3. **Creating Green Jobs:**

The shift towards a green economy, supported by green finance, is expected to create thousands of jobs in sectors like renewable energy, energy efficiency, and green infrastructure. This can help reduce unemployment and promote sustainable economic growth.

4. **Enhancing Energy Efficiency:**

Green finance helps fund energy efficiency projects in various sectors, including industries, transportation, and residential areas. By promoting energy-efficient technologies, India can reduce energy consumption, lower costs, and improve productivity across sectors.

5. ****Attracting Global Investments:****

With the global focus on climate change and sustainable development, India can attract foreign investments from international development finance institutions and funds that are increasingly focusing on sustainable projects. These investments can help India accelerate its transition to a green economy.

6. ****Promoting Sustainable Agriculture:****

Green finance can also support sustainable agriculture practices that reduce environmental degradation and enhance food security. Investments in organic farming, water-efficient irrigation systems, and climate-resilient crops can help improve agricultural productivity while preserving natural resources.

In conclusion, green finance offers a pathway for India to achieve sustainable growth by addressing environmental issues, improving energy efficiency, and creating jobs, while also attracting international investments to drive these changes.

Quick Tip

India stands to benefit significantly from green finance through investments in renewable energy, energy efficiency, and sustainable practices that promote long-term economic and environmental sustainability.