Class XII Session 2025-26
Subject - Economics
Sample Question Paper - 3

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

General Instructions:

1. This question paper contains two sections:

   Section A – Macro Economics

   Section B – Indian Economic Development

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

SECTION A MACRO ECONOMICS

1. Money is an asset which can be stored for use in future. In the light of given statement, identify the function of money. **[1]**

   (Choose the correct alternative)

   a) A medium of exchange
   b) A measure of value
   c) A standard of deferred payment
   d) A store of value

2. **Statement I:** External Assistance, e.g. Government Aid, Inter-governmental, Multilateral and Bilateral Loans is a component of capital account of BOP. **[1]**

   Statement II: Current Account Surplus signifies that the nation is a lender to the rest of the world.

   a) Both the statements are true.
   b) Statement I is true and statement II is false.
   c) Both the statements are false.
   d) Statement II is true and statement I is false.

3. Suppose in a hypothetical economy, the income rises from ₹ 5,000 crores to ₹ 6,000 crores. As a result, the consumption expenditure rises from ₹ 4,000 crores to ₹ 4,600 crores. Marginal propensity to consume in such a case would be _____. **[1]**

   a) 0.4
   b) 0.8
   c) 0.2
   d) 0.6

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

   a) appreciated
   b) depreciated
   c) devalued
   d) revalued

5. If the value of Average Propensity to Consume (APC) is 0.8 and National Income is ₹4,000 crore, the value of **[1]**

savings will be _____.

a) ₹ 100 crores

b) ₹ 800 crores

c) ₹ 200 crores

d) ₹ 500 crores

6. Net export is zero when **[1]**

a) import is zero

b) export is zero

c) All of these

d) exports = imports

7. Aggregate demand is sum of _____. **[1]**

a) C + I

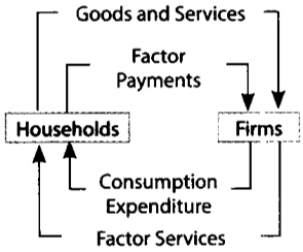
b) C + I + G

c) C

d) C + I + G + (x - m)

8. Circular Flow of Income is correctly represented in the diagram: **[1]**

a)



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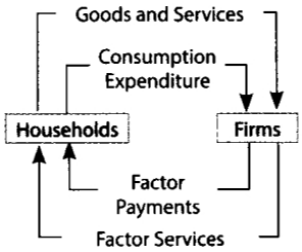

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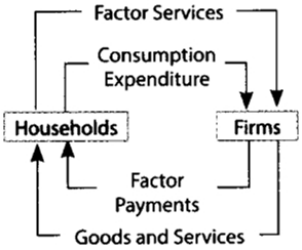
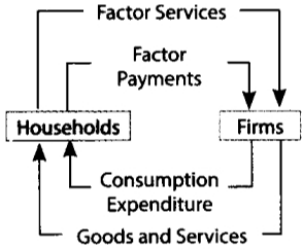


d)



9. The total stock of money in circulation among the public _____ is called as **money supply**. **[1]**

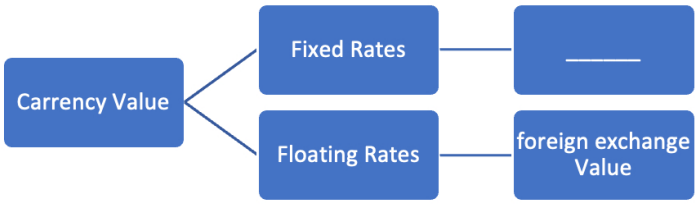
a) at a particular point of time

b) during a calendar year

c) during a fiscal year

d) during a period of time

10. When the value of a currency is fixed in terms of some other currency, it is called: **[1]**



a) Money value

b) Commodity value

c) Parity value

d) Free value

11. If the nominal gross domestic product = ₹ 4,400 and the price index (base = 100) = 110, calculate the real gross domestic product. **[3]**

OR

Calculate Subsidies:

Particulars	**₹ in crores**
(i) GDP at FC	55,000

(ii) Indirect Taxes	4,400
(iii) Net Factor Income from abroad	700
(iv) NNP at MP	55,500
(v) Depreciation	2,500

12. Give the meanings of Balance of Trade and Balance on Current Account of Balance of Payments Account. **[3]**

13. State the meaning of **Deficient Demand**. Suggest any two monetary policy tools used to reduce deficient demand. **[4]**

14. State the various components of the income method that are used to calculate national income. **[4]**

OR

Discuss briefly the problem of **Double Counting**, using a suitable example.

15. Explain 'banker to the government' function of the Central Bank. **[4]**

16. Explain the distinction between Revenue Receipts and Capital Receipts in a government budget. Give their components. **[6]**

OR

i. Two friends, Deepak and Krish were discussing the impact of increase in GST rates on luxury items, as recently undertaken by the Government. Krish was of the view that most of the luxury items (like foreign travel, imported cigarettes, etc.) should be taxed exorbitantly, while the items related to daily consumption of poor and middle class should be tax-free. Identify and explain the objective of the Government budget Krish is suggesting.

ii. State any two examples of non-tax receipts of the Government.

17. **Answer (A) or (B):** **[6]**

(a) i. On the basis of following information, identify whether the economy is in equilibrium or not: **[3]**

S.No.	Particulars	Amount (in ₹)
(i)	Autonomous Consumption and Investment Expenditure ($\bar{A}$)	₹ 500 crores
(ii)	Marginal Propensity to Save (MPS)	0.2
(iii)	National Income	₹ 4,000 crores

ii. If a consumption function of a hypothetical economy is given as: **[3]**

C = 100 + 0.6 Y ; then

i. What will be the values of marginal propensity to consume and marginal propensity to save for the economy?

ii. Write the corresponding saving function.

(b) i. In an economy ex-ante Aggregate Supply is less than ex-ante Aggregate Demand. Explain its impact on the level of output, income and employment. **[4]**

ii. What is needed to correct under-employment equilibrium? **[2]**

SECTION B INDIAN ECONOMIC DEVELOPMENT

18. Opening of _____ Canal significantly reduced the cost of transportation of goods between Britain and India. **[1]**
(Fill in the blank with the correct answer)

a) Agra
b) Munak
c) Suez
d) Conolly

19. The present day rapid industrial growth in China can be traced back to the economic reforms introduced in 1978, where _____. **[1]**

i. initially reforms were initiated in agriculture, foreign trade and investment sectors
ii. the policy of dual pricing was adopted
iii. the Government revoked the policy of Special Economic Zones

a) Only (ii)
b) (i), (ii) and (iii)
c) (i) and (ii)
d) Only (i)

20. From the following alternatives, identify the correct full form of **NITI** in NITI Aayog: **[1]**

a) National Institution for Tribal India
b) National Institution for Transforming India
c) National Institution for Technical India
d) National Institution for Training India

21. *Agriculture* is a dominant sector of our economy and *credit* plays an important role in increasing *agriculture* production. The following are the institutional sources of agricultural credit except: **[1]**



a) Commercial banks
b) Money lenders
c) NABARD
d) Regional banks

22. **Assertion (A):** Devaluation implies that the US $ can be exchanged for more rupees than before. **[1]**
Reason (R): This decreases the supply of foreign currency into the Indian economy by way of higher exports of domestic goods and services.

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

23. _____ and _____ are the twin pillars on which rests the edifice of social sector reforms. **[1]**

a) Education and Infrastructure
b) Education and Employment
c) Education and Health
d) Education and Poverty

24. Reforms in _____ were introduced in 1978. **[1]**

a) Pakistan
b) Sri lanka
c) China
d) India

25. In the early days when civilisation just began, or before this phenomenal increase in population, and before countries took to industrialisation, the demand for environmental resources and services was much less than their supply. This meant that pollution was within the _____ of the environment and the rate of resource extraction was less than the rate of regeneration of these resources. Hence environmental problems did not arise. **[1]**

a) Accumulating capacity
b) Carrying capacity

c) Assimilating capacity d) Absorptive capacity

26. **Statement I:** Zamindari system was introduced by the British, to ensure proper control over the revenue system in India. **[1]**

Statement II: Zamindars were given full freedom to collect and keep the rent collected by them.

a) Both statements are true. b) Statement I is true and statement II is false.

c) Statement II is true and statement I is false. d) Both statements are false.

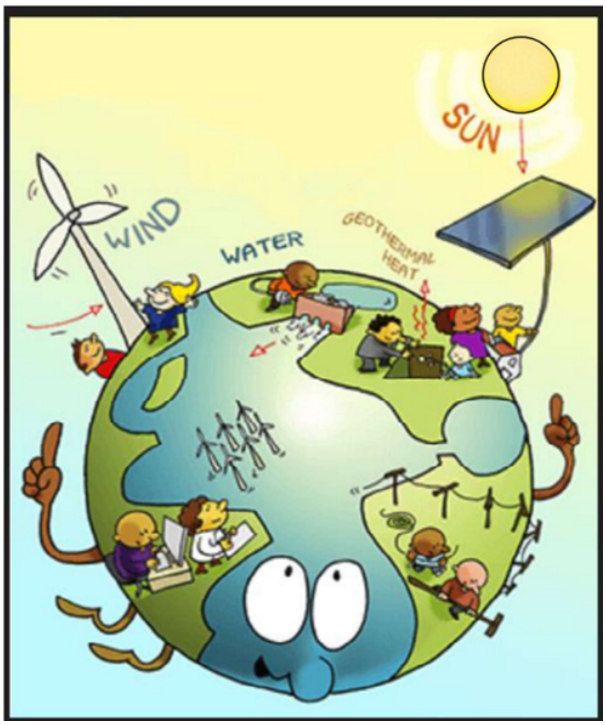
27. Identify the correct sequence of alternatives given in Column II by matching them with respective terms in Column I: **[1]**

Column I	Column II
(a) Land Ceiling	(i) Increase in production of food grain using high yielding variety seeds
(b) Land reforms	(ii) Portion of agricultural produce sold in the market
(c) Green Revolution	(iii) Fixing the maximum limit of land holding for an individual.
(d) Marketed Surplus	(iv) Change in the ownership of land (land to tillers)

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

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

28. Interpret the given picture with reference to current environmental challenges. **[3]**



OR

State any two strategies to achieve the objective of sustainable development.

29. In the past few decades, Indian economy has been fairly benefitted by positive externalities created by rapid rise in infrastructure. **[3]**

Justify the given statement with valid arguments.

30. State the meaning of import substitution. Explain how import substitution can protect the domestic industries. **[4]**

31. From the given data compare and analyse the Population Density and Fertility Rate of China and Pakistan, with valid reasons: **[4]**

Demographic Indicators, 2017-18

Country	Estimated Population (in million)	Annual Growth of Population	Population Density (per sq. km)	Sex Ratio	Fertility Rate	Urbanisation
India	1352	1.03	455	924	2.2	34
China	1393	0.46	148	949	1.7	59
Pakistan	212	2.05	275	943	3.6	37

OR

Read the following schedule carefully:

Trends in Output Growth in Different Sectors, 1980-2015

Country	1980 90			2011 2015		
	Agriculture	Industry	Service	Agriculture	Industry	Service
India	3.1	7.4	6.9	2.3	5	8.4
China	5.9	10.8	13.5	4.1	8.1	8.4
Pakistan	4	7.7	6.8	2.7	3.4	4.4

Analyse the output growth trend in the three sectors over the given years between India and China.

32. i. Explain, how does **Investment in Human Capital** contributes to growth of an economy. **[4]**

ii. State the meaning of Agricultural Marketing.

33. **Answer (A) or (B)** **[6]**

(a) i. What are the alternative channels available for agricultural marketing? Give some examples. **[4]**

ii. Why are farmers caught in a debt trap? **[2]**

(b) i. What is meant by diversification of crop production? **[3]**

ii. Discuss briefly, why agricultural diversification is essential for sustainable livelihoods. **[3]**

34. Read the following text carefully and answer the given questions on the basis of the same and common understanding. **[6]**

The stabilisation and structural adjustment measures, initiated under the 1991 “Economic Reforms” mark a watershed moment in India’s economic policies. For almost three decades since independence, India’s development strategy and economic policies were guided by the objectives of accelerating the growth of output and employment with social justice and equity.

Ever since the 1970’s, it was realised that many of the regulations on economic activities have outlived their usefulness and were in fact hampering economic growth and development. In response to this, the government initiated some milder liberalisation reforms for almost a decade since the early 1980’s.

However, the Indian economy soon had to face the Gulf crisis and consequently:

i. The uncertainties about the oil prices;

ii. The external payment problems;

iii. The serious inflationary pressures;

iv. The scarcities of essential commodities;

v. The deterioration of fiscal discipline, etc.

These led to the Indian economy on the verge of Economic crisis.

In response to this emerging crisis, the Government initiated a set of stabilisation and structural reforms like:

i. Reduction in fiscal deficit;
ii. Containment of growth in money supply:
iii. An exchange rate adjustment system etc.

The key objective of stabilisation policy was to bring the growth of aggregate demand in line with long term growth path of the economy.

In conjunction, the structural adjustment measures like;

i. industrial delicensing
ii. liberalisation of policy regime governing international trade
iii. deregulation of financial sector

Were taken to improve the supply side of the economy. This shifted the long-term growth path of the economy itself completely.

(Adapted and modified)

Source: https://niti.gov.in/planningcommission.gov.in/docs/reports/genrep/arep9099/at94-95.htm

a. Briefly outline any two reasons for the initiation of Economic Reforms in 1991. (3)
b. Government introduced a set of stabilisation and structural reforms to solve the economic crisis. State the key initiatives and objectives of these policies adopted by the Government of India. (3)

OR

Till the late 1970s, India, China and Pakistan - all the three countries were maintaining the same level of low development. The last three decades have taken these countries to different levels.

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

Solution

SECTION A MACRO ECONOMICS

1.

(d) A store of value

Explanation:

A store of value

2. **(a)** Both the statements are true.

Explanation:

Both the statements are true.

3.

(d) 0.6

Explanation:

0.6

MPC=Change in Consumption to Change in Income

4.

(b) depreciated

Explanation:

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

5.

(b) ₹ 800 crores

Explanation:

₹ 800 crores Y=C+S (Consumption is 3200 cr. so Savings is 800 cr.)

6.

(d) exports = imports

Explanation:

exports = imports

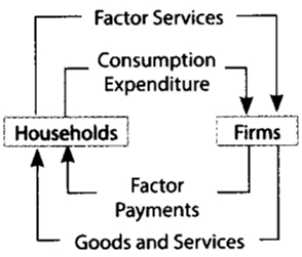
7.

(d) C + I + G + (x - m)

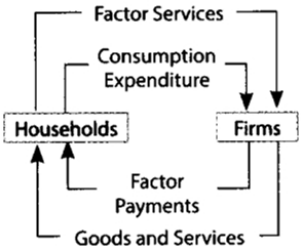
Explanation:

AD=C + I + G + (X - M)

8.

(c) 

Explanation:



9. **(a)** at a particular point of time
   Explanation:
   at a particular point of time

10. **(c)** Parity value
    Explanation:
    When the value of a currency is fixed in terms of some other currency, it is called Parity value.

11. Real GDP = $\frac{\text{Nominal GDP}}{\text{Current price index}} \times 100$
    Real GDP = $\frac{4,400}{110} \times 100$ = ₹ 4,000

    OR

    $GDP_{FC} = NNP_{MP}$ + 2,500 - 700 - (4,400 - Subsidies)

    55,000 = 55,500 + 2,500 - 700 - 4,400 + Subsidies
    Subsidies = 55,000 - 52,900
    Subsidies = 2,100 crores

12. The given table summarises the meaning of balance of trade and balance of current account

Basis	**Balance of Trade**	**Balance of Current Account**
Meaning	Balance of Trade includes only visible items. It is the difference between exports and imports of goods of a country.	Balance on Current Account is the difference between sum of credit items and sum of debit items on current account, i.e. the net value of credit and debit balances is the balance on current account.
Coverage	Balance of Trade does not record any transactions of invisible items and unilateral transfers. It does not record any transaction of capital nature.	Balance of Current Account includes balance of visible items, balance of invisible items and balance of unilateral transfer.
Concept	Balance of Trade is a narrow concept and it is only a part of the Balance of Payment Account.	Balance of Current Account includes the Balance of Trade hence, it is a broader concept.
Financing of deficit	A deficit in Balance of Trade can be met from the surplus of Current Account.	Deficit in Current Account cannot be met from the surplus of BoT. The surplus in current account arises when credit items are more than the debit items. This indicates net inflow of foreign exchange. Deficit in current account arises when debit items are more than the credit items. It indicates net outflow of foreign exchange.

13. Deficient demand refers to a situation where the aggregate demand in an economy is insufficient to support full employment and production. It occurs when there is a lack of spending by consumers, businesses, and the government, leading to a gap between the potential and actual output of the economy.
    Two monetary policy tools used to reduce deficient demand are:
    i. **Interest rate adjustments:** Central banks can lower interest rates to encourage borrowing and investment, stimulating spending and aggregate demand.
    ii. **Open market operations:** Central banks can conduct open market operations by buying government securities, injecting money into the economy, and encouraging lending and investment, thereby boosting aggregate demand.

14. 1. **Compensation of employees:** It includes the following components: a) wages and salaries in cash b) Payments in kind c) Employers contribution to social security d) pension on retirement.
    2. **Operating Surplus:** It is the sum of income from property and income from entrepreneurship. lt includes the following items: a) Rent b) Interest c) Profit
    3. **Mixed-Income:** Income of own account workers (like farmers, doctors, barbers, etc.) and unincorporated enterprises (like small shopkeepers, repair shops) is known as mixed income.
    4. **Net factor income from Abroad(NFIA):** NFIA is the difference between income earned by normal residents from the rest of the world and similar payments made to Non-residents within the domestic territory. National Income (NNP at FC) is found out by adding by adding net factor income from abroad to NDP at FC (Domestic Income).

    OR

    The counting of the value of a commodity more than once is called double counting. The error of double counting occurs when the value added by a certain activity in the production chain is added twice. This may be illustrated with the following example: Suppose a farmer produces 50kg of wheat and sells it for ₹ 500 to a flour mill owner. If intermediate cost for farmer is assumed to be zero, then the value added will be ₹ 500. For the flour mill owner, wheat is an intermediate good which is converted into flour and sold for ₹ 700 to a baker. For the baker, flour becomes an intermediate product which is converted into bread and sold to the final consumers for ₹ 1,000 as the final product.

    In the given example, wheat is a final product for the farmer, flour for the flour mill owner, bread for the baker.

    However, the value of wheat is included in the value of flour as well as in the value of bread. As a result, the value of wheat and flour are counted more than once. This may cause the problem of double counting.
15. Central Bank acts as a banker, advisor and agent to the Central and State Governments. It carries out all banking business of the government. Government keeps their cash balances in the current account with the central bank. Similarly, central bank accepts receipts and makes payment on behalf of the governments. Also, the central bank carries out the exchange, remittance and other banking operations on behalf of the government. Central bank gives loans and advances to governments for temporary periods, as and when necessary and it also manages the public debt of the country. Further, we should remember that the central government can borrow any amount of money from RBI by selling its rupees securities to the latter.
16. **Comparison Between Revenue Receipts and Capital Receipts**

Basis	**Revenue Receipts**	**Capital Receipts**
Meaning	They neither create any liability nor reduce any asset of the government.	They either create any liability or reduce any asset of the government.
Nature	They are regular and recurring in nature.	They are irregular &non-recurring in nature.
Future obligation	There is no future obligation to return the amount.	In case of certain capital receipts (like borrowings), there is future obligation to return the amount along with interest.
Examples	Tax Revenue (like Income tax, Goods and Services Tax, etc.) and Non-tax revenue (like interest, fees, etc.)	Borrowings, Disinvestment, etc.

    OR

    i. Krish is suggesting the objective of 'Re-distribution of income'to reduce income inequalities in the economy.

    To ensure equitable distribution of income, the government may impose higher taxes on luxury items. This will reduce the purchasing power in the hands of rich. On the other hand, lower/no taxes may be imposed on commodities purchased by poorer section of society. They may also be provided with subsidies on the essential commodities. This may increase their disposable income.

    These steps may promote economic welfare through re-distribution of income in the economy.

    ii. Dividends and profits on investments.

    Fees and other receipts.
17. Answer (A) or (B):

    (i) i. The economy is in equilibrium when AD = AS (Y)

    AD = $\bar{A}$ + MPC (Y)

    AD = 500 + 0.8 (4,000) (Given Y = ₹ 4,000 and MPC = 1 - MPS = 1 - 0.2 = 0.8)

    AD = 500 + 3200

    AD = ₹ 3,700 crores Therefore,

    AD (₹ 3,700 crores) < AS (₹ 4,000 crores),

Thus from the above explanation,the economy is not in equilibrium.

ii. i. C = 100 + 0.6Y (given)

So, MPC = 0.6

MPS = 1 - MPC = 1 - 0.6 = 0.4

ii. S = - $\bar{c}$ + (1 - b)Y

S = -100 + 0.4Y

(ii) i. In an economy, if ex-ante Aggregate Supply is less than ex-ante Aggregate Demand, it implies that households are planning to consume more than what the firms expected them to. This will lead to an unintended fall in inventories. To restore the desired level of inventories, producers may plan to expand production. As a result, there may be an increase in the level of output, employment and income in the economy.

ii. Additional investment is needed.

SECTION B INDIAN ECONOMIC DEVELOPMENT

18.

(c) Suez

Explanation:

Suez

19.

(c) (i) and (ii)

Explanation:

(i) and (ii)

20.

(b) National Institution for Transforming India

Explanation:

National Institution for Transforming India

21.

(b) Money lenders

Explanation:

Landlords, village traders and Moneylenders are the three important sources of non-institutional source. They charge exorbitantly high interest rates and manipulated the accounts to exploit the illiterate farmers. Non-institutional credit led to a debt trap for the farmers.

22.

(c) A is true but R is false.

Explanation:

Devaluation implies that the US $ can be exchanged for more rupees than before. This increases the supply of foreign currency into the Indian economy by way of higher exports of domestic goods and services.

23.

(c) Education and Health

Explanation:

Education and health are two major aspects of social sector reforms. An educated and healthy person can contribute positively to the growth of society and vice-versa where the individual interest lies in the collective interest.

24.

(c) China

Explanation:

China

25.

(d) Absorptive capacity

Explanation:

Absorptive capacity

26.

(b) Statement I is true and statement II is false.

Explanation:

Statement I is true and statement II is false.

27.

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

Explanation:

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

28. The given picture indicates the usage of renewable sources of energy. Power is the need of the hour and the usage of non-renewable sources of energy lead to an environmental crisis. On the other hand, using renewable sources of energy like solar, wind, and hydro energies ensure sustainable development without any adverse impact on the environment. The power generated through these resources is a cleaner and greener alternative.

OR

Two strategies to achieve the objective of sustainable development are:

- **Use of wind energy:** In areas where speed of wind is usually high, windmills can be used to generate electricity without any adverse impact on the environment.
- **Use of solar energy:** With the help of photovoltaic cells/solar panels, solar energy can be converted into electricity. This technology is extremely useful for remote areas and is free from pollution

29. In the past few decades, Indian economy has experienced a rapid rise in infrastructure. Infrastructural development is a core element in promoting economic growth and attracting foreign investment for sustainable production and productivity. The benefits of infrastructural development may be enjoyed by the people without paying for the same. Hence, such infrastructural development adds to the welfare in an economy and creates positive externalities.

30. **Import substitution** is a strategy to save foreign exchange by encouraging domestic production of such goods which the country has been importing from the rest of the world.

In the first seven Five Year Plans, India followed an inward-looking trade strategy. The Mahalanobis strategy of development was based on import substitution. The rationale of the import substitution strategy is based on the infant industry argument. It helped to save foreign exchange by drastically reducing the import of goods. The foreign exchange saved was to be used for developmental imports such as capital goods, sophisticated technology, etc. It created a protected market and large demand for domestically produced goods.

Protection from imports took two forms:

i. Tariffs i.e., a tax on imported goods to make imported goods more expensive and discourage their use.

ii. Quotas specify the number of goods which can be imported.

31. The given data shows that geographically, China occupies a larger area in comparison to Pakistan. The density of population in China stands at 148 per sq. km which is lower than that of Pakistan i.e. 275 per sq. km.

The fertility rate in Pakistan is 3.6 which is more than double as compared to China's fertility rate of 1.7. In China, the adoption of one child norm led to a significant decline in the fertility rate.

OR

In the last few decades, output growth in the agriculture sector declined for both India and China. In the industrial sector, China attained a growth rate of 10.8% in 1980s but declined to 8.1% in 2011-15. India also witnessed a decline in the industrial growth rate from 7.4% in 1980s to 5% in 2011-15.

In case of service sector, China was able to maintain highest rate of growth during 1980-1990 i.e. 13.5% which declined to 8.4% in 2011-15. Whereas, India's growth increased from 6.9% in 1980s to 8.4% in 2011-15. Thus, China's growth is contributed by both the manufacturing and service sectors and India's growth mainly by the service sector.

32. i. Investment in Human Capital may contribute to the growth of the economy in the following ways:

a. Generally, the productivity of an educated, skilled, and healthy workforce is relatively higher than an uneducated, unskilled and unhealthy worker. Such investment may increase the productivity of the economy as a whole.

b. Human Capital Formation may promote inventions, innovations, and technological improvements. This may create the ability to adopt new technologies that increase the production and productivity in the economy.

ii. Agricultural marketing is a process that involves assembling the storage, processing, transportation, packaging, grading, and distribution of different agricultural commodities across the country. These services involve the planning, organizing, directing and handling of agricultural produce in such a way as to satisfy farmers, intermediaries and consumers. Efforts to develop agricultural marketing have, particularly in developing countries, tended to concentrate on a number of areas, specifically infrastructure development; information provision; training of farmers and traders in marketing and post-harvest issues; and support to the development of an appropriate policy environment.

33. Answer (A) or (B)

(i) i. Alternative marketing channels were developed to bring the farmers in direct contact with the consumers. Previously, farmers used to sell their products to traders who used to exploit them by faulty weighing and manipulation of accounts and also paid a lower price to the farmers. If farmers directly sell their product to consumers, it increases their incomes due to the elimination of intermediaries. These channels help in increasing farmers' share in prices paid by the consumers. Some examples of these channels are

i. Apni Mandi (Punjab, Haryana and Rajasthan)
ii. Hadaspar Mandi (Pune)
iii. Rythu Bazars (vegetable and fruit markets in Andhra Pradesh)
iv. Uzhavar Sandies (farmers markets in Tamil Nadu)

Further, several national and multinational fast food chains are increasingly entering into contracts/alliances with farmers to encourage them to cultivate farm products (vegetables, fruits, etc) of the desired quality by providing them with not only seeds and other inputs but also assured procurement of the products at pre-decided prices.

ii. The Indian farmers borrow year after year and are not in a condition to pay off debts taken at a high rate of interest. Many times crop failure is a reason for the farmers being caught in the debt trap. The debt mounts year after year. This has created a class of landless labourers who are in a debt trap.

(ii) i. **Diversification of Crop Production:** It involves a shift from single-cropping system to multi-cropping system.

ii. Agricultural diversification is essential for sustainable livelihoods as the need for diversification arises from the fact that there is a greater risk in depending exclusively on farming for livelihood. Expansion into other related sectors is desirable to provide supplementary gainful employment and in realising higher levels of income for rural people. Hence, there is a need to diversify through focus on allied activities, non-farm employment and other emerging alternatives of livelihood providing sustainable livelihoods in rural areas.

34. a. Two reasons for the initiation of economic reforms were:

- High inflationary pressure
- Mounting fiscal deficit

b. In response to the economic crisis, Government of India initiated a set of:

- Stabilization measures like reduction in fiscal deficit, containment of growth in money supply etc.
- Structural reforms such as industrial delicensing, deregulation of financial sector etc.

The key objective of such policies was to bring the growth of aggregate demand in line with long term growth path of the economy.

OR

Till the late 1970s, India, China and Pakistan - all the three countries were maintaining the same level of low development. The last three decades have taken these countries to different levels. The given statement is correct.

INDIA

The annual growth of GDP increased moderately from 5.7% during1980-90 to 7.3% during 2015-2017. The share of service sector in GDP is the largest (53%).

- A majority of its people still depend on agriculture. In 2015-2017 about 43% of India workforce was engaged in agriculture.
- Infrastructure is lacking in many parts of the country.
- It is yet to raise the level of living of more than one-fourth of its population that lives below the poverty line.

PAKISTAN

- The annual growth rate of GDP has fallen from 6.3% during 1980-90 to 5.3% during 2015-2017.

- The official data of Pakistan indicate rising poverty there. The proportion of poor which was 25 per cent in 1980s started rising again in 1990s.

Political instability over a long period of time, over-dependence on remittances and foreign aid and volatile performance of agricultural sector are the reasons for the slowdown of the Pakistan economy. However, during the last three years, Pakistan has recovered its economic growth. In 2015-16, GDP growth rate was 4.7%, highest in last 8 years.

CHINA

In China, the lack of political freedom and its implication for human rights are major concerns; yet, in the last three decades, it used the market system without losing political commitment' and succeeded in raising the level of growth along with alleviation of poverty.

- China has used the market mechanism to create additional social and economic opportunities.
- By retaining collective ownership of land and allowing individuals to cultivate lands, China has ensured social security in rural areas.
- Public investment in social infrastructure brought about positive results in human development indicators in China.