

**ECONOMICS (CODE - 030)**  
**SAMPLE PAPER 3**  
**CLASS XII**

**Time Allowed: 3 hours**

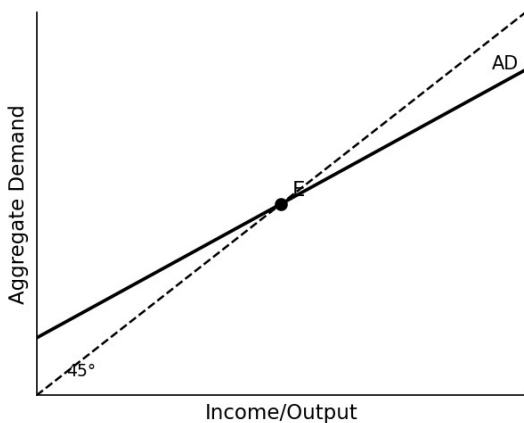
**Maximum Marks: 80**

**General Instructions:**

1. This question paper contains two sections: Section A - Macroeconomics, Section B - Indian Economic Development.
2. This paper contains 20 multiple choice questions of 1 mark each.
3. This paper contains 4 short answer questions of 3 marks each, to be answered in 60 to 80 words.
4. This paper contains 6 short answer questions of 4 marks each, to be answered in 80 to 100 words.
5. This paper contains 4 long answer questions of 6 marks each, to be answered in 100 to 150 words.
6. Attempt all parts of a question together.

**SECTION A – MACROECONOMICS**

1. With reference to the given diagram, which of the following is true at point E? [1]



- (A) Ex-ante Aggregate Demand exceeds ex-ante Aggregate Supply
- (B) Ex-ante Aggregate Demand equals ex-ante Aggregate Supply (income/output)
- (C) Ex-ante Aggregate Supply exceeds ex-ante Aggregate Demand
- (D) Aggregate Demand is zero

**Note: The following question is for Visually Impaired candidates only, in lieu of the question above:**

At the point where the Aggregate Demand curve intersects the 45° line, which of the following holds true?

- (A) The economy is at equilibrium, with planned expenditure equal to output
- (B) There is unplanned accumulation of inventories
- (C) There is unplanned decumulation of inventories
- (D) Aggregate Demand is falling continuously

2. 'The Real GDP of a country is ₹220 lakh crore in the base year and grows to ₹260 lakh crore in the current year at constant prices. The Nominal GDP in the current year is ₹299 lakh crore.' On the basis of the given data, the value of the GDP Deflator for the current year would be \_\_\_\_\_. [1]

- (A) 86.9
- (B) 115
- (C) 136
- (D) 118

3. 'An individual holds a portion of their wealth in the form of cash and bank deposits, rather than in physical assets, so that it remains readily available to meet unforeseen expenses.' Identify the function of money indicated in the statement. [1]

- (A) Medium of exchange
- (B) Store of value
- (C) Unit of account
- (D) Standard of deferred payments

4. Read the following statements carefully: Statement 1: An increase in the Bank Rate makes borrowing costlier for commercial banks, which typically raise their own lending rates in response. Statement 2: A reduction in the Bank Rate is a measure typically used to control inflation. Choose the correct option: [1]

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

5. In the circular flow of income in a two-sector economy, the flow of factor payments moves from \_\_\_\_\_ to \_\_\_\_\_. [1]

- (A) Households to Firms
- (B) Firms to Households
- (C) Government to Firms
- (D) Firms to Government

6. An economy is said to be in a state of full employment equilibrium when \_\_\_\_\_. [1]

- (A) ex-ante Aggregate Demand exceeds ex-ante Aggregate Supply corresponding to full employment
- (B) ex-ante Aggregate Demand equals ex-ante Aggregate Supply corresponding to full employment
- (C) ex-ante Aggregate Supply exceeds ex-ante Aggregate Demand corresponding to full employment
- (D) there is no unemployment of any kind whatsoever

7. Read the following statements carefully: Statement 1: Capital goods are final goods used repeatedly in the production process over multiple years. Statement 2: Capital goods are subject to depreciation over their useful life. Choose the correct option: [1]

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

8. On the basis of the given data, calculate the value of Net Domestic Product at Factor Cost (NDP<sub>fc</sub>): [1]

(i) Gross Domestic Product at market price: ₹6,500 crore

(ii) Depreciation: ₹400 crore

(iii) Net indirect taxes: ₹500 crore

- (A) 5,600 crore
- (B) 6,100 crore
- (C) 6,400 crore
- (D) 5,900 crore

9. Read the following statements: Assertion (A) and Reason (R). Choose the correct option: Assertion (A): Remittances sent by Indian workers employed abroad to their families in India are recorded in the Current Account of India's Balance of Payments. Reason (R): Such remittances are classified as unilateral transfers, which form a part of the Current Account. [1]

- (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.

10. The apex institution responsible for the regulation and supervision of the banking system in India, and for the formulation of monetary policy, is the \_\_\_\_\_. [1]

(A) State Bank of India

(B) National Bank for Agriculture and Rural Development

(C) Reserve Bank of India

(D) Securities and Exchange Board of India

11. For a hypothetical economy, assume there are only two firms, M and N, with equal Gross Value Added (GVA). On the basis of the following data, estimate the value of Domestic Sales of Firm M: [3]

(i) Value of Output of Firm N: ₹900 crore

(ii) Purchases by Firm M from Firm N: ₹200 crore

(iii) Purchases by Firm N from Firm M: ₹150 crore

(iv) Exports by Firm M: ₹100 crore

(v) Additions to stock of Firm M: ₹80 crore

12. Attempt either (A) or (B). [3]

(A)

'Margin requirement is a qualitative tool used by the central bank to control credit.' Justify the given statement with valid explanation.

OR

(B)

'The Reserve Bank of India acts as the currency authority of the country.' Do you agree with the given statement? Give valid explanation in support of your answer.

13. Attempt either (A) or (B). [4]

(A)

Mrs Bose is a practising lawyer who earns professional fees from her clients. She has also invested in government bonds, which pay her a fixed annual interest. Occasionally, she donates a portion of her earnings to a charitable trust without expecting anything in return. Classify Mrs Bose's fees and interest income as factor income or transfer income, giving valid reasons in support of your answer.

OR

(B)

'Under the Expenditure Method, Gross Domestic Product can be estimated by summing the final expenditure incurred by different sectors of the economy.' In light of this statement, explain the expenditure incurred by any two sectors.

14. 'Mr Kowalski, a normal resident of DEF country, transferred \$250,000 to purchase a vacation apartment abroad, purely as a personal investment decision. In the same year, the central bank of DEF country borrowed \$1.5 billion in foreign currency from a multilateral institution specifically to shore up its depleting foreign exchange reserves amid a BoP crisis.' Anya, an economics student, identified only the central bank's transaction as an accommodating transaction, while classifying Mr Kowalski's transaction as autonomous. Do you agree with Anya's identification of the underlying concepts? Give valid arguments in support of your answer. [4]

15. Refer to the following measures that a central bank may use to control credit in the economy: raising the Repo Rate, increasing the Margin Requirement, and moral suasion. Explain any two of these measures and how each helps control the expansion of credit. [4]

**Note: The following question is for Visually Impaired candidates only, in lieu of the question above:**

State and explain any two measures, other than Bank Rate and Cash Reserve Ratio, that a central bank can use to control the expansion of credit in the economy.

16. Attempt either (A) or (B). [6]

(A)

(I) Suppose in an economy, the Marginal Propensity to Consume (MPC) is 0.6. The government introduces an investment project of ₹3,000 crore, leading to a manifold increase in National Income (Y) and Consumption Expenditure (C). Estimate: (a) the value of the Investment Multiplier (k), and (b) the total change in Savings ( $\Delta S$ ). [3]

(II) 'If the Marginal Propensity to Save were zero, the value of the Investment Multiplier would be infinite.' Justify the given statement with the help of a suitable argument. [3]

OR

**(B)**

(I) Suppose in a hypothetical economy, people save 10% of their additional income. Ex-ante Investment equals ₹80 crore, and autonomous consumption is ₹40 crore. Calculate the equilibrium level of income. [2]

(II) Define full employment equilibrium and involuntary unemployment. Explain the adjustment mechanism by which equilibrium may be established at a level of income below full employment. [4]

**17.** Refer to the given text carefully: 'The Union Government's total expenditure in the financial year 2023-24 saw a continued rebalancing towards capital outlay, even as certain revenue expenditure items, such as major subsidies, moderated as a share of GDP compared to the pandemic years. This rebalancing has been cited by policymakers as evidence of an improving expenditure quality, even though the absolute burden of interest payments on past borrowings continues to constrain the fiscal space available for developmental spending.' [6]

(I) Differentiate between revenue expenditure and capital expenditure, as referred to in the above text. [3]

(II) Elaborate on why a high and rising burden of interest payments can constrain a government's fiscal space for developmental spending. [3]

## SECTION B - INDIAN ECONOMIC DEVELOPMENT

**18.** Read the given text carefully: 'The Government has decided to reduce import duties on select capital goods used in manufacturing, in order to lower production costs for domestic industry and encourage modernisation of plant and machinery.' Identify the sector under which the aforesaid reform was introduced. [1]

- (A) Foreign Trade
- (B) Financial
- (C) Tax
- (D) Public Sector

**19.** During the colonial period, India's export surplus (exports exceeding imports) did not benefit the country economically because it was primarily used to \_\_\_\_\_. [1]

- (A) build up India's foreign exchange reserves
- (B) finance India's own industrial development
- (C) meet the expenses of the British government in India and finance British investments elsewhere
- (D) repay loans taken by Indian businesses

**20.** Investment in health as a form of human capital formation includes expenditure on \_\_\_\_\_. (i) preventive medicine (ii) curative medicine (iii) social medicine [1]

- (A) (i) only
- (B) (i) and (ii) only
- (C) (ii) and (iii) only
- (D) (i), (ii) and (iii)

**21.** Read the following statements: Assertion (A) and Reason (R). Choose the correct option: Assertion (A): The multi-agency approach to rural credit in India involves cooperatives, commercial banks, and regional rural banks working together. Reason (R): No single institutional channel alone has been able to meet the entire credit requirements of India's diverse rural population. [1]

- (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.

22. The process by which informal sector activities are gradually brought under regulatory oversight, with improved access to credit, technology, and social security, is referred to as \_\_\_\_\_ of the informal sector. [1]

- (A) elimination
- (B) modernisation
- (C) nationalisation
- (D) privatisation

23. Which of the following would be classified under the primary sector of economic activity? [1]

- (A) Agriculture, fisheries, and mining and quarrying
- (B) Manufacturing and construction
- (C) Banking and insurance
- (D) Transport and communication

24. Global warming is primarily attributed to the increased concentration of \_\_\_\_\_ in the earth's atmosphere. [1]

- (A) oxygen
- (B) greenhouse gases such as carbon dioxide
- (C) nitrogen
- (D) water vapour alone

25. From the terms in Column I and the corresponding facts in Column II, choose the correct pair: [1]

**Column I**

**Column II**

- (a) NABARD      i. Apex institution for rural credit
- (b) SHG      ii. Small group of rural poor for thrift and credit
- (c) MSP      iii. Guaranteed floor price for farmers
- (d) IPR 1956      iv. Industrial classification into three schedules

Choose the correct option:

- (A) (a)-i
- (B) (b)-ii
- (C) (c)-iii
- (D) All of the above

26. Under China's household responsibility system introduced as part of agricultural reforms, farmers were allowed to \_\_\_\_\_. [1]

- (A) sell all their produce at a single fixed government price
- (B) retain and sell surplus produce (beyond an agreed quota) in the open market
- (C) own no land whatsoever
- (D) work only on state-run farms

27. Read the following statements carefully: Statement 1: India's economic reforms of 1991 were introduced gradually, over a period of two decades, without any specific trigger event. Statement 2: A severe Balance of Payments crisis was among the immediate triggers for India's 1991 economic reforms. Choose the correct option: [1]

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

28. 'India's Human Development Index ranking has shown steady improvement over the past two decades, yet it continues to lag behind several countries with comparable or even lower per capita income.' Do you agree with the given statement? Justify your answer with valid arguments. [3]

29. Attempt either (A) or (B). [3]

(A)

'Human capital is regarded as a form of capital because, like physical capital, it involves a sacrifice in the present for returns in the future.' Elaborate on the given statement.

OR

(B)

Distinguish between economic activities and non-economic activities, with the help of a suitable example.

30. Attempt either (A) or (B). [4]

(A)

'Colonial rule left India's occupational structure heavily skewed towards agriculture, with limited diversification into industry.' Justify the given statement with valid explanation.

OR

(B)

Refer to the given information carefully:

Item	1981	2021
Infant Mortality Rate (per 1,000 live births)	110	28
Sex Ratio (females per 1,000 males)	934	929

(Source: illustrative data based on Census of India)

On the basis of the given information, answer the following: (I) Identify and define the indicators given in the table above. [2] (II) List any two other demographic/human development indicators. [1] (III) What does the pattern of change in these two indicators between 1981 and 2021 suggest? [1]

31. (I) 'India's engagement with multilateral institutions like the World Trade Organisation shapes its trade policy choices.' In light of this statement, briefly explain the importance of India's participation in such multilateral trade institutions. [3] (II) Define 'trade bloc'. [1] [4]

32. Refer to the following description of two panels: Panel A shows livestock grazing freely alongside diverse crops on a single farm; Panel B shows a large single-crop plantation with no livestock integration. (I) Identify the type of farming system depicted in Panel A and Panel B. [1] (II) Explain any one advantage and one disadvantage of the type of farming in Panel A over Panel B. [3] [4]

**Note: The following question is for Visually Impaired candidates only, in lieu of the question above:**

Explain any one advantage and one disadvantage of a mixed crop-livestock farming system as compared to a single-crop (monoculture) farming system.

33. Attempt either (A) or (B). [6]

(A)

(I) 'Public sector enterprises were assigned a central role in India's development strategy between 1950 and 1990.' In light of this statement, comment on the objectives behind expanding the public sector during this period. [3]

(II) 'Import substitution was a central feature of India's trade policy prior to 1991.' Do you agree with the given statement? Give valid reasons in support of your answer. [3]

OR

(B)

(I) 'The process of globalisation has had a differentiated impact across different segments of the Indian workforce.' Do you agree with the given statement? Give valid explanation in support of your answer. [4]

(II) State any two reasons why India approached the IMF and World Bank for a loan in 1991. [2]

34. Read the given text carefully: 'The PM Gati Shakti National Master Plan aims to provide integrated and coordinated planning for multi-modal connectivity infrastructure projects, bringing together various ministries and departments on a common digital platform. By enabling different infrastructure agencies to plan and execute projects in a coordinated manner, the initiative seeks to reduce logistics costs, avoid duplication of efforts, and ensure that infrastructure development keeps pace with the needs of a growing

economy. Improved infrastructure connectivity is considered essential for boosting the competitiveness of Indian industry and enabling faster movement of goods across the country.' [6]

On the basis of the given text and common understanding, answer the following: (I) 'Improved infrastructure connectivity is essential for boosting the competitiveness of Indian industry.' Justify the given statement with valid arguments. [2] (II) Discuss the importance of coordinated planning among different infrastructure agencies. [2] (III) State any two sectors of the economy that could particularly benefit from improved multi-modal connectivity infrastructure. [2]

**ECONOMICS (CODE - 030)**  
**MARKING SCHEME - SAMPLE PAPER 3**  
**CLASS XII**

**SECTION A – MACROECONOMICS**

1. (B) Ex-ante Aggregate Demand equals ex-ante Aggregate Supply (income/output) – point E is where the Aggregate Demand curve intersects the 45° line, representing the equilibrium level of income where planned expenditure equals output. [1]
2. (B)  $115. \text{ GDP Deflator} = (\text{Nominal GDP} / \text{Real GDP}) \times 100 = (299/260) \times 100 = 115.0$  [1]
3. (B) Store of value – holding wealth in the form of cash and bank deposits (rather than physical assets) for future use represents money's function as a store of value. [1]
4. (A) Statement 1 is true and Statement 2 is false – a higher Bank Rate does raise banks' borrowing costs, leading them to raise their own lending rates; however, reducing the Bank Rate is a measure used to correct deficient demand/boost the economy, not to control inflation (raising the Bank Rate is the measure used to control inflation). [1]
5. (B) Firms to Households – factor payments (wages, rent, interest, profit) flow from firms to households, in return for the factor services provided by households to firms. [1]
6. (B) ex-ante Aggregate Demand equals ex-ante Aggregate Supply corresponding to full employment – this defines full employment equilibrium, where planned spending is just sufficient to purchase the full-employment level of output, with no involuntary unemployment of resources beyond frictional levels. [1]
7. (C) Both statements are true – capital goods are indeed final goods used repeatedly over multiple production cycles/years, and they do undergo depreciation (wear and tear) over their useful life. [1]
8. (A) 5,600 crore.  $\text{NDP at market price} = \text{GDP at market price} - \text{Depreciation} = 6,500 - 400 = 6,100$  crore.  $\text{NDP at factor cost} = \text{NDP at market price} - \text{Net indirect taxes} = 6,100 - 500 = 5,600$  crore. [1]
9. (A) Both A and R are true, and R is the correct explanation – remittances are indeed recorded in the Current Account, precisely because they are unilateral (one-way, without a corresponding quid pro quo) transfers, which are a recognised category within the Current Account. [1]
10. (C) Reserve Bank of India – the RBI is India's central bank, responsible for banking regulation, supervision, and the formulation and implementation of monetary policy. [1]

11. [3]

Since Firm M and Firm N have equal GVA, first find GVA of Firm N:  $\text{GVA of Firm N} = \text{Value of Output of Firm N} - \text{Intermediate consumption (purchases by Firm N from Firm M)} = 900 - 150 = 750$  crore. Since GVA of Firm M is also 750 crore, and  $\text{GVA of Firm M} = \text{Value of Output of Firm M} - \text{Purchases by Firm M from Firm N (200)}$ :  $\text{Value of Output of Firm M} = 750 + 200 = 950$  crore.  $\text{Domestic Sales of Firm M} = \text{Value of Output of Firm M} - \text{Exports by Firm M} - \text{Additions to stock of Firm M} = 950 - 100 - 80 = 770$  crore.

12 (A). [3]

Yes, margin requirement is a qualitative (selective) credit control tool used by the central bank. It refers to the difference between the value of security/collateral pledged by a borrower and the amount of loan actually granted against it. By raising the margin requirement for a particular type of loan (e.g. loans against shares, or for speculative purposes), the central bank reduces the amount banks can lend against a given value of collateral, thereby selectively discouraging credit flow into that specific sector or activity, without affecting the overall quantity of credit available in the economy as a whole (unlike quantitative tools such as CRR or Bank Rate).

**OR (B)**

Yes, the Reserve Bank of India acts as the currency authority of the country. The RBI has the sole authority to issue currency notes (except one-rupee notes and coins, which are issued by the Government of India, though circulated through the RBI), ensuring an adequate and elastic supply of currency to meet the needs

of trade and commerce, and taking responsibility for the design, production, and distribution of currency notes as well as measures to control counterfeiting.

**13 (A).** [4]

Mrs Bose's professional fees earned from her legal practice constitute a factor income, since they are payment for the productive service of her labour/professional expertise rendered in the current period. Her interest income from government bonds is also a factor income, since it is a payment for the productive service of the financial capital she has invested. Her donation to a charitable trust is a transfer expenditure (from her perspective, an outgoing transfer payment) rather than income, since it is made without any expectation of a good or service in return; it does not add to national income but represents a voluntary, unilateral transfer of an already-earned income.

**OR (B)**

Household sector: contributes private final consumption expenditure, representing spending by households on final goods and services (durables, non-durables, and services) for the satisfaction of their wants, a major and typically the largest component of GDP by expenditure method. Firm/business sector: contributes gross domestic capital formation (investment expenditure), representing spending by firms on capital goods (machinery, buildings) and changes in inventories, which adds to the economy's productive capacity and is also included in GDP by the expenditure method.

**14.** [4]

Yes, Anya's classification is correct. Mr Kowalski's transfer of \$250,000 to purchase a vacation apartment is undertaken purely as an independent, personal investment decision, unrelated to any BoP consideration, making it correctly classified as an autonomous transaction. The central bank's borrowing of \$1.5 billion, undertaken specifically to shore up depleting foreign exchange reserves during a BoP crisis, is a deliberate response to correct/finance a BoP imbalance, and is therefore correctly classified as an accommodating transaction. Anya's identification, distinguishing between the two transactions in this way, is therefore correct.

**15.** [4]

(Any two) (i) Raising the Repo Rate: this increases the cost at which commercial banks borrow short-term funds from the central bank, prompting banks to raise their own lending rates, which discourages borrowers and contracts the overall expansion of credit in the economy. (ii) Increasing the Margin Requirement: this reduces the proportion of a loan's value that banks can lend against a given piece of collateral, selectively curbing credit expansion for specific purposes (such as loans against shares) without affecting the overall money supply. (iii) Moral suasion: this involves the central bank persuading and advising commercial banks, through informal requests, meetings, and appeals, to exercise restraint in their lending practices (e.g. avoiding excessive credit to speculative or non-priority sectors), relying on cooperation rather than compulsion.

**16 (A).** [6]

(a) Investment Multiplier,  $k = 1/(1-MPC) = 1/(1-0.6) = 1/0.4 = 2.5$  (b) Total change in Savings ( $\Delta S$ ) always equals the initial change in Investment ( $\Delta I$ ) at the new equilibrium, since  $\Delta S = \Delta I$  at equilibrium:  $\Delta S = 3,000$  crore. [3]

(II) If MPS were zero, the investment multiplier  $k = 1/MPS$  would be undefined (mathematically tending to infinity), since dividing by zero is undefined. Intuitively, if MPS is zero, it means MPC equals 1, i.e. the entire increment of income at every round is spent (none saved); in this case, each round of the multiplier process generates further spending equal to the previous round's income, and the process of income generation would in theory continue indefinitely without converging, justifying why the multiplier value would be infinite (or undefined) at  $MPS = 0$ . [3]

**OR (B)**

(I)  $Y = C + I$ , where  $C = 40 + 0.9Y$  (since  $MPC = 1-MPS = 1-0.1 = 0.9$ ) and  $I = 80$   $Y = 40 + 0.9Y + 80$   $Y - 0.9Y = 120$   $0.1Y = 120$   $Y = 1,200$  crore [2]

(II) Full employment equilibrium refers to a situation where the level of ex-ante Aggregate Demand is just sufficient to purchase the output produced when all factors of production (particularly labour) willing and

able to work at the prevailing wage rate are employed. Involuntary unemployment refers to a situation where workers are willing to work at the prevailing wage rate but are unable to find employment. Equilibrium may be established at a level of income below full employment because equilibrium in the goods market only requires ex-ante Aggregate Demand to equal ex-ante Aggregate Supply at whatever level of output that occurs; there is no automatic mechanism ensuring this equality happens precisely at the full-employment level of output, so the economy can settle into an equilibrium with demand-deficient (involuntary) unemployment persisting, unless corrective policy action (such as increased government spending) is taken to shift Aggregate Demand upward to the full-employment level. [4]

**17. [6]**

(I) Revenue expenditure is expenditure that neither creates any asset for the government nor reduces its liabilities, and is generally recurring in nature (e.g. salaries, subsidies, interest payments). Capital expenditure is expenditure that either creates an asset (e.g. infrastructure, machinery) or reduces the government's liabilities (e.g. loan repayment), and is generally non-recurring, adding to the economy's productive capacity. [3]

(II) A high and rising burden of interest payments constrains a government's fiscal space for developmental spending because interest payments are a committed, non-discretionary expenditure that must be met each year regardless of other priorities; as this burden grows (due to a large accumulated stock of past debt), it consumes a progressively larger share of total government revenue, leaving proportionately less room within a given budget (or fiscal deficit target) for productive developmental and capital expenditure; in effect, the government is forced to service past borrowing before it can allocate resources to new investment, potentially crowding out spending on infrastructure, health, and education. [3]

## **SECTION B - INDIAN ECONOMIC DEVELOPMENT**

**18. (A) Foreign Trade** – reducing import duties on capital goods to encourage modernisation is a trade policy reform, part of the liberalisation of India's foreign trade regime. [1]

**19. (C) meet the expenses of the British government in India and finance British investments elsewhere** – India's colonial-era export surplus did not benefit the country, as it was used to cover British administrative and military expenses in India and to finance British investments in other countries, rather than being reinvested in India's own development. [1]

**20. (D) (i), (ii) and (iii)** – investment in health as human capital formation includes expenditure on preventive medicine (vaccination, health check-ups), curative medicine (treatment of illness), and social medicine (public health measures like sanitation and health awareness), all of which improve the health and productive capacity of the population. [1]

**21. (A) Both A and R are true, and R is the correct explanation** – the multi-agency approach does involve cooperatives, commercial banks, and regional rural banks working together, precisely because no single channel alone could meet the diverse and large-scale credit requirements of India's rural population. [1]

**22. (B) Modernisation** – this term refers to the process of bringing informal sector activities under greater regulatory oversight while improving their access to credit, technology, and social security, without necessarily converting them into formal sector units. [1]

**23. (A) Agriculture, fisheries, and mining and quarrying** – these activities involve the direct extraction or harvesting of natural resources, characteristic of the primary sector. [1]

**24. (B) Greenhouse gases such as carbon dioxide** – the build-up of greenhouse gases like carbon dioxide, methane, and others in the atmosphere traps heat and is the primary driver of global warming. [1]

**25. (D) All of the above** – each pairing is individually correct: NABARD is the apex institution for rural credit; SHGs are small groups of the rural poor formed for thrift and credit purposes; MSP guarantees farmers a floor price; and the IPR 1956 classified industries into three schedules. [1]

**26. (B) Retain and sell surplus produce (beyond an agreed quota) in the open market** – under China's household responsibility system, farmers were allocated land to cultivate and, after meeting a fixed quota owed to the state/collective, could sell any surplus produce in the open market, providing a strong incentive for higher output. [1]

**27. (B)** Statement 1 is false and Statement 2 is true – India's 1991 reforms were not a gradual, decades-long process without a trigger; they were introduced relatively abruptly in response to a specific and severe Balance of Payments crisis, making Statement 2 correct and Statement 1 incorrect. [1]

**28. [3]**

This statement is largely accurate. India's Human Development Index (HDI) ranking has indeed shown gradual improvement over the past two decades, reflecting progress in education, health, and income indicators. However, it continues to lag behind several countries with comparable or even lower per capita income, since HDI captures dimensions such as health and education outcomes (life expectancy, literacy, schooling) that depend not just on income levels but on how effectively that income (and public expenditure) is translated into social outcomes; India's relatively lower performance on health and education indicators, despite economic growth, explains this persistent gap.

**29 (A). [3]**

Human capital is regarded as a form of capital because, just as investment in physical capital (machinery, factories) requires sacrificing current consumption in order to generate future output and returns, investment in human capital (through education, training, and healthcare) similarly requires the sacrifice of current resources (fees, time, forgone earnings) in the present, in exchange for enhanced productivity, higher future earnings, and broader economic returns over an individual's working life; in this sense, human capital shares the essential economic characteristic of capital: a present sacrifice for future benefit.

**OR (B)**

Economic activities are those undertaken with the aim of earning income or a livelihood, involving the production and exchange of goods and services for money (e.g. a shopkeeper selling groceries for profit). Non-economic activities are those undertaken out of love, affection, or social obligation, without any expectation of monetary reward (e.g. a parent cooking a meal for their own family). The same activity (e.g. cooking) may be economic if performed for payment (a chef) or non-economic if performed voluntarily within the household.

**30 (A). [4]**

Colonial rule did leave India's occupational structure heavily skewed towards agriculture, with very limited industrial diversification, largely because British policies discouraged the growth of modern Indian industry (through discriminatory tariffs favouring British manufactured imports) while simultaneously undermining traditional handicraft industries (through the same competition from cheap British goods and loss of royal patronage). With industrial employment opportunities remaining extremely limited, workers displaced from declining handicrafts, along with a rapidly growing population, had little alternative but to crowd into agriculture, leading to a stagnant occupational structure with agriculture continuing to absorb a very large share of the workforce, well beyond what could be productively employed on the available land, by the time of independence.

**OR (B)**

(I) The indicators given are Infant Mortality Rate and Sex Ratio. Infant Mortality Rate refers to the number of deaths of infants under one year of age per 1,000 live births in a given year. Sex Ratio refers to the number of females per 1,000 males in the population. [2] (II) Any two other indicators: birth rate, death rate, literacy rate, life expectancy at birth. [1] (III) The data shows a sharp decline in infant mortality rate (from 110 to 28 per 1,000 live births) between 1981 and 2021, reflecting substantial improvements in healthcare, nutrition, and maternal care. However, the sex ratio shows only a marginal decline (from 934 to 929), suggesting that, despite overall health and development gains, the underlying social factors affecting the relative survival and value placed on female children have not shown comparable improvement, indicating persistent gender-related concerns even as other health indicators improve. [1]

**31. [4]**

(I) India's participation in multilateral trade institutions like the WTO is important because it provides a rules-based framework for resolving trade disputes with other member countries, offering greater predictability and fairness than unilateral action; it gives India a platform to negotiate for better market access for its exports (such as textiles, services, and agricultural products) in other countries; it allows India to have a voice

in shaping global trade rules that affect its own economic interests, rather than being a passive rule-taker; and it provides safeguards and special provisions for developing countries in certain circumstances, which India can invoke to protect sensitive domestic sectors. [3]

(II) A trade bloc refers to a group of countries that join together through a formal agreement to reduce or eliminate trade barriers, such as tariffs and quotas, among themselves, thereby promoting greater trade and economic integration within the bloc (examples include ASEAN and the European Union), while typically maintaining separate trade policies towards countries outside the bloc. [1]

**32.** [4]

(I) Panel A depicts a mixed crop-livestock farming system (integration of livestock with diverse crops). Panel B depicts monoculture/single-crop plantation farming (no livestock integration, single crop grown extensively). [1]

(II) Advantage of the farming in Panel A over Panel B: it provides greater income diversification and risk mitigation for the farmer, since if one crop or the livestock component underperforms in a given year (due to price fluctuation or disease), the other components can help sustain household income, unlike complete dependence on a single crop. Disadvantage of the farming in Panel A compared to Panel B: it is typically more labour- and management-intensive, requiring the farmer to manage multiple, quite different activities (crop cultivation and animal husbandry) simultaneously, and may not achieve the same economies of scale or specialisation benefits that a large, single-crop plantation operation can achieve. [3]

**33 (A).** [6]

(I) Public sector enterprises were assigned a central role in India's development strategy between 1950 and 1990 with the objectives of: building basic and heavy industries (steel, machine-building) that required large capital investment which the nascent private sector was unable or unwilling to undertake; promoting balanced regional development by locating public sector units in relatively backward areas; generating employment and preventing excessive concentration of economic power in private hands; and achieving self-reliance in strategic and core sectors considered too important to be left entirely to private or foreign control. [3]

(II) Yes, import substitution was indeed a central feature of India's trade policy prior to 1991. Under this policy, the government sought to replace imports with domestically produced goods by imposing high tariffs, quantitative restrictions, and import licensing requirements on foreign goods, in order to protect and promote domestic industry. While this did help build a diversified industrial base over time, it is also widely regarded as having contributed to a lack of competitive pressure on Indian industry, resulting in relatively poor quality and high-cost domestic products, since firms did not have to compete with more efficient foreign producers, a key reason the policy was substantially reversed after 1991. [3]

**OR (B)**

(I) Yes, globalisation has had a differentiated impact across different segments of the Indian workforce. Workers in skill-intensive, export-oriented sectors such as IT and IT-enabled services have generally benefited significantly, gaining access to global markets, higher wages, and better career opportunities. In contrast, workers in traditional, small-scale, or import-competing industries (such as certain segments of textiles or small manufacturing) have often faced increased competition from cheaper imports and greater job insecurity, with limited ability to transition into the newly growing sectors due to skill mismatches, illustrating that the benefits of globalisation have not been evenly distributed across the workforce. [4]

(II) Any two reasons: (i) India's foreign exchange reserves had fallen to a critically low level, barely sufficient to cover a few weeks of essential imports, making it difficult to meet international payment obligations; (ii) the government's fiscal deficit had reached unsustainable levels, and India's credit rating had been downgraded, making it difficult to borrow from international markets on reasonable terms, leaving an IMF/World Bank loan (with attached conditions for structural reform) as one of the few viable options to avert a default. [2]

**34.** [6]

(I) Improved infrastructure connectivity is essential for boosting the competitiveness of Indian industry because it reduces transportation time and logistics costs, which form a significant share of the final cost of

goods, allowing Indian producers to price their products more competitively both domestically and in export markets; it enables faster and more reliable delivery of inputs and finished goods, improving supply chain efficiency; and better connectivity to ports and markets can attract greater investment (domestic and foreign) into manufacturing, since investors place high importance on the ease and cost of moving goods when deciding where to locate production facilities. [2]

(II) Coordinated planning among different infrastructure agencies (roads, railways, ports, airports, and various ministries) is important because it helps avoid the duplication of efforts and wasteful expenditure that arises when different agencies plan projects in isolation without regard to each other's work; it ensures that different modes of transport are properly linked (multi-modal connectivity), maximising the overall efficiency of the logistics network rather than optimising any single mode in isolation; and it allows infrastructure development to be sequenced and prioritised more rationally, aligning the pace of different projects (e.g. ensuring road access is ready when a new port or industrial cluster becomes operational). [2]

(III) Any two sectors: (i) manufacturing, particularly export-oriented manufacturing, which depends heavily on efficient movement of raw materials and finished goods; (ii) agriculture and allied sectors, which require efficient cold-chain and transport connectivity to reduce post-harvest losses and reach markets in good condition; (iii) e-commerce and logistics services, which depend critically on fast, reliable last-mile and long-distance connectivity. [2]