

**ECONOMICS (CODE - 030)**  
**SAMPLE PAPER 2**  
**CLASS XII**

**Time Allowed: 3 hours**

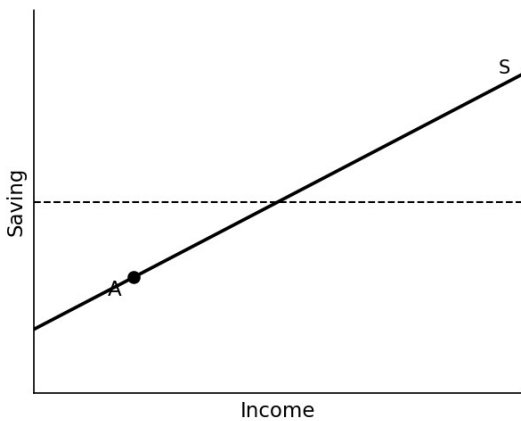
**Maximum Marks: 80**

**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 A? [1]



- (A) Saving is positive
- (B) Saving is zero
- (C) Saving is negative (dissaving)
- (D) Income is zero

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

At a level of income below the break-even level, which of the following holds true?

- (A) Saving is positive
- (B) Saving is zero
- (C) Saving is negative (dissaving)
- (D) Consumption is zero

2. 'The Nominal GDP of a country is estimated at ₹310 lakh crore, while the GDP Deflator for the same year stands at 155 (base year = 100).' On the basis of the given data, the value of Real GDP would be ₹ \_\_\_\_\_ lakh crore. [1]

- (A) 480.5
- (B) 200
- (C) 155
- (D) 310

3. 'A worker agrees to a wage contract specifying a fixed monthly salary to be paid at the end of each month, for work already performed during that month.' 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: A deflationary gap arises when ex-ante Aggregate Demand falls short of the Aggregate Supply corresponding to full employment. Statement 2: A deflationary gap can be corrected by reducing government spending or raising taxes. 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. 'A rise in the general price level erodes the purchasing power of money, meaning a fixed amount of money buys progressively fewer goods and services over time.' This statement is most closely associated with a weakening of which function of money? [1]
- (A) Medium of exchange
  - (B) Unit of account
  - (C) Store of value
  - (D) Standard of deferred payments
6. A Deficient Demand situation can be corrected by the central bank through \_\_\_\_\_. [1]
- (A) raising the Cash Reserve Ratio
  - (B) raising the Repo Rate
  - (C) purchasing government securities through Open Market Operations
  - (D) selling government securities through Open Market Operations
7. Read the following statements carefully: Statement 1: Gross Investment is always equal to Net Investment. Statement 2: Depreciation refers to the fall in the value of fixed capital assets due to wear and tear and expected obsolescence. 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 National Income (NNP at factor cost): [1]
- (i) Gross Domestic Product at market price: ₹5,000 crore
  - (ii) Net factor income from abroad: (-) ₹50 crore
  - (iii) Depreciation: ₹300 crore
  - (iv) Net indirect taxes: ₹400 crore
- (A) 4,250 crore
  - (B) 4,650 crore
  - (C) 4,350 crore
  - (D) 5,650 crore
9. Read the following statements: Assertion (A) and Reason (R). Choose the correct option: Assertion (A): A favourable balance of trade always implies a surplus in the overall balance of payments. Reason (R): The balance of payments includes both the current account and the capital account, and a surplus or deficit in trade is only one component 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. Under a flexible exchange rate system, an increase in the exchange rate of the domestic currency (i.e. domestic currency buys fewer units of foreign currency) is referred to as \_\_\_\_\_. [1]

- (A) Revaluation
- (B) Devaluation
- (C) Appreciation
- (D) Depreciation

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

- (i) Value of Output of Firm X: ₹2,000 crore
- (ii) Purchases by Firm X from Firm Y: ₹400 crore
- (iii) Purchases by Firm Y from Firm X: ₹250 crore

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

(A)

'The Statutory Liquidity Ratio (SLR), like the Cash Reserve Ratio, restricts the amount of credit that commercial banks can create.' Justify the given statement with valid explanation.

OR

(B)

'The Reserve Bank of India acts as the custodian of the nation's foreign exchange reserves.' Do you agree with the given statement? Give valid explanation in support of your answer.

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

(A)

Mr Kulkarni works as a salaried architect at a private firm. He also owns agricultural land, which he has leased to a tenant farmer for a fixed annual rent. Additionally, he received a one-time scholarship refund from his alma mater as a token of appreciation for mentoring students. Classify Mr Kulkarni's income as factor income or transfer income, giving valid reasons in support of your answer.

OR

(B)

'Under the Value Added (Product) Method, Gross Domestic Product is estimated by summing the value added at each stage of production, avoiding the problem of double counting.' In light of this statement, explain the concept of value added with the help of a suitable example.

14. 'Ms Fatima, a normal resident of PQR country, remitted \$500,000 to her son studying abroad to cover his tuition fees. In the same year, the central bank of PQR country sold \$2 billion worth of foreign currency reserves in the market specifically to prevent a sharp depreciation of the domestic currency.' Rehan, an economics student, identified both transactions as autonomous transactions in the BoP account of PQR country. Do you agree with Rehan's identification of the underlying concept? Give valid arguments in support of your answer. [4]

15. Refer to the following measures that a central bank may take to address a situation of deficient demand and rising unemployment: reducing the Repo Rate, lowering the Cash Reserve Ratio, and purchasing government securities through Open Market Operations. Explain any two of these measures and how each helps address the highlighted macroeconomic issue. [4]

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

State and explain any two measures that a central bank can take to address a situation of deficient demand and rising unemployment.

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

**(A)**

(I) Suppose in an economy, the Marginal Propensity to Save (MPS) is 0.2. The government introduces an investment project of ₹1,500 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 National Income ( $\Delta Y$ ). [3]

(II) 'A higher Marginal Propensity to Consume results in a larger value of the Investment Multiplier.' Justify the given statement with the help of a suitable argument. [3]

OR

**(B)**

(I) Suppose in a hypothetical economy, the Marginal Propensity to Consume is 0.6. Autonomous consumption is ₹80 crore, and Investment (autonomous) is ₹120 crore. Calculate the equilibrium level of income. [2]

(II) Define ex-ante Investment and ex-post Investment. Explain the adjustment mechanism by which equilibrium is restored if ex-ante Aggregate Demand exceeds ex-ante Aggregate Supply. [4]

**17.** Refer to the given text carefully: 'Non-tax revenue of the Union Government, comprising dividends from public sector enterprises and the Reserve Bank of India, interest receipts, and fees for services rendered, showed strong growth in the financial year 2023-24. This, combined with buoyant tax collections driven by improved compliance, allowed the government to keep its fiscal deficit within the budgeted target, even as capital expenditure on infrastructure continued to rise as a share of total government spending.' [6]

(I) Differentiate between tax revenue and non-tax revenue, as referred to in the above text. [3]

(II) Elaborate on how a rise in the share of capital expenditure within total government spending, even while keeping the fiscal deficit within target, could be viewed favourably for the economy's long-term prospects. [3]

## SECTION B - INDIAN ECONOMIC DEVELOPMENT

**18.** Read the given text carefully: 'The Government has decided to permit foreign airlines to hold up to a specified percentage of equity in domestic aviation companies, subject to regulatory oversight, in order to attract fresh capital and improve service standards in the sector.' Identify the sector under which the aforesaid reform was introduced. [1]

- (A) Industrial
- (B) Foreign Investment
- (C) Tax
- (D) Trade Policy

**19.** The system by which peasant cultivators paid a fixed, often exorbitant, revenue to intermediaries known as \_\_\_\_\_ during the colonial period, regardless of their actual output or ability to pay, contributed to widespread agricultural distress. [1]

- (A) Zamindars
- (B) Cooperatives
- (C) Panchayats
- (D) Trading companies

**20.** Human capital formation involves investment in \_\_\_\_\_. (i) education (ii) health (iii) on-the-job training [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 expansion of formal banking credit alone has been sufficient to fully meet the credit needs of India's

rural population. Reason (R): A significant proportion of rural households, especially small and marginal farmers, continue to depend on informal sources of credit, such as moneylenders. [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 false, but R is true.
- (D) Both A and R are false.

22. The share of the informal sector in India's total workforce remains \_\_\_\_\_, despite the country's structural transformation towards industry and services. [1]

- (A) negligible
- (B) very high
- (C) restricted only to agriculture
- (D) declining rapidly to near zero

23. Which of the following industrial divisions would be classified under the tertiary sector? [1]

- (A) Manufacturing and construction
- (B) Mining and quarrying
- (C) Trade, transport, storage, and services
- (D) Agriculture and allied activities

24. Sustainable development requires that the current generation meets its needs \_\_\_\_\_. [1]

- (A) without any regard for future consequences
- (B) without compromising the ability of future generations to meet their own needs
- (C) by maximising resource extraction in the short run
- (D) only through government intervention

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

Column I	Column II
(a) Land reforms	i. Abolition of intermediaries
(b) Green Revolution	ii. Use of high-yielding variety seeds
(c) IPR 1956	iii. Classification of industries into schedules
(d) SSI	iv. Concessions to small-scale industries

Choose the correct option:

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

26. The New Agricultural Strategy, associated with the Green Revolution, was initially concentrated in states that already had access to \_\_\_\_\_. [1]

- (A) assured irrigation facilities
- (B) coastal ports
- (C) large urban populations
- (D) heavy industrial infrastructure

27. Read the following statements carefully: Statement 1: Pakistan adopted a mixed economy model after independence, similar to India, relying on both public and private sector participation. Statement 2: Pakistan's agricultural sector has historically been dominated by a highly unequal distribution of land holdings. 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 services sector has consistently contributed over half of the country's Gross Domestic Product for the past two decades, yet its share in total employment remains considerably lower than its share in output.' Do you agree with the given statement? Justify your answer with valid arguments. [3]

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

(A)

'Sustainable development requires balancing economic growth with the preservation of environmental quality for future generations.' Elaborate on the given statement.

OR

(B)

Distinguish between the formal and informal sources of rural credit, with the help of a suitable example.

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

(A)

'Colonial economic policies led to the decline of India's traditional handicraft industries in two important ways.' Justify the given statement with valid explanation.

OR

(B)

Refer to the given information carefully:

Item	1951	2011
Literacy Rate (%)	18.3	74.0
Life Expectancy at Birth (years)	32.1	67.0

(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 indicators of human development. [1] (III) What does the change in these indicators between 1951 and 2011 suggest about India's human development progress? [1]

31. (I) 'India's trade relations with its neighbouring countries are shaped by both economic complementarities and geopolitical considerations.' In light of this statement, briefly explain the importance of trade with neighbouring countries. [3] (II) Define 'Human Development Index'. [1] [4]

32. Refer to the following description of two farming panels: Panel A shows a farmer relying entirely on rain-fed cultivation with traditional seed varieties; Panel B shows a farmer using assured irrigation, high-yielding variety seeds, and chemical fertilisers. (I) Identify the type of farming depicted in Panel A and Panel B. [1] (II) Explain any one advantage and one disadvantage of the type of farming in Panel B over Panel A. [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 farming based on assured irrigation and high-yielding variety seeds, as compared to traditional rain-fed farming.

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

(A)

(I) 'The new agricultural strategy adopted during the Green Revolution led to significant regional disparities within India.' In light of this statement, comment on the regional pattern of adoption of the new agricultural strategy. [3]

(II) 'Despite land ceiling legislation, the actual redistribution of surplus land to the landless remained limited.' Do you agree with the given statement? Give valid reasons in support of your answer. [3]

OR

(B)

(I) 'The policy of privatisation has produced both positive and negative outcomes for the Indian economy.' Do you agree with the given statement? Give valid explanation in support of your answer. [4]

(II) State any two features of the Goods and Services Tax (GST) introduced in India. [2]

34. Read the given text carefully: 'The Ayushman Bharat scheme aims to provide financial protection to economically vulnerable households against catastrophic health expenditure, by offering health insurance coverage for hospitalisation. Alongside expanding insurance coverage, the scheme also seeks to strengthen

primary healthcare infrastructure through the establishment of health and wellness centres across the country, recognising that improved access to preventive and primary care is essential for reducing the long-term burden of disease and out-of-pocket health spending on households.' [6]

On the basis of the given text and common understanding, answer the following: (I) 'Improved access to preventive and primary healthcare is essential for reducing the long-term burden of disease.' Justify the given statement with valid arguments. [2] (II) Discuss the importance of reducing out-of-pocket health expenditure for households. [2] (III) State any two measures, apart from those mentioned in the text, that could help strengthen India's healthcare system. [2]

**ECONOMICS (CODE - 030)**  
**MARKING SCHEME - SAMPLE PAPER 2**  
**CLASS XII**

**SECTION A – MACROECONOMICS**

1. (C) Saving is negative (dissaving) – point A lies below the zero line on the saving function, before the break-even level of income, where saving is negative (households are dissaving, i.e. consuming out of past savings or borrowing). [1]
2. (B) 200.  $\text{Real GDP} = (\text{Nominal GDP} / \text{GDP Deflator}) \times 100 = (310/155) \times 100 = 200$  lakh crore. [1]
3. (D) Standard of deferred payments – money enables payment for work or goods to be deferred to a future date (here, wages for the month are paid at its end), acting as a standard for such deferred payment contracts. [1]
4. (C) Both statements are true – a deflationary gap does refer to a shortfall of ex-ante Aggregate Demand relative to full-employment Aggregate Supply, and it can be corrected by expansionary measures (increasing government spending or cutting taxes to boost demand). [1]
5. (C) Store of value – inflation erodes the value of money held over time, weakening its function as a store of value, since the same amount of money can purchase progressively less over time. [1]
6. (C) Purchasing government securities through Open Market Operations – this injects liquidity into the banking system, encouraging lending and expenditure, thereby helping correct deficient demand. [1]
7. (B) Statement 1 is false and Statement 2 is true – Gross Investment is not always equal to Net Investment;  $\text{Gross Investment} = \text{Net Investment} + \text{Depreciation}$ , so the two are equal only when depreciation is zero; Statement 2 is a correct definition of depreciation. [1]
8. (A) 4,250 crore.  $\text{GNP at market price} = \text{GDP at market price} + \text{Net factor income from abroad} = 5,000 + (-50) = 4,950$  crore.  $\text{NNP at market price} = \text{GNP at market price} - \text{Depreciation} = 4,950 - 300 = 4,650$  crore.  $\text{NNP at factor cost (National Income)} = \text{NNP at market price} - \text{Net indirect taxes} = 4,650 - 400 = 4,250$  crore. [1]
9. (D) A is false, but R is true – a favourable balance of trade does not automatically guarantee an overall BoP surplus, since the capital account could show an offsetting deficit; R correctly explains why this is so, as the BoP comprises both the current and capital accounts, of which trade balance is only one part. [1]
10. (D) Depreciation – if the domestic currency buys fewer units of foreign currency, it has weakened in value; under a flexible exchange rate system, this weakening is called depreciation (the term 'devaluation' applies specifically under a fixed exchange rate system). [1]

**11. [3]**

Since Firm X and Firm Y have equal GVA, first find GVA of Firm X:  $\text{GVA of Firm X} = \text{Value of Output of Firm X} - \text{Intermediate consumption (purchases by Firm X from Firm Y)} = 2,000 - 400 = 1,600$  crore. Since GVA of Firm Y is also 1,600 crore, and  $\text{GVA of Firm Y} = \text{Value of Output of Firm Y} - \text{Purchases by Firm Y from Firm X (250)}$ :  $\text{Value of Output of Firm Y} = 1,600 + 250 = 1,850$  crore.

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

Yes, the Statutory Liquidity Ratio (SLR), like the CRR, restricts the amount of credit commercial banks can create. SLR is the minimum percentage of a bank's net demand and time liabilities that it must maintain in the form of specified liquid assets (cash, gold, approved government securities) with itself, rather than with the central bank. Since a higher proportion of deposits must be held back in this form, less remains available for banks to lend out and create credit; therefore, an increase in SLR (like an increase in CRR) reduces the credit-creating capacity of the banking system, and a decrease in SLR expands it.

**OR (B)**

Yes, the Reserve Bank of India acts as the custodian of the nation's foreign exchange reserves. As the central bank, the RBI is responsible for maintaining, managing, and deploying the country's foreign currency reserves, which are used to meet the country's international payment obligations, intervene in the foreign

exchange market to manage exchange rate volatility, and maintain confidence in the country's external financial position. This role is critical in helping the country meet import payments and service external debt even during periods of temporary foreign exchange shortage.

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

Mr Kulkarni's salary as an architect is a factor income, since it is a payment for the productive service of his labour rendered in the current period. His rental income from leasing agricultural land is also a factor income, since it is a payment for the productive service of the factor 'land' provided to the tenant farmer. The one-time scholarship refund received from his alma mater is a transfer income, since it is received without any corresponding current productive contribution by Mr Kulkarni; it is a unilateral payment made in appreciation, not in exchange for a factor service rendered in the current period.

**OR (B)**

Value added refers to the difference between the value of output produced by a firm and the value of intermediate goods (inputs purchased from other firms) used up in producing that output; it represents the net contribution made by that particular firm/stage of production. For example, if a furniture-maker purchases wood worth ₹2,000 from a timber merchant and sells finished furniture for ₹5,000, the value added by the furniture-maker is ₹3,000 (5,000 - 2,000). Summing the value added by each firm along the production chain (rather than each firm's total output value) gives GDP without double-counting the value of intermediate goods that pass through multiple stages of production.

**14.** [4]

No, it is not correct to classify both transactions as autonomous. Ms Fatima's remittance of \$500,000 to support her son's education is undertaken for its own economic sake, independent of any BoP consideration, and is therefore correctly classified as an autonomous transaction. However, the central bank's sale of \$2 billion in foreign currency reserves, undertaken specifically to prevent a sharp depreciation of the domestic currency (i.e. to manage/correct a BoP or exchange rate imbalance), is an accommodating transaction, since it is a deliberate response to offset pressure in the BoP/currency market, not an independent economic decision. Thus, only Ms Fatima's remittance is autonomous, while the central bank's intervention is accommodating.

**15.** [4]

(Any two) (i) Reducing the Repo Rate: this lowers the cost at which commercial banks borrow from the central bank, encouraging banks to reduce their own lending rates, which in turn encourages businesses and households to borrow and spend more, boosting aggregate demand. (ii) Lowering the Cash Reserve Ratio (CRR): this reduces the proportion of deposits banks must hold as reserves, freeing up more funds for lending, expanding the money supply, and stimulating aggregate demand. (iii) Purchasing government securities through Open Market Operations: when the central bank buys securities from commercial banks and the public, it injects liquidity into the banking system, increasing the funds available for lending, which helps boost aggregate demand and address unemployment.

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

(a) Investment Multiplier,  $k = 1/MPS = 1/0.2 = 5$  (b) Total change in income,  $\Delta Y = k \times \Delta I = 5 \times 1,500 = 7,500$  crore [3]

(II) The investment multiplier is given by  $k = 1/(1-MPC)$ . A higher MPC means a smaller value of  $(1-MPC)$  in the denominator, which results in a larger value of  $k$ . Intuitively, a higher MPC means that a larger proportion of every additional rupee of income is re-spent (rather than saved) in each successive round of the income-generation process, generating a larger cumulative increase in national income for any given initial increase in investment; hence, a higher MPC results in a larger multiplier. [3]

**OR (B)**

(I)  $Y = C + I$ , where  $C = 80 + 0.6Y$  and  $I = 120$   $Y = 80 + 0.6Y + 120$   $Y - 0.6Y = 200$   $0.4Y = 200$   $Y = 500$  crore [2]

(II) Ex-ante Investment refers to the planned or desired level of investment that firms intend to undertake during a period. Ex-post Investment refers to the actual level of investment realised in the economy during that period, which includes any unplanned changes in inventories. If ex-ante Aggregate Demand exceeds ex-ante Aggregate Supply, producers find their inventories being depleted faster than planned

(unplanned/unintended decumulation of stocks below desired levels), signalling to them that demand exceeds what they are currently producing. This prompts producers to increase output in subsequent periods, raising income, until ex-ante Aggregate Supply rises to match ex-ante Aggregate Demand, restoring equilibrium. [4]

17. [6]

(I) Tax revenue consists of receipts from taxes and other duties levied by the government, which are compulsory contributions and do not entitle the payer to any direct, specific benefit in return (e.g. income tax, GST). Non-tax revenue consists of receipts from sources other than taxes, such as dividends and profits from public sector enterprises and the RBI, interest receipts on loans given by the government, and fees charged for specific services rendered by the government (e.g. passport fees), where there is often a more direct link between payment and a specific service. [3]

(II) A rising share of capital expenditure within total government spending, even while the fiscal deficit stays within target, is favourable for the economy's long-term prospects because capital expenditure creates productive assets (such as roads, ports, and power infrastructure) that enhance the economy's future productive capacity and can generate returns (directly or indirectly) that help service the debt incurred to finance them. This contrasts with a scenario where the same fiscal deficit is driven mainly by revenue expenditure, which does not build any lasting asset base; hence, a rising share of capital expenditure suggests that the government's borrowed and other resources are being used more productively, improving the overall quality (not just the quantity) of government spending and the associated fiscal deficit. [3]

## SECTION B - INDIAN ECONOMIC DEVELOPMENT

18. (B) Foreign Investment – permitting foreign airlines to hold equity in domestic aviation companies is a foreign investment reform, part of the broader liberalisation of foreign investment norms across sectors. [1]

19. (A) Zamindars – under systems like the Zamindari system, peasant cultivators paid a fixed, often exorbitant, revenue to intermediary zamindars, regardless of their actual harvest or ability to pay, contributing to rural distress. [1]

20. (D) (i), (ii) and (iii) – human capital formation involves investment in all these areas: education, health, and on-the-job training, all of which enhance the productive capacity of individuals. [1]

21. (C) A is false, but R is true – formal banking credit has not been sufficient to fully meet rural credit needs; a significant share of rural households, especially small and marginal farmers, continue to rely on informal sources like moneylenders, often at exploitative interest rates, which correctly explains why the assertion is false. [1]

22. (B) Very high – despite economic growth and structural change, a very large share of India's workforce remains employed in the informal sector, often without job security or social security benefits. [1]

23. (C) Trade, transport, storage, and services – these divisions, involving the provision of services rather than production of goods, are classified under the tertiary sector. [1]

24. (B) Without compromising the ability of future generations to meet their own needs – this is the standard (Brundtland Commission) definition of sustainable development, balancing present and future welfare. [1]

25. (D) All of the above – each pairing is individually correct: land reforms involved the abolition of intermediaries; the Green Revolution involved the use of high-yielding variety seeds; the Industrial Policy Resolution of 1956 classified industries into schedules; and small-scale industries (SSI) were granted various concessions to support their development. [1]

26. (A) Assured irrigation facilities – the new agricultural strategy was initially concentrated in states/regions that already had access to assured irrigation, since the high-yielding variety seeds central to the strategy required reliable water supply to be effective. [1]

27. (C) Both statements are true – Pakistan did adopt a mixed economy approach with both public and private sector participation after independence, and its agricultural sector has historically been characterised

by a highly unequal distribution of land holdings, with a small number of large landowners controlling a disproportionate share of cultivable land. [1]

**28. [3]**

This statement is largely accurate. India's services sector has indeed contributed over half of GDP for an extended period, reflecting the country's structural shift towards services-led growth. However, its share of total employment remains considerably lower than its share of output, since services growth has been concentrated in relatively capital- or skill-intensive sub-sectors (such as IT and financial services) that do not absorb labour on the same scale as their contribution to output would suggest, while a large share of the workforce remains employed in lower-productivity agriculture and informal activities. This mismatch between the sectoral composition of output and employment is a recognised structural feature of the Indian economy.

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

Sustainable development requires that economic growth and the pursuit of higher material living standards be pursued in a manner that does not deplete or degrade natural resources and environmental quality to the point where future generations are unable to meet their own needs. This means balancing the immediate benefits of growth (industrialisation, resource extraction, higher consumption) against the long-term costs of environmental degradation (pollution, resource depletion, climate change), and adopting practices such as renewable energy use, resource conservation, and pollution control, so that development today does not come at the unacceptable expense of development tomorrow.

**OR (B)**

Formal sources of rural credit include institutions regulated by the RBI, such as commercial banks, cooperative societies, and regional rural banks, which typically charge relatively low, regulated interest rates and require proper documentation and collateral (e.g. a farmer taking a crop loan from a nationalised bank). Informal sources of rural credit include moneylenders, traders, and relatives, which are not regulated, are more easily accessible even without collateral, but often charge very high (sometimes exploitative) interest rates (e.g. a small farmer borrowing from a local moneylender at short notice to meet an urgent expense).

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

Colonial economic policies led to the decline of India's traditional handicraft industries in two important ways: (i) The imposition of discriminatory tariff policies allowed British manufactured goods to enter India duty-free or at very low duty, while Indian handicraft exports faced high duties in Britain, making Indian handicrafts uncompetitive both in the domestic and international markets. (ii) The decline of Indian royal courts, which had traditionally been the major patrons of fine handicrafts, combined with the disruption of traditional trade networks under colonial rule, removed a critical source of demand that had sustained many specialised craft industries, causing widespread decline and unemployment among artisans.

**OR (B)**

(I) The indicators given are Literacy Rate and Life Expectancy at Birth. Literacy Rate refers to the percentage of the population above a certain age (typically 7 years and above) who can read and write with understanding in any language. Life Expectancy at Birth refers to the average number of years a newborn is expected to live, given prevailing patterns of mortality at the time of its birth. [2] (II) Any two other indicators of human development: infant mortality rate, per capita income/GNI, gross enrolment ratio, maternal mortality rate. [1] (III) The substantial rise in both literacy rate (from 18.3% to 74.0%) and life expectancy (from 32.1 to 67.0 years) between 1951 and 2011 suggests significant progress in India's human development, reflecting improvements in access to education and healthcare, though the levels achieved by 2011 still indicate room for further improvement compared to more developed nations. [1]

**31. [4]**

(I) Trade with neighbouring countries is important because geographical proximity generally reduces transportation costs and transit time, making trade more efficient; it allows India to build stronger economic interdependence and diplomatic goodwill with neighbours, contributing to regional stability; it offers access to markets and resources that may complement India's own economic needs (e.g. energy imports,

agricultural products); and stronger trade ties can also serve broader strategic and security interests by fostering mutual economic dependence, which can act as a stabilising factor in bilateral relations. [3]

(II) The Human Development Index (HDI) is a composite statistical measure developed by the UNDP that ranks countries based on three key dimensions of human development: a long and healthy life (measured by life expectancy at birth), access to knowledge (measured by education indicators), and a decent standard of living (measured by per capita income), providing a broader measure of development than income alone. [1]

**32.** [4]

(I) Panel A depicts traditional/rain-fed farming (reliance on rainfall and traditional seed varieties). Panel B depicts the new agricultural strategy/Green Revolution-style farming (assured irrigation, high-yielding variety seeds, and chemical fertilisers). [1]

(II) Advantage of the farming in Panel B over Panel A: it typically results in significantly higher and more reliable crop yields, since assured irrigation and high-yielding variety seeds are far less dependent on the vagaries of rainfall, and the farmer can better plan output using known input combinations. Disadvantage of the farming in Panel B compared to Panel A: it is significantly more input-intensive and costly, requiring continuous investment in irrigation infrastructure, fertilisers, and high-yielding seeds, which can be financially burdensome, especially for small and marginal farmers, and heavy reliance on chemical fertilisers over time can also degrade soil health if not managed carefully. [3]

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

(I) The new agricultural strategy led to significant regional disparities because it was initially adopted mainly in states with assured irrigation facilities and better infrastructure, such as Punjab, Haryana, and western Uttar Pradesh, where wheat production increased dramatically. States lacking assured irrigation, particularly in eastern and rain-fed regions, were much slower to adopt the strategy and did not experience comparable productivity gains, resulting in a widening gap in agricultural productivity and rural prosperity between the well-irrigated 'green revolution' states and the rest of the country. [3]

(II) Yes, despite land ceiling legislation, actual redistribution of surplus land to the landless remained limited, due to reasons such as: large landowners transferring land to relatives or through fictitious transactions before the legislation could be enforced; prolonged legal delays and litigation contesting the identification of 'surplus' land; and weak political and administrative commitment in several states towards strict implementation, all of which limited the extent of land that was actually redistributed to landless and marginal farmers. [3]

**OR (B)**

(I) Yes, the policy of privatisation has produced both positive and negative outcomes for the Indian economy. Positive outcomes include: improved efficiency and profitability in previously loss-making public sector units following privatisation or disinvestment, greater competition leading to better products/services for consumers, and reduced burden on government finances from supporting inefficient public enterprises. Negative outcomes include: concerns over job losses and reduced job security for workers in privatised enterprises, potential loss of strategic government control over sectors of national importance, and concerns that privatisation processes have sometimes lacked full transparency, raising questions about the true value realised from the sale of public assets. [4]

(II) Any two features of GST: (i) it is a single, comprehensive indirect tax that has replaced a host of earlier indirect taxes (such as excise duty, VAT, and service tax), unifying India into a single common market; (ii) it operates on a destination-based consumption principle, meaning tax revenue accrues to the state where the goods or services are ultimately consumed, rather than where they are produced. [2]

**34.** [6]

(I) Improved access to preventive and primary healthcare is essential for reducing the long-term burden of disease because early detection and management of health conditions at the primary care level prevents them from progressing into more severe, costly-to-treat conditions requiring hospitalisation; preventive care (such as vaccination, health screening, and health education) reduces the incidence of many diseases altogether, lowering the overall demand on the healthcare system over time; and a strong primary

healthcare network relieves pressure on tertiary hospitals, allowing the healthcare system as a whole to function more efficiently. [2]

(II) Reducing out-of-pocket health expenditure is important for households because high out-of-pocket costs can push otherwise financially stable families into poverty or deep debt in the event of a medical emergency (often termed 'catastrophic health expenditure'); it disproportionately affects poorer and economically vulnerable households, who may otherwise be forced to forgo necessary treatment altogether due to cost; and reducing this burden, through insurance schemes or subsidised care, improves overall health-seeking behaviour and health outcomes across the population, contributing to human capital formation and long-term economic productivity. [2]

(III) Any two measures: (i) increasing the number of trained doctors, nurses, and paramedical staff, particularly in rural and underserved areas, to address existing shortages; (ii) improving the availability and affordability of essential medicines and diagnostic facilities at public health centres; (iii) strengthening health infrastructure (equipment, sanitation, bed capacity) in existing government hospitals and health centres, particularly in rural and remote regions. [2]