Class XII Session 2025-26
Subject - Economics
Sample Question Paper - 1

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

General Instructions:

1. This question paper contains two sections:

   Section A – Macro Economics

   Section B – Indian Economic Development

2. This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

SECTION A – MACRO ECONOMICS

1. Read the following statements carefully: **[1]**

   Statement 1: Import of gold from Dubai will be recorded on the debit side of the current account in Balance of Payments of India.

   Statement 2: Outflow of Foreign Institutional Investment (FII) from Indian stock markets will be recorded on the credit side of the capital account.

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

   a) Both Statements 1 and 2 are false. b) Both Statements 1 and 2 are true.

   c) Statement 1 is false and Statement 2 is true. d) Statement 1 is true and Statement 2 is false.

2. Which function of money has simplified the borrowing and lending operations? **[1]**

   a) Standard of deferred payments b) Medium of exchange

   c) Both Store of value and Standard of deferred payments d) Store of value

3. Aggregate Supply and _____ are always equal. **[1]**

   a) National lncome b) Aggregate Demand

   c) Marginal Propensity to save d) Average Propensity to Consume

4. The US $ exchange rate for rupee is ₹ 75 now, as compared to ₹ 63 previously. This shows that the value of rupee has _____. **[1]**

   a) appreciated b) depreciated

   c) devalued d) revalued

5. Break-even point is achieved when: **[1]**

a) National Income > Consumption

b) National Income = Consumption

c) Consumption = Saving

d) Consumption = Investment

6. _____ refers to the situation when aggregate demand is less than aggregate supply corresponding to full employment level of output in the economy. **[1]**

a) Deficient Demand

b) Inflationary Gap

c) Excess Demand

d) Deflationary gap

7. When aggregate demand is greater than the aggregate supply, inventories _____. **[1]**

a) first fall than rise

b) fall

c) do not change

d) rise

8. Which one of the following is an intermediate expenditure? **[1]**

A. Expenditure on purchase of furniture by a firm for its own use

B. Expenditure on maintenance by a firm

C. Expenditure on purchase of tractor by a firm for its own use

D. Machine bought by a household

a) Only C

b) Only D

c) Only B

d) Only A

9. **A** has a good that **B** wants and **B** has a good that **A** wants. This is referred to as _____ under barter system of exchange. **[1]**

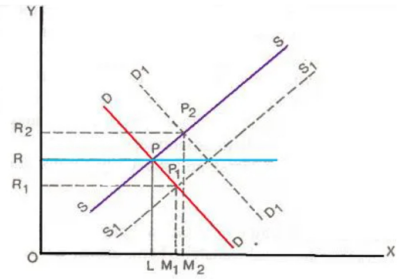
a) Store of value

b) Double coincidence of want

c) Unit of account

d) Lack of standard of deferred payment

10. The demand for foreign exchange and the exchange rate has **[1]**



a) Direct relationship

b) Exponential relationship

c) Inverse relationship

d) Indirect relationship

11. Define GNP at market price. **[3]**

OR

Calculate NDP at FC.

Particulars	**₹ in crores**
(i) GNP at MP	8,000
(ii) Depreciation	600
(iii) Net Factor Income from Abroad	300
(iv) Net Indirect taxes	700

12. What are the components of the current account of the balance of payment account? **[3]**

13. Show inflationary gap using a well labelled diagram. Suggest any two fiscal measures to correct the situation of inflationary gap. **[4]**

14. Suppose consumption function for an economy is C = 80 + 0.75 Y (where C = consumption function and Y = national income) and the investment expenditure is ₹ 200 crore. **[4]**

Estimate the following:

a. Equilibrium level of income

b. Values of consumption and saving at equilibrium level of income

OR

The saving at different levels of income are given in the following schedule:

Income (₹ crore)	0	200	400	600	800	1,000
Saving (₹ crore)	-120	-60	0	60	120	180

On the basis of the given schedule, answer the following questions:

i. Calculate MPC at different levels of income.

ii. If investment is ₹ 120 crores, determine the equilibrium level of income.

iii. Derive the Consumption and Saving function.

iv. What is the break-even level of Income?

15. Explain, using a numerical example, how a reduction in reserve deposit ratio, affects the credit creation power of the banking system. **[4]**

16. **Answer the following questions:** **[6]**

(a) What do you mean by primary deficit? Explain its implications. **[3]**

(b) Classify the following receipts into revenue receipts and capital receipts. Give reasons in support of your answer. **[3]**

i. Recovery of loans.

ii. Interest received on loans.

17. From the following data, calculate net national product at factor cost by (a) income method, and (b) expenditure method: **[6]**

	(₹ in crore)
(i) Current transfers from rest of the world	100
(ii) Government final consumption expenditure	1,000
(iii) Wages and salaries	3,800
(iv) Dividend	500
(v) Rent	200
(vi) Interest	150
(vii) Net domestic capital formation	500
(viii) Profits	800
(ix) Employers' contribution to social security schemes	200
(x) Net exports	(-) 50

(xi) Net factor income from abroad	(-) 30
(xii) Consumption of fixed capital	40
(xiii) Private final consumption expenditure	4,000
(xiv Net indirect tax	300

OR

From the following data, calculate

a. Private Income, and

b. Personal Disposable Income.

Items	(Rs. in Crores)
Income from domestic product accruing to the private sector	4000
Savings of non-departmental public enterprises	200
Current transfers from government administrative departments	150
Savings of private corporate sector	400
Current transfers from rest of the world	50
Net factor income from abroad	(-) 40
Corporation tax	60
Direct personal taxes	140

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. If a Chartered Accountant is employed by a company, it will be called: **[1]**

a) Both Self-Employment and Casual Employment

b) Wage-Employment

c) Casual-Employment

d) Self-Employment

19. Which of the following features is common in India and Pakistan? **[1]**

a) Large population

b) One child norm

c) Growth due to service sector

d) Very high fertility rate

20. Inward looking trade strategy is also known as a policy of _____. **[1]**

a) Import relaxation

b) Import substitution

c) Import promotion

d) Import Expension

21. Which is the apex institute at the national level which provides re-finance facilities to institutions engaged in providing rural credit? **[1]**



a) NABARD

b) DABARD

c) NBAARD

d) NABADR

22. **Assertion (A):** Exports of agricultural goods are expected to rise in India. **[1]**

Reason (R): Due to the agreed reduction in trade barriers and reduction in subsidies to the domestic producers of agricultural goods in the developing countries, prices of these goods are expected to rise in the international markets.

a) Both A and R are true and R is the correct explanation of A.

b) Both A and R are true but R is not the correct explanation of A.

c) A is true but R is false.

d) A is false but R is true.

23. High level of physical and human capital can lead to a higher level of _____. **[1]**

a) Population

b) Inflation

c) Economic growth

d) Poverty

24. _____ is the population density the _____ is the pressure of population on land and the more the economic problems **[1]**

a) Higher, Lower

b) Lower, higher

c) Higher, Higher

d) Lower, Lower

25. The _____ emphasises on protecting the future generation. **[1]**

a) Brundtland Commission

b) Herman Daly Commission

c) Kothari Commission

d) UNCED Commission

26. **Statement 1:** The primary motive of British rule behind the de-industrialisation was to get finished products from India at cheap rates and to sell raw material in Indian market. **[1]**

Statement 2: Decline of Indian handicrafts resulted in unemployment on a mass scale.

a) Both the statements are true

b) Statement 2 is true and Statement 1 is false

c) Statement 1 is true and Statement 2 is false.

d) Both the statements are false

27. Write the correct sequence of alternatives given in Column II by matching them with respective terms in Column I: **[1]**

Column I	Column II
(a) Karve Committee, 1955	(i) To encourage farmers for adopting new HYV technology.
(b) Industrial Policy Resolution, 1956	(ii) Using small-scale industries to promote rural development.
(c) Import Substitution Policy	(iii) To protect the domestic firm from foreign competition.
(d) Subsidies	(iv) To regulate private sector through a system of licensing to promote regional equality.

a) (a) - (ii), (b) - (iv), (c) - (iii), (d) - (i)

b) (a) - (iii), (b) - (i), (c) - (iv), (d) - (ii)

c) (a) - (i), (b) - (ii), (c) - (iii), (d) - (iv)

d) (a) - (iii), (b) - (iv), (c) - (i), (d) - (ii)

28. **Ujjwala Yojana has been a game changer for rural India.** State any three conventional fuels being targeted **[3]**

under the LPG cylinder distribution scheme (Ujjwala Yojana).

OR

How do the Affluent consumption standards factor contribute to the environmental crisis in India? What problem do they pose for the government?

29. Informalisation leads to casualisation. Explain. **[3]**

30. **Atmanirbhar Bharat** had been at the roots of the Indian planning process in the form of **self reliance** as an objective of the planning process. Do you agree with the given statement? Justify the rationale of the given statement. **[4]**

31. Write a brief note on International Monetary Fund (IMF). Also state its objectives. **[4]**

OR

What measures have been taken for globalisation of Indian economy?

32. Argue in favour of the need for different forms of government intervention in the education and health sectors. **[4]**

33. **Answer the following questions:** **[6]**

(a) i. State and discuss any two obstacles that hinder the mechanism of agricultural marketing. **[3]**

ii. How did horticulture encourage rural development in India? **[3]**

(b) **OR**

i. What are the limitations of rural credit in India? **[3]**

ii. Explain the steps taken by the government in developing rural market. **[3]**

34. **Read the following text carefully and answer the questions given below:** **[6]**

SINO-PAK FRIENDSHIP CORRIDOR

The China-Pakistan Economic Corridor (CPEC) relationship between the two nations. But it has also sparked criticism for burdening Pakistan with mountains of debt and allowing China to use its debt strategic assets of Pakistan.

The foundations of CPEC, part of China's Belt and Road Initiative, were laid in May 2013. At the time, Pakistan was reeling under weak economic growth. China committed to play an integral role in supporting Pakistan's economy.

Pakistan and China have a strategic relationship that goes back decades. Pakistan turned to China at a time when it needed a rapid increase in external financing to meet critical investments in hard infrastructure, particularly power plants and highways. CPEC's early harvest projects met this need, leading to a dramatic increase in Pakistan's power generation capacity, bringing an end to supply-side constraints that had made rolling blackouts a regular occurrence across the country.

Pakistan leaned into CPEC, leveraging Chinese financing and technical assistance in an attempt to end power shortages that had paralyzed its country's economy. Years later, China's influence in Pakistan has increased at an unimaginable pace.

China As Pakistan's Largest Bilateral Creditor: China's ability to exert influence on Pakistan's economy has grown substantially in recent years, mainly due to the fact that Beijing is now Islamabad's largest creditor. According to documents released by Pakistan's finance ministry, Pakistan's total public and publicly guaranteed external debt stood at USD 44.35 billion in June 2013, just 9.3 percent of which was owed to China. By April 2021, this external debt had ballooned to USD 90.12 billion, with Pakistan owing 27.4 percent —USD 24.7 billion — of its total external debt to China, according to the International Monetary Fund (IMF).

Additionally, China provided financial and technical expertise to help Pakistan build its road infrastructure, expanding north-south connectivity to improve the efficiency of moving goods from Karachi all the way to

Gilgit-Baltistan (POK). These investments were critical in better integrating the country's ports, especially Karachi, with urban centers in Punjab and KhyberPakhtunkhwa provinces.

Despite power asymmetries between China and Pakistan, the latter still has tremendous agency in determining its own policies, even if such policies come at the expense of the longterm socioeconomic welfare of Pakistani citizens.

Questions:

i. Outline and discuss any two economic advantages of China Pakistan Economic Corridor (CPEC) accruing to the economy of Pakistan.

ii. Analyse the implication of bilateral 'debt-trap' situation of Pakistan vis-à-vis the Chinese Economy.

Solution

SECTION A – MACRO ECONOMICS

1. **(d)** Statement 1 is true and Statement 2 is false.
   Explanation:
   Statement 1 is true and Statement 2 is false.

2. **(a)** Standard of deferred payments
   Explanation:
   Standard of deferred payments

3. **(a)** National lncome
   Explanation:
   National lncome

4. **(b)** depreciated
   Explanation:
   Price of US Dollar rose from ₹ 63 per unit to ₹ 75 per unit, this shows that the value of domestic currency has fallen over the time period due to market forces. This is known as depreciation of domestic currency.

5. **(b)** National Income = Consumption
   Explanation:
   National Income = Consumption

6. **(a)** Deficient Demand
   Explanation:
   Deficient Demand

7. **(b)** fall
   Explanation:
   If AD > AS then inventory fall.

8. **(c)** Only B
   Explanation:
   Expenditure on maintenance by a firm is an input in the production of the final good. So, this will be treated as an intermediate expenditure.

9. **(b)** Double coincidence of want
   Explanation:
   Two individuals involved in the exchange under barter system must possess the good that each other wanted is known as double coincidence of wants.

10. **(c)** Inverse relationship
    Explanation:

More foreign currency is earned when exchange rate is lower and less foreign currency is earned when foreign exchange rate high.

11. GNP at market price refers to the gross market value of all the final goods and services produced by the normal residents of a country during a period of one year.
Being gross it includes depreciation; being at MP it includes net indirect taxes and being national it includes net factor income from abroad.
GNP_{mp}= GDP_{mp} + Net factor income from abroad.

OR

In the given question, NDP_{FC} is to be calculated from GNP_{MP}. It can be calculated through following steps:

Step 1: Formulate an equation by putting 'NDP_{FC} on the left hand side' and 'GNP_{MP} on the right hand side'.

$NDP_{FC} = GNP_{MP} \pm$ Adjustments

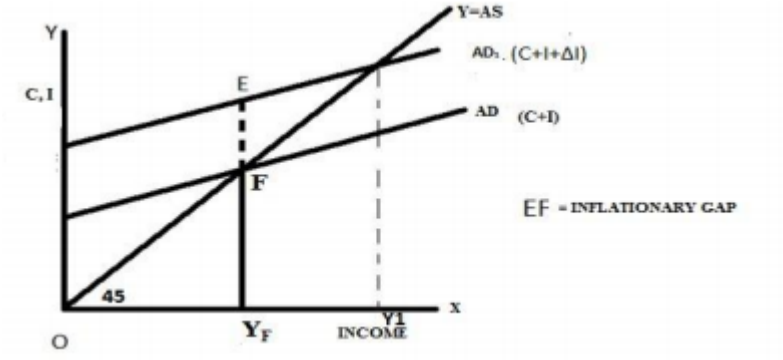
Step 2: Identify the 'Adjustments' and calculate the answer.
Depreciation, Net Factor Income from Abroad (NFIA) and Net Indirect taxes (NIT) will be subtracted from GNP_{MP} to arrive at NDP_{FC}.

$NDP_{FC} = GNP_{MP}$ - Depreciation - NFIA - NIT

= 8,000 - 600 - 300 - 700

NDP_{FC} = ₹ 6,400 crores

12. **Components of Current Account:**
(i) Export and import of goods (Visible trade)
(ii) Export and import of services—non-factor and factor services (called Invisible trade)
(iii) Unilateral transfers (Transfer receipts/payments).
(iv) Investment income (Factor income from land, bonds, shares abroad).

13. 

The inflationary gap represents the situation where the actually obtained aggregate demand exceeds the aggregate demand required to maintain a full-employment level.
Fiscal measures to correct it:

i. Reduction in Govt. expenditure
ii. Increase in Taxes
iii. Public Borrowings
iv. Decrease in Subsidy (Write any two)

14. Given, C = 80 + 0.75Y
Investment = 200 crore
    a. As we know, at the equilibrium level, Y = C+I
    Y=(80 + 0.75Y) + 200
    $Y = \frac{280}{0.25}$
    Income = ₹ 1,120 crore
    b. At equilibrium level of Income; Y = 1,120 crore
    C = 80 + 0.75 (1,120)
    C = ₹ 920 crore
    Y = C + S
    S = 1,120 - 920 = 200 crore

OR

i.

Income (Y) (₹ in crore)	Saving (S) (₹ in crore)	Consumption (C) Y - S (₹ in crore)	Change in Income (ΔY) (₹ in crore)	Change in Consumption (ΔC) (₹ in crore)	MPC MPC = ΔC + ΔY (₹ in crore)
0	-120	120	-	-	-
20	-60	260	200	140	0.70
400	00	400	200	140	0.70
600	60	540	200	140	0.70
800	120	680	200	140	0.70
1,000	180	820	200	140	0.70

ii. Equilibrium level of income is determined when AD = AS. Both are equal at income of **₹ 800 Crores**
(AD = C + 1 = 680 + 120 = 800 and AS = C + S = 680 + 120 = 800)

iii. Consumption Function is expressed as: $C = \bar{c} + b(Y)$
MPC or b = 0.70
Given: Autonomous Consumption (c) = ₹ 120 crores
Putting the values of b and $\bar{c}$ in the consumption function, we get:
C = 120 + 0.7(Y)
Saving Function is expressed as: $S = -\bar{c} + Y(\hat{\imath} - b)$
MPS or 1 - b = 0.30 [$\because$ MPS = 1 - MPC]
Given: Autonomous Consumption ($\bar{c}$) = ₹ 120 crores
Putting the values of 1 - b and $\bar{c}$ in the saving function, we get:
S = -120 + 0.3(Y)

iv. Break-even level of Income is **₹ 400 Crores** as at this income level, consumption is also ₹ 400 Crores.

15. Reserve deposit ratio is the minimum reserves that a commercial bank must maintain as per the instructions of the central bank.
Credit creation is inversely related to the reserve deposit ratio.
For Ex, suppose Reserve Ratio is 0.8 and initial deposit is ₹ 1,000
Total Credit Created = $\frac{1}{RR}$ x initial deposits = $\frac{1}{0.8} \times 1000$ = ₹ 1,250
Whereas, suppose the Reserve Ratio is 0.4 and initial deposit is ₹ 1000
Total Credit Created = $\frac{1}{RR}$ x initial deposits = $\frac{1}{0.4} \times 1000$ = ₹ 2,500
Hence, decrease in reserve deposit will increase the credit creation power of the banking system.

16. Answer the following questions:

(i) Primary deficit: Primary deficit is equal to fiscal deficit less of interest payments.
Primary Deficit = Fiscal Deficit - Interest Payments
Implications of primary deficit are as follows:
i. It indicates borrowing requirements of the government to meet fiscal deficit net of interest payments.
ii. It enables us to see the way, the government is currently conducting its financial affairs.

(ii) i. Recovery of loans will lead to the decline in financial assets of the government therefore it is a capital receipt as capital receipts always lead to the decline in financial assets of the government.
ii. On the other hand, interest received on loans is revenue receipts as they neither create any liability nor any reduction in assets of the government.

17. By income method,
NDP at FC = compensation of employees + operating surplus + mixed income of self employed

a. Net national product at factor cost by income method
= Wages and salaries + Employers contribution to social security schemes + Rent + Interest + Profits + Net factor income from abroad
= 3,800 + 200 + 200 + 150 + 800 + (-)30
= 5,150 - 30
= ₹ 5,120 crore

b. Net national product at factor cost by expenditure method

= Private final consumption expenditure + Government final consumption expenditure + Net domestic capital formation + Net exports + Net factor income from abroad - Net indirect tax

= 4,000 + 1,000 + 500 + (-) 50 + (-) 30 - 300

= 5,500 - 380

= ₹ 5,120 crore

Note: Consumption of fixed capital is not relevant here.

OR

a. Private Income = Income from domestic product accruing to the private sector + Net factor income from abroad + Current transfers from government administrative departmen + National debt interest + Net current transfers from rest of the world

= Rs. 4,000 crore + (- 40) crore + 150 crore + 0 crore + 50 crore = Rs. 4160 crore

b. Personal Disposable Income = Personal income - Personal taxes - Miscellaneous receipts of government.

= 3700 crore - 140 crore - 0 crore

= 3560 crore.

*Personal Income= Private income - Corporate tax - Retained earning

Personal income = Rs. 4160 crore - 60 crore - 400 crore = Rs. 3700 crore

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18.

(b) Wage-Employment

Explanation:

Wage-Employment

19.

(c) Growth due to service sector

Explanation:

Pakistan's share of growth in the tertiary sector: 53.4%

India's share of growth in the tertiary sector: 56.4%

20.

(b) Import substitution

Explanation:

Import substitution

21. **(a)** NABARD

Explanation:

National Bank for Agriculture and Rural Development bank has been entrusted with matters concerning policy, planning and operations in the field of credit for agricultural and other economic activities in rural areas in India.

22.

(c) A is true but R is false.

Explanation:

Due to the agreed reduction in trade barriers and reduction in subsidies to the domestic producers of agricultural goods in the developed countries, prices of these goods are expected to rise in the international markets. That is why exports of agricultural goods are expected to rise in India.

23.

(c) Economic growth

Explanation:

Economic growth

24.

(c) Higher, Higher

Explanation:

The **population density** of an area can greatly affect that area's economy and social conditions.

25. **(a)** Brundtland Commission

Explanation:

The Brundtland Commission emphasises on protecting the future generation. This is in line with the argument of the environmentalists who emphasise that we have a moral obligation to hand over the planet earth in good order to the future generation; that is, the present generation should bequeath a better environment to the future generation. At least we should leave to the next generation a stock of 'quality of life' assets no less than what we have inherited.

26.

(b) Statement 2 is true and Statement 1 is false

Explanation:

Statement 2 is true and Statement 1 is false

27. **(a)** (a) - (ii), (b) - (iv), (c) - (iii), (d) - (i)

Explanation:

(a) - (ii), (b) - (iv), (c) - (iii), (d) - (i)

28. The conventional sources of energy cause environmental pollution therefore the government have introduced the 'Ujjawal Yojana as a game changer for rural India by providing free LPG gas cylinders (cleaner fuel) to rural households. The three conventional fuels targeted under Ujjawala Yojana are :

i. Agricultural waste and dried dung
ii. Firewood
iii. Coal

OR

Affluent Consumption Standards : The affluent consumption and production standards used by developed countries have placed a huge stress on the environment. In developed countries, the government exerts less strictness on society because they have small amount of population and abundant resources. Hence, they try to make affluent society. But in this way, sometimes the resources remain unutilized or sometimes they are over utilized. Either the resources are underutilized or over utilized, they generally lead to wastage of resources.

29. Informalisation is a situation where the percentage of the workforce in the formal sector tends to decline and that in the informal sector tends to rise. There is the uncertainty of employment in the informal sector which is a threat to the informal workers. As a result, an informal worker is more likely to be casual. It leads to an increasing percentage of casually hired workers in the workforce. Hence, informalisation leads to casualisation.
30. Atmanirbhar Bharat had been at the roots of the Indian planning process in the form of self reliance as an objective of the planning process. The given statement is correct. In the early post-independence period, the aim of the government's policy was to reduce the dependence on the foreign countries for goods, services, technology and capital. The first seven five year plans gave importance to self-reliance which stressed on the use of domestic resources to avoid foreign interference, as it was feared that the dependence on the imported food supplies, foreign technology and foreign capital may increase foreign interference in the policies of our country. Similarly, the main thrust of the 'Atmanirbhar Bharat' is also to make India an economy that is self-reliant and self-sufficient.
31. IMF was conceived at the Bretton Woods Conference held in 1944 and set-up in 1946. The main objective of setting up of such an organisation was to administer a code of good conduct in international liquidity of its member countries and to grant short-term loans to economies, experiencing a temporary deficit in Balance of Payments (BoP). IMF started to function from March 1947. Its headquarters is located in Washington DC. There are 189 member countries including India. The highest authority of the IMF is the Board of Governors, which consists of the most part of Ministers of Finance or Central Bank Governors of the member countries. Each member country appoints one Governor. The board generally meets only once in a year. The main objectives of IMF are as follows

i. **To promote international monetary cooperation:** IMF provides the machinery for consultation and collaboration on international monetary problems. During the Second World War, IMF had played a vital role to promote monetary co-operation amongst the different countries of the World.
ii. **To promote exchange stability:** Before the Second World War, great instability was prevailing in the foreign exchange rates of different countries which had adversely affected international trade. Thus, IMF has the objective to promote exchange

stability and to avoid the bad effects of depreciation on exchange rates.

iii. **Establishment of Multilateral Trade and Payment:**To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions.

iv. **Confidence to member nations:**To give confidence to members by making the general resources of the fund temporarily available to them under adequate safeguards.

OR

The following measures have been taken for globalisation of Indian economy

i. **Increase in Equity Limit of Foreign Investment:** Equity limit, in general, has been raised from 40% to 51%. Also, in 47 high priority industries and in export trading houses, Foreign Direct Investment (FDI) is allowed up to the extent of 100%.

ii. **Partial Convertibility:** It means sale and purchase of foreign currency at a price determined by the market forces of demand and supply. It is called partial convertibility because it is allowed 100% in current account transactions but it is only 51% for capital account transactions.

iii. **Liberal Foreign Trade Policy:** A long-term liberal trade policy has been implemented which encourages free trade among countries.

iv. **Reduction in Tariffs:** Custom duties have been reduced drastically. Pre 1991, customs duties were as high as 400%, but post 1991, maximum rate of duty is just 10%.

v. **Withdrawal of Quantitative Restrictions:** The quantitative restrictions on all import items have been totally withdrawn from 2001, in conformity with the guidelines issued by the World Trade Organisation (WTO).

Many other measures have also been announced from time to time. For instance, foreign companies have been allowed to use their trademarks in India and carry on any activity of trading, commercial or industrial nature: repatriation of profits by foreign companies has been allowed, foreign companies (other than banking companies) wanting to borrow money or accept deposits are now allowed to do so without taking the permission of the RBI, foreign companies can deal in immovable property in India-restrictions on transfer of shares from one non-resident to another non-resident have been removed.

32. There is a need for different forms of government intervention in education and health sectors due to the following reasons:

i. Private sector is governed by the profit motive and hence does not provide education and health facilities at a reasonable cost which may be affordable to all.

ii. Standard of education and health needs to be maintained in order to develop human resources effectively and government intervention is needed for this.

iii. Education and health are essential for social upliftment of backward and weaker sections of the society and government intervention in terms of policy and provision of infrastructure are required in education as well as health sector.

iv. Investment on education and health is to be carried out simultaneously by all different forms of government Central, State and Local as per the federal structure of India.

v. Government should set up or encourage private institutions to set up their educational and health care centres in remote and rural areas.

vi. Regional disparities are prevalent in education and health in India which can be corrected only through government intervention at all levels as the private sector would not be forthcoming for establishing schools or hospitals in remote or backward areas.

33. Answer the following questions:

(i) i. Two obstacles that hinder the mechanism of agricultural marketing are:

- Private trade (by moneylenders, rural political elites, big merchants) predominates agricultural markets. Thereby, the benefits of government policy instruments cannot be extended to all farmers while marketing their produce. it benefitted only to rich farmers.
- Inadequate infrastructural facilities generally become an obstacle to meet the growing demand for effective agricultural marketing.

ii. Horticulture plays a vital role in providing food and nutrition to the rural population. It also addresses the problem of unemployment (particularly disguised and seasonal unemployment) in the villages.

(ii) OR

i. The RBI has observed four major weaknesses of rural Credit:

i. weak recycling of credit

ii. poor deposit mobilization

iii. ineffective lending and

iv. poor loan recovery

To maintain it with these weaknesses state governments are forced to use their funds unproductively. Still, quality of credit has not improved. Credit flows to agriculture has been region dominated. Performance of Rural Financial Institutions (RFI) is far from satisfactory. They give three reasons for such a performance which are:

i. Low absorptive capacity in rural areas,
ii. High transaction costs
iii. Greater risks.

ii. **Following are the steps were taken by the government in developing rural markets:**

i. The government collects market information relating to agricultural products through different media like statistics departments, radio, television, newspapers, etc and make it available to farmers.
ii. It has made better transport arrangements to encourage farmers to carry their products to the market. Railways are offering subsidized transport facility to the farmers to bring their produce to the urban markets where often they get a better deal.
iii. It has provided warehousing and storage facilities in the villages.
iv. It has promoted co-operative marketing in several ways.

34. i. Economic advantages of China Pakistan Economic Corridor (CPEC) to the economy of Pakistan are:

a. China provided financial and technical expertise to help Pakistan build its road infrastructure, supporting employment and income in the economy

b. CPCE has led to a massive increase in power generation capacity of Pakistan. It has brought an end to supply-side constraints in the nation, which had made blackouts a regular phenomenon across the country.

ii. China has become famous for its ‘Debt Trap Diplomacy’ in recent times. Under this China provides financial and technical expertise/assistance to help various nations to bring them under its direct or indirect influence. The first and the foremost implication of the diplomacy is that Beijing has now become Islamabad’s largest creditor. According to documents released by Pakistan’s finance ministry, its total public external debt stood at USD 44.35 billion in June 2013, just 9.3 percent of which was owed to China. By April 2021, this external debt had ballooned to USD 90.12 billion, with Pakistan owing 27.4 percent —USD 24.7 billion — of its total external debt to China, according to the IMF.