

Roll No.

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Candidates must write the Code on the title page of the answer-book.

- Please check that this question paper contains **11** printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer book by the candidate.
- Please check that this question paper contains 34 questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 07.10 a.m. From 07:15 a.m. to 07.30 a.m., the students will read the question paper only and will not write any answer on the answer book during this period.

ECONOMICS

*Time allowed: 3 hours**Date: ____/01/2025**Maximum Marks:80*

General Instructions:

I. This question paper contains two sections:

Section A – Macro Economics

Section B – Indian Economic Development

II. This paper contains 20 Multiple Choice Type Questions of 1 mark each.

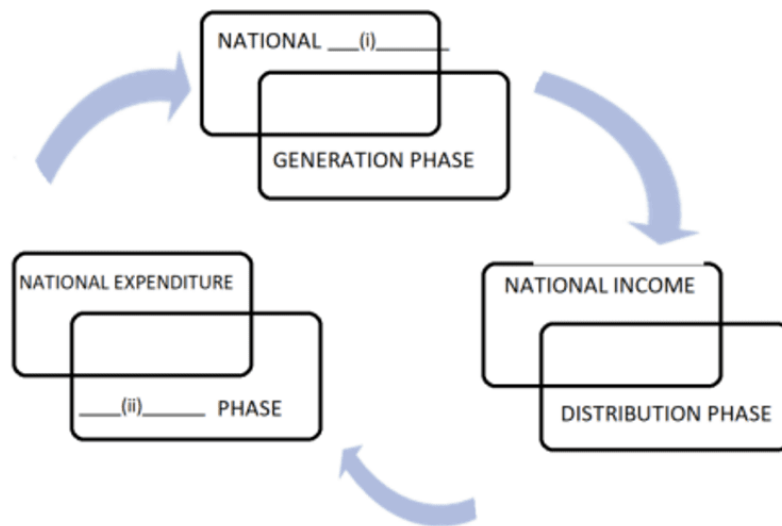
III. This paper contains 4 Short Answer Type Questions of 3 marks each to be answered in 60 to 80 words.

IV. This paper contains 6 Short Answer Type Questions of 4 marks each to be answered in 80

to 100 words.

V. This paper contains 4 Long Answer Type Questions of 6 marks each to be answered in 100 to 150 words.

Q. No.	SECTION A – MACRO ECONOMICS	Marks
1.	<p>Read the following statements carefully: Statement 1: The value of marginal propensity to consume can be greater than one Statement 2: Change in consumption can be greater than change in income. In the light of the given statements, choose the correct alternative from the following: a) Statement 1 is true and statement 2 is false b) Statement 1 is false and statement 2 is true c) Both statements 1 and 2 are true d) Both statements 1 and 2 are false.</p> <p>Ans. d) Both statements 1 and 2 are false</p>	1
2.	<p>“India is taking huge leaps in the index of Ease of doing Business; as a result, many MNCs, are shifting their production base to India.” Identify the most likely impact on the Balance of Payment situation of the Indian Economy from the following: a) Production of Cars in India will rise. b) Production and sale of cycles in India will rise. c) Inflow of US Dollars in India will rise. d) Outflow of US Dollars from India will rise.</p> <p>Ans. c) Inflow of US Dollars in India will rise.</p>	1
3.	<p>If $MPC = 0$, the value of multiplier is: (Choose the correct alternative) a. 0 b. 1 c. Between 0 and 1 d. infinity</p> <p>Ans. b) 1</p>	1
4.	<p>Read the following statements carefully: Statement 1: Balance of payments is an accounting statement.</p>	1



	<p>Statement 2: Balance of payments records the foreign exchange transactions of the country with the rest of the world.</p> <p>In the light of the given statements, choose the correct alternative from the following:</p> <p>a) Statement 1 is true and statement 2 is false</p> <p>b) Statement 1 is false and statement 2 is true</p> <p>c) Both statements 1 and 2 are true</p> <p>d) Both statements 1 and 2 are false.</p> <p>Ans. c) Both statements 1 and 2 are true</p>	
5.	<p>Read the following figure carefully and choose the correct alternative from the given below:</p>	1

	<p>Alternative:</p> <p>a) Output, production b) Value added, production c) Output, disposition d) Wealth, development</p> <p>Ans. c) Output, disposition</p>	
6.	<p>If MPC is four times MPS and consumption at zero level of incomes is ₹ 70 crores, the relevant consumption function would be:</p> <p>a) $C=70+0.2Y$ b) $C=-70+0.2Y$ c) $C=70+0.8Y$ d) $C=-70+0.8Y$</p> <p>Ans. c) $C= 70+0.8Y$</p>	1
7.	<p>"The Cabinet led by Prime Minister has decided that the Central Government will provide free food grains to 81.35 crore (approx.) beneficiaries under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) for a period of five years with effect from 1st January, 2024."</p> <p>Source: https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1980689 Based on the aforesaid statement, identify the budgetary objective the government is trying to achieve and choose the correct option:</p> <p>A. Reallocation of resources B. Economic stability C. Redistribution of income D. Economic instability</p> <p>Ans. c) Redistribution of income</p>	1
8.	<p>As per the data presented in the Union Budget 2023-24, the total receipts of the government other than borrowings and the total expenditure are estimated at ₹ 27.2 lakh crore and ₹ 45 lakh crore respectively. The value of the _____ deficit</p>	1

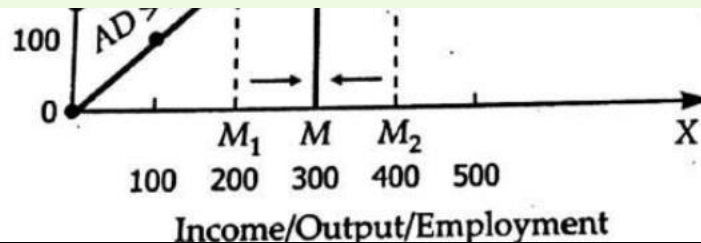
	<p>would be ₹ 17.8 lakh crore. (Choose the correct option to fill up the blank)</p> <p>A. revenue B. fiscal C. budgetary D. primary Ans. b) fiscal</p>	
9.	<p>Read the following statements carefully: Statement 1: Foreign grants-in-aid receipts do not lead to any claim on the government. Statement 2: Disposal of equity by the Public Sector Undertakings in the market may lead to a decrease in the assets of the government. In light of the given statements, choose the correct option from the following: A. Statement 1 is true and Statement 2 is false. B. Statement 1 is false and Statement 2 is true. C. Both Statements 1 and 2 are true. D. Both Statements 1 and 2 are false Ans. c) Both Statements 1 and 2 are true.</p>	1
10.	<p>Read the following statement- Assertion (A) and Reason (R). Choose one of the correct alternatives given below: Assertion (A): Consumption curve makes an intercept on the Y axis, some point above the origin. Reason (R): People need certain basic goods and services to sustain themselves, even if income is zero. Alternatives: 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 and 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. Ans. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p>	1
11. (A)	<p>On the basis of the given data, estimate the value of "Intermediate Consumption." Ans.</p>	3

S.No.	Particulars	Amount (In lakhs)
1	Value of Output	200
2	NVA at FC	80
3	Sales Tax	15
4	Subsidy	5
5	Depreciation	20

(B)	<p>(a) $GVA \text{ at MP} = NVA \text{ at FC} + Dep + NIT$ $= 80 + 20 + (15-5) = 110 \text{ lakhs}$ $GVA \text{ at MP} = VOO - IC$ $110 = 200 - IC$ $IC = 90 \text{ lakhs}$</p> <p>OR</p> <p>What is the difference between nominal GDP and real GDP? The value of nominal GNP of an economy was Rs 2500 crore in a particular year. The value of GNP of that country during the same year evaluated at the prices of the same base year was Rs. 3000 crores. Calculate the value of GNP deflator of the year in percentage terms. Has the price level increased between the base year and the year under consideration?</p> <p>Ans. When GDP of given year is estimated on the basis of price of the same year, it is called nominal GDP. When GDP of a given year is estimated on the basis of price of base year, it is called real GDP.</p> <p>$GDP \text{ deflator} = \text{Nominal GDP} / \text{Real GDP} * 100$ $2500/3000 * 100 = 83.3$ The price level has fallen</p>	
12.	<p>What is a government budget? Name two sources each of non-tax revenue receipts and capital receipts.</p> <p>Ans. Government budget is a statement of the estimates of the government receipts and government expenditure during the period of the financial year. It reveals fiscal policy of the government, focusing on growth and stability of the economy.</p>	3

	Two sources of non-tax revenue receipts: fees, fines. Two sources of non-tax capital receipts: recovery of loans and borrowings from RBI.	
13. (A)	Geopolitical uncertainties like wars can lead Indian investors to retreat from emerging markets like India to the safety net of USD. Explain the impact of this on the market exchange rate.	2
(B)	<p>"There exists a positive relation between foreign exchange rate and supply of foreign exchange." Do you agree with the given statement? Justify your answer with valid arguments.</p> <p>Ans.</p> <p>(A) Demand for foreign exchange increases and exchange rate increases.</p> <p>(B) Yes. When foreign exchange rate rises, the goods in domestic market become relatively cheaper for the buyers of the rest of the world. Thereby increasing the international competitiveness of Indian exports. This raises demand for exports, which in turn may lead to increase in supply of foreign exchange and vice-versa.</p>	2
14.	<p>An economy is in equilibrium. Calculating the investment expenditure and consumption expenditure from the following: National Income- 800 Marginal Propensity to save- 0.3 Autonomous consumption- 100</p> <p>Ans.</p> <p>At equilibrium, $AD=AS$</p> <p>$C+I = Y$</p> <p>$100+0.7*800 + I = 800$</p> <p>$I = 140$</p> <p>$C= 100+0.7(800) = 100+560 =660$. therefore, $C= 660$.</p> <p>OR</p> <p>(B) I) Using a suitable diagram show the determination of equilibrium aggregate income according to the $AD=AS$ approach.</p> <p>Ans. (I) The equilibrium level of income is determined where planned</p>	2 + 2
		4

Income	0	10	20	30	40	50	60	70	80	90	100
Consumption	20	25	30	35	40	45	50	55	60	65	70
Investment	20	20	20	20	20	20	20	20	20	20	20
Aggregate Supply	0	10	20	30	40	50	60	70	80	90	100
Aggregate Demand	40	45	50	55	60	65	70	75	80	85	90



	<p>level of aggregate demand is equal to planned level of aggregate supply. $AD=AS$ $C+I=C+S$ $AD>AS$ □ Inventory level starts falling, production expands. $AS>AD$ □ Accumulation of inventories, production level falls.</p>	
15.	Explain the working of investment multiplier with the help of a numerical example.	4
16.	RBI extends CRR and SLR relaxations for three more months Keeping in view the continuing of hardships faced by banks in terms of social	

	<p>distancing of staff and consequent strains on reporting requirements, the Reserve Bank of India has extended the relaxation of the minimum daily maintenance of the CRR of 80% for up to September-25,2020.</p> <p>"As announced in the Statement of Developmental and Regulatory Policies of March 27, 2020, the minimum daily maintenance of the Cash Reserve Ratio (CRR) was reduced from 90% of the prescribed CRR to 80% effective the fortnight beginning March 28, 2020 till June 26, 2020 that has now been extended up to September 25, 2020," said the RBI. Currently, the CRR is at 3% of a bank's total deposits. and SLR is 18.50%.</p> <p>Source: The Economic Times Published on Jun 29, 2020</p> <p>(i) Calculate the Legal Reserve Ratio and the value of money multiplier with the information given in the above para? (ii) Differentiate between CRR & SLR? (iii) Explain the effect of decrease in CRR on the general price level?</p> <p>Ans. (i) Money multiplier = $1/LRR$ ($LRR = CRR + SLR$) $MM = 1/.215$ $= 4.65$</p> <p>(ii) SLR stands for Statutory Liquidity Ratio, which is the minimum percentage of deposits that commercial banks must keep in liquid assets:</p> <p>(iii) Decrease in the Cash reserve ratio, helps the banks provide loans to a large number of businesses and industries for investment purposes. Lower CRR increases the money supply in the economy.</p>	<p>2</p> <p>2</p> <p>2</p>
17. I.	<p>(A) India is forming a national database of natural resource accounting (NRA) that is to help calculate the cost of recovery of degraded resources, as well as to calculate green GDP. It is expected that the value of green GDP will be significantly lower than conventionally measured real GDP. China had similarly calculated its green GDP in 2004 and had found losses due to environmental damage valued at 3% of GDP. Economists have debated the concepts of NRA and green GDP over many years, but with little agreement over how natural resources should be valued. These</p>	3

Ans.

A. Income Method

NDP at FC= COE + OS + MISE = 150 + (40+40+100) +0 =330

GNP at FC= NDP at FC + DEP + NFIA = 330 + 15 - 5 = 340 CR

B. EXPENDITURE METHOD

GDP AT MP= C + I + G + (X-M) = 220 + (50+15) + 85 + (20-25)
= 365

GNP at FC= GDP at MP + NFIA – NIT = 365 – 5 – 20 = 340 CR

SECTION B – INDIAN ECONOMIC DEVELOPMENT



18

Observe the given image carefully:

1

	<p>From the following, identify the incorrect statement</p> <p>(a) Wind turbines move with the wind and electricity is generated</p> <p>(b) The initial cost is high to generate electricity by wind</p> <p>(c) The benefits of wind power are such that the high cost gets easily absorbed</p> <p>(d) None of these</p> <p>Ans. d. None of these</p>	
19.	<p>Read the following statements carefully:</p> <p>Statement 1: The British policies led to the collapse of India's world-famous handicraft industries.</p> <p>Statement 2: During the colonial rule in India, the contribution of the industrial sector to Gross Value Added (GVA) increased significantly.</p> <p>In light of the given statements, choose the correct option from the following:</p> <p>(a) Statement 1 is true and Statement 2 is false.</p> <p>(b) Statement 1 is false and Statement 2 is true.</p> <p>(c) Both Statements 1 and 2 are true.</p> <p>(d) Both Statements 1 and 2 are false.</p> <p>Ans. a. Statement 1 is true and Statement 2 is false</p>	1
20.	<p>Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below:</p> <p>Assertion (A): Human capital formation is required for effective use of physical capital.</p> <p>Reason (R): Formation of human capital raises life expectancy of the people.</p> <p>Options:</p> <p>(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).</p> <p>(c) Assertion (A) is true, but Reason (R) is false.</p> <p>(d) Assertion (A) is false, but Reason (R) is true.</p> <p>Ans. b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).</p>	1
21.	<p>The agricultural sector experienced huge stagnation and deterioration because of the</p>	1

	<p>_____ (Choose the correct option to fill up the blank)</p> <p>(a) drain of India's wealth (b) land tenure system (c) decline of handicrafts (d) poverty in India</p> <p>Ans. b. land tenure system</p>	
22.	<p>Micro credit Program is defined as _____.</p> <p>(i) Credit provision made by self-help groups to their members (ii) Credit provision made by small farmers (iii) Credit provision made by large farmers (iv) None of the above</p> <p>(Choose the correct option to fill up the blank)</p> <p>(a) (i) and (ii) (b) (i) and (iii) (c) only (I) (d) only (iv)</p> <p>Ans. c. only (i)</p>	1
23	<p>Which of the following was not a part of the structural adjustment programs under the New Economic Policy (NEP) in 1991?</p> <p>(a) Fiscal reforms (b) Tax reforms (c) Balance of payment adjustment (d) Industrial reforms</p> <p>Ans. c. Balance of payment adjustment</p>	1
24	<p>Which of the following statement is true for the food grain production in Pakistan?</p> <p>(a) The five-year plan was the main reason for the rise in food grain production in Pakistan. (b) The green revolution was the main reason for the rise in food grain production in Pakistan (c) The mixed economy was the main reason for the rise in food grain production in Pakistan (d) The government policy was the main reason for the rise in food grain production in Pakistan.</p> <p>Ans. (b) The green revolution was the main reason for the rise in food grain production in Pakistan</p>	1
25	<p>Which of the following is not an objective of sustainable development?</p> <p>(a) Continue to implement the family planning programme. (b) Maintain a dynamic balance of arable land and implement an</p>	1

	<p>agricultural development strategy.</p> <p>(c) Maintain a dynamic balance of water resources by reducing water consumption for every unit of cross development, product growth, and agricultural value added.</p> <p>(d) To bring about a gradual and catastrophic transformation of environment.</p> <p>Ans. d. To bring about a gradual and catastrophic transformation of environment.</p>	
26	<p>Mahatma Gandhi National Rural Employment Guarantee Act 2005 promised 100 days of guaranteed wage employment to all rural households who volunteer to do _____</p> <p>(a) Manual Work (b) Skilled Work (c) Unskilled Manual Work (d) Skilled Manual Work</p> <p>Ans. c. Unskilled Manual Work</p>	1
27	<p>Identify the incorrect statement from the following. (Choose the correct alternative)</p> <p>(a) Diversification in agriculture sector provides sustainable livelihood for rural population.</p> <p>(b) Diversification includes change in cropping pattern, shift of workforce from agriculture to other elite activities and non-agricultural sector.</p> <p>(c) Objective of investment in new agriculture revenues (non-farm activities) increases financial risks for the rural population.</p> <p>(d) Diversification reduces the proportion of unemployed population in the rural areas to considerable limits.</p> <p>Ans. c. Objective of investment in new agriculture revenues (non-farm activities) increases financial risks for the rural population</p>	1
28	<p>How were the industries regulated in India before 1991? OR 'Developed countries oppose outsourcing'. Justify the given statement with a valid explanation.</p> <p>Ans. Before 1991, the industries were regulated in various ways through industrial licensing under which every entrepreneur had to get permission from government to start a firm. Close a firm, expand the firm or produce a new product. B. Private sector was not allowed in many industries. C. through controls on private fixation and distribution of selected industrial products. d. Some goods could be</p>	3

	<p>produced only in small scale industries.</p> <p>OR</p> <p>Developed countries oppose outsourcing because of the following reasons.</p> <p>A) Outsourcing leads to the drainage of jobs that belong to their middle class. It feels the high unemployment rate.</p> <p>B) the outsource job leads to poor quality in goods and services produced.</p> <p>C) due to less of paying jobs, consumers stuck to words credit, which results in a weekend economy.</p>	
29	<p>How is China able to lead in all the Human development Indicators?</p> <p>Ans. China is able to lead in almost all the human development indicators with the establishment of infrastructure in the areas of education and health landforms, long existence of decentralized planning and existence of small enterprises which can be easily regulated even before the reforms, basic health services were provided in villages and food was distributed through the commune system. Each reform was implemented on a small scale initially, and then spread out on a large scale.</p> <p>Laws and policies such as the one child among others were strictly enforced.</p>	3
30	<p>State the factors which created a conducive environment for new investments in Pakistan.</p> <p>Ans. Following factors created conducive environment for new investment in Pakistan</p> <p>I) adoption of green revolution</p> <p>II) shift off orientation of nationalisation policy to be nationalization and encouragement to private sector</p> <p>III) Financial support from Western Nations</p> <p>IV) Growing remittances from Pakistani workers in the Middle East.</p>	4
31 (A)	<p>Justify why it is necessary to synchronize traffic lights or use public transport instead of private transport and develop solar panels for household consumption?</p> <p>OR</p>	4
(B)	<p>"Education system in India is a big challenge today". Explain.</p>	

Ans. (A) (Suggested answer)

□ This is necessary to save on energy. If all main traffic lights are synchronised. Then the fuel wasted by vehicles waiting on the traffic lights can be reduced. Similarly, if we can consciously use public transport in place of private vehicles like scooter, motorcycle and cars, then it saves fuel.

□ Further, if solar panels are installed to fulfil domestic needs of energy like heating, washing, and cooling, we can save a lot of fossil fuels used to generate electricity.

(OR)

Ans. (B)

Following observations, explain how education system in India is a big challenge:

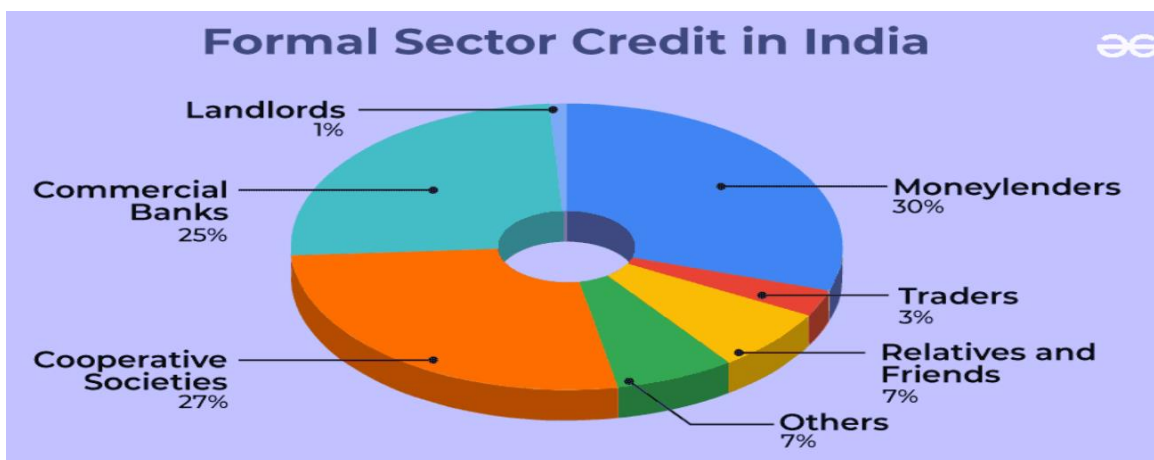
(I) large number of illiterates: India harbours the largest number of illiterates in the world, the number exceeds even the total population of most countries in the world.

(II) inadequate vocationalisation: education continues to be largely degree oriented, throwing millions of educated youths down to the corridors of employment exchanges. Vocationalisation of education is still a far cry.

(III) Gender bias: there is still a significant gender bias in offering opportunities of education to male and female children. The enrolment ratio is relatively low for the female candidates and their dropout ratio is considerably high.

(IV) low rural access level: there is a high degree of disparity in access to education. The access level is considerably low for the rural population compared to the urban.

(V) Privatisation, there is a growing trend towards privatisation of education, being very expensive. Private education has extended to widen the gap between access level for the rich and the poor.



32

(i) Interpret the given picture based on the Credit Distribution system

3

	<p>in India.</p> <p>(ii) _____ is taken for the period of 5 to 20 years. (Long-term credit / medium-term credit/ Short-term credit)</p> <p>Ans. (suggested answer)</p> <p>The rapid increase in the banking sector particularly after the green revolution, had a positive impact on farming and non-farming output, employment, and income. These banking opportunities allowed farmers to take different credit services, facilities and various loans to meet their production requirements.</p> <p>Here are a few major credit sources of rural credit in India.</p> <p><input type="checkbox"/> Co-operative Credit Societies- This source of credit is the most economical and important source of rural credit. It contributes to 27% of rural credit. It was set up with the aim of facilitating the complete credit needs for small and medium farmers. They started supporting the farmers in a significant way with short-term loans issued by Primary Agricultural Credit Societies.</p> <p><input type="checkbox"/> Commercial Banks- contributing to 25% of rural credit. These banks give both direct and indirect investment to agriculture. Here, direct finance is issued for a small and medium term allowing farmers to conduct agricultural operations easily. Indirect finance is given in advances form to purchase things like grains and fertilisers.</p> <p><input type="checkbox"/> Landlords- With introduction of successful credit system by formal organisations, the contribution of Landlords to total credit creation is only 1%..</p> <p><input type="checkbox"/> Moneylenders- the rural sector, agricultural credit is still catered by majorly by Moneylenders. Almost 30% of total credit in agriculture is contributed by them only. The reason behind is that , they do. Not ask for collateral. Moreover the requirement for non-developmental activities like marriage, death and other expenses are not catered by banks.</p> <p><input type="checkbox"/> Relatives and friends- they contribute to 7% of total credit in rural area.</p> <p><input type="checkbox"/> Others- remaining 7% is catered by other sources.</p> <p>(student may explain in his own style, this is just a sample)</p> <p>II) Long term</p>	1
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33	<p>Read the following text carefully: Despite a roaring economy, India is in the middle of an employment crisis: In a country with the world's largest and youngest workforce, there are very few good jobs to be had. To maintain its economic momentum through consistently high GDP growth, India needs to produce more jobs and move a greater proportion of its workforce into higher productivity sectors. Failure to do so would result not only in depressed incomes and slowdown in consumer demand, it would also add to future political instability, social unrest, and a waste of the country's much-vaunted "demographic dividend." The government should consider five policies: 1) develop more coherent policies around manufacturing, 2) double down on services, 3) re-start start up India, 4) resolve tensions around the green transition, and 5) Enhance and improve the labour supply. Source: https://hbr.org/2024/07/how-india-can-fix-its-employment-crisis On the basis of the given text and common understanding, answer the following questions: (i) State any two sources of data on unemployment in our country. Ans. i) Reports on Census of India; ii) National Sample Survey Organisation's Reports of Employment; and iii) Unemployment Situation and Directorate General of Employment and Training Data of Registration with Employment Exchanges. (ii) How is 'unemployed person' defined by Economists? Ans. Economists define unemployed person as one who is not able to get employment of even one hour in half a day. (iii) 'India needs to produce more jobs and move a greater proportion of its workforce into higher productivity sectors'. In the light of the given statement, explain the steps that government should consider. Ans. (iii) The government should consider five policies: (any two) 1) develop more coherent policies around manufacturing, 2) double down on services, 3) re-start startup India, 4) resolve tensions around the green transition, and 5) Enhance and improve the labour supply.</p>	<div>2</div> <div>1</div> <div>3</div>
34. (A)	i) The reform period has completed three decades since its introduction. Analyse the performance of the Indian economy during this period.	3

	<p>ii) The single tax implemented from 1 July 2017 was likely to reduce prices of which kind of products? Name the tax system implemented? & Give example of any two items which are exempted from the single tax system. Give reasons.</p> <p>Ans. (i) After forty years of planned development, India has been able to achieve a strong industrial base and became self-sufficient in the production of food grains. Nevertheless, a major segment of the population continues to depend on agriculture for its livelihood. In 1991, a crisis in the balance of payments led to the introduction of economic reforms in the country. This unit is an appraisal of the reform process and its implications for India.</p> <p>(ii) GST & Fresh produce: Includes vegetables, fruits, and other perishables that are not subjected to any form of processing. Dairy products: Milk (other than flavored milk), butter milk, curd, unbranded natural honey are exempt from GST.(or any other example) Goods are exempted from GST for several reasons: <input type="checkbox"/> Affordability: Ensuring essential goods and services remain financially accessible to all, especially lower-income groups. <input type="checkbox"/> Accessibility: Keeping crucial life necessities within reach for everyone without the added financial burden of taxes. <input type="checkbox"/> Social Welfare: Supporting the consumption of basic needs which contribute to the overall welfare and health of the population. <input type="checkbox"/> Economic Stability: Helping stabilize essential sectors vital to the country's economy and public well-being. <input type="checkbox"/> Equity: Reducing economic disparities by lessening the tax load on essential products that form a larger proportion of lower-income spending. (any 2 reasons)</p> <p>OR</p> <p>i) "In order to protect domestic industries, India followed the regime of restriction on imports". Briefly outline and discuss such steps taken by the government to promote import substitution policy.</p> <p>Ans. I)In the first seven Five Year Plans, India had an inward-looking strategy. This strategy aimed at replacing or substituting imports with domestic production i.e., instead of importing goods made in a foreign</p>	3
(B)		3

	<p>country, industries would be encouraged to produce them in India itself. This concept is referred to as import substitution.</p> <p>Thus, the government protected the domestic industries from foreign competition through this policy. Protection from imports took two forms:</p> <p>(a) Tariffs i.e., a tax on imported goods to make imported goods more expensive and thus discourage their use.</p> <p>(b) Quotas- which limited the quantity of imports. The policy of import substitution provides protection to domestic industries from foreign competition. The rationale for this policy is that industries of developing countries like India are not in a position to compete against the goods produced by developed economies. It is assumed that if the domestic industries are protected in the infant stage, they will gain strength by being able to produce on large scale, and through experience, they will be able to compete globally in good time.</p> <p>ii) "The colonial era was responsible for decline of India's traditional handicraft industries". Defend or refute the statement.</p> <p>Ans. II) Yes, we do agree with the above statement that the traditional handicrafts industries were ruined under the British times. The following are the reasons in favour of the statement.</p> <p>1. Discriminatory Tariff Policy: The British rule in India corresponded with its industrialisation. The British rule used India both as a source of cheap raw materials as well as easy accessible market for their finished products. Thereby, they imposed heavy tariffs (export duties) on India's export of handicraft products, while allowed free export of India's raw material to Britain and free import of British products into India. This made Indian exports costlier and its international demand fell drastically leading to the collapse of handicrafts industries.</p> <p>2. Competition from Machine made Britain Goods: The demand for the handicrafts products experienced a downward trend in the domestic markets as well. This was due to stiff competition from the machine made textiles from Britain. This was because of the reason that the goods produced mechanically in Britain were comparatively cheaper and of superior quality than the Indian handicraft goods. This narrowed</p>	3
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	<p>the market for Indian industries.</p> <p>3. Emergence of New Class: The British rule in India popularised western lifestyle in India. There was an emergence of a new section of population (consisting mainly of zamindars) in India who liked the British goods. This section used to spend lavishly on the British products that provided impetus for the development of British industries at the cost of the domestic industries. Hence, gradually Indian industries perished away.</p> <p>4. Disappearance of Princely State: Prior to the advent of British, India was ruled by princely states. They used to patronise handicrafts industries and consequently, Indian handicrafts gained reputation in the international markets. But during the British rule, these princely states were ruined thereby ruining the protection of these handicrafts industries. Thus, gradually Indian handicrafts lost its reputation and its importance deteriorated.</p>	
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