

INTRODUCTION TO INDIAN ECONOMY BASED INDIAN ECONOMY MCQ PRACTICE QUESTIONS AND ANSWERS PDF WITH EXPLANATION

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Q1. Which of the following is/are economic activity?

- Profit and Loss
- Salary
- Employment
- occupation

- a) 1, 2 and 3
b) 1, 2, 3 and 4
c) 1 and 2
d) 4 only
-

Q2. Which of the following tax systems will help to reduce economic inequalities in India ?

- a) Progressive Tax
b) Regressive Tax
c) Flat rate tax
d) None of these
-

Q3. Ways and Means Advances refers to

- a) Farmers getting loans from NABAED
b) Industries getting temporary loans from commercial banks
c) Government getting temporary loans from RBI
d) Government-getting loans from international financial institutions
-

Q4. RBI does **not** transact the business of which State Government ?

- a) Jammu and Kashmir
- b) Nagaland
- c) Punjab
- d) Assam

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Q5. During which Five-Year Plan did India lay down the objective of the need to ensure environmental sustainability of the development strategy?

- a) 7th Five Year Plan
- b) 6th Five Year Plan
- c) 8th Five Year Plan
- d) 9th Five Year Plan

Q6. Which of the following is **not** the source of the revenue of central Government?

- a) Corporate Tax
- b) Income Tax
- c) Agricultural Income Tax
- d) Excise Duty

Q7. Which of the following is the most important domestic source of planned finance ?

- a) Profit from public sector units
 - b) Balance of current revenue
 - c) Domestic private savings
 - d) Additional taxation
-

Q8. Which of the following sectors contributed more to the savings in India?

- a) Household sector
 - b) Public sector
 - c) Corporate sector
 - d) Private sector
-

Q9. Which of the following method is **not** used in determining National Income of a country ?

- a) Output Method
 - b) Income Method
 - c) Input Method
 - d) Investment Method
-

Q10. The highest body which approves the Five Year Plan in India is the

- a) National Development Council
 - b) Planning Commission
 - c) Finance Ministry
 - d) Union Cabinet
-

Q11. Which of the following programmes meet the credit needs of poor women?

- a) Rashtriya Mahila Kosh
 - b) Mahila Samridhhi Yojna
 - c) Indira Mahila Yojna
 - d) Mahila Samakhya Programme
-

Q12. Which of the following are the main causes of slow rate of growth of per capita income in India?

- High capital output ratio

- High rate of growth of population
- High rate of capital formation
- High level of fiscal, deficits

codes:

- a) 2, 3 and 4
- b) 1, 3 and 4
- c) 1, 2, 3 and 4
- d) 1 and 2

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Q13. About how many Indians **cannot** meet their essential needs as per a report by McKinsey Global Institute (MGI) released on 19th February 2014?

- a) 56%
- b) 66%
- c) 46%
- d) 36%

Q14. Which of the following is an example of Joint-Sector enterprise in India?

- a) The Indian Oil Corporation
- b) Maruti Udyog Limited
- c) Hindustan Antibiotics Ltd.
- d) Bharat Aluminium Ltd.

Q15. The Imperial Bank of India, after its nationalisation came to be known as :

- a) Indian Overseas Bank
- b) State Bank of India
- c) United Bank of India

d) Reserve Bank of India

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Answers to the above questions :

Q1. Answer: (b)

Q2. Answer: (a)

A progressive tax is a tax in which the tax rate increases as the taxable amount increases. Progressive taxes are imposed in an attempt to reduce the tax incidence of people with a lower ability to pay, as such taxes shift the incidence increasingly to those with a higher ability-to-pay.

It reduces tax burdens on people who can least afford to pay them and is, thus, considered effective in reducing economic inequalities.

Q3. Answer: (c)

Ways and means advances (WMA) is a mechanism used by the Reserve Bank of India (RBI) under its credit policy by which provides to the States banking with it to help them to tide over temporary mismatches in the cash flow of their receipts and payments.

This is guided under Section 17(5) of RBI Act, 1934, and are repayable in each case not later than three months from the date of making that advance'.

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Q4. Answer: (a)

State Government transactions are carried out by RBI in terms of the agreement entered into with the State Governments in terms of section 21 A of the RBI Act.

As of now, such agreements exist between RBI and all the State Governments except with the Government of Jammu and Kashmir.

Q5. Answer: (d)

The Ninth Plan recognised the integral link between rapid economic growth and the quality of life of the mass of the people. Ensuring environmental sustainability of the development process through social mobilisation and participation of people at all levels was one of the specific objectives of the Ninth Plan as approved by the National Development Council.

In the Ninth Plan document, policies and programmes during the Eighth Plan period were reviewed, shortcomings identified and a new policy framework suggested overcoming the shortcomings and ensuring the sustainability of the development process not only in economic terms but also in terms of social and environmental factors.

Q6. Answer: (c)

The shareable central taxes include corporation tax, income tax, wealth tax, customs, excise duty and service tax. The taxes, which are not shared with states include some cesses like education and road.

Income Tax in India includes all income except the agricultural income that is levied and collected by the central government.

Q7. Answer: (c)

Domestic saving primarily consists of three components, viz., household sector saving, private corporate sector saving and public sector saving. Household sector saving constitutes the largest portion of gross domestic saving. Household sector saving comprises saving in financial assets and saving in physical assets.

Household saving in financial assets (net) is estimated as gross financial assets net of financial liabilities, while household saving in physical assets is the net addition to physical assets by the households.

Gross financial savings of the household sector includes the saving in the form of currency, bank deposits, non-bank deposits, saving in life insurance fund, saving in provident and pension fund, claims on government, shares and debentures inclusive of investment in mutual funds and net trade.

Q8. Answer: (a)

Household savings contribute 60-80% of India's gross domestic savings and have been its most stable and highest component for over six decades. A tenth of total assets are in currency; a similar amount goes to the government through small savings schemes.

Since there is no social security in India, life insurance and provident funds tend to be allocated significant amounts from total household savings.

Finally, capital market instruments- such as shares, debentures, mutual funds get less than 5% of total investment.

Q9. Answer: (d)

The national income of a country can be measured by three alternative methods:

1. **Product Method:** measures national income as a flow of goods and services
2. **Income Method:** measures national income as a flow of factor incomes and
3. **Expenditure Method:** measures national income as a flow of expenditure.

Q10. Answer: (a)

The National Development Council (NDC) or the Rashtriya Vikas Parishad is the apex body for decision making and deliberations on development matters in India, presided over by the Prime Minister.

It was set up on August 6, 1952, to strengthen and mobilize the effort and resources of the nation in support of the Plan, to promote common economic policies in all vital spheres, and to ensure the balanced and rapid development of all parts of the country.

The Council comprises the Prime Minister, the Union Cabinet Ministers, Chief Ministers of all States or their substitutes, representatives of the union territories and the members of the Commissions. It is an extraconstitutional and non-statutory body. Its status is advisory to the planning commission but not binding.

Q11. Answer: (a)

Rashtriya Mahila Kosh (RMK) was set up in March 1993 to meet the credit needs of poor women, particularly in the informal sector, who have little or no access to formal credit institutions.

RMK extends microfinance to the poorest and asset fewer women entrepreneurs for income-generating activities.

Q12. Answer: (d)

Q13. Answer: (a)

In its report, McKinsey Global Institute (MGI) estimated that 680 million Indians, or 56 per cent of the population, lacks the means to meet their essential needs.

It proposed a new “empowerment line” that aims to measure the minimum economic cost for a household to fulfil the eight most basic needs.

Q14. Answer: (b)

Until recently, 18.28% of the company was owned by the Indian government, and 54.2% by Suzuki of Japan. The BJP-led government held an initial public offering of 25% of the company in June 2003.

As of 10 May 2007, the government of India sold its complete share to Indian financial institutions and no longer has any stake in Maruti Udyog.

Q15. Answer: (b)

The State Bank of India, the largest banking and financial services company in India by revenue, assets and market capitalization; traces its ancestry to British India, through the Imperial Bank of India, to the founding in 1806 of the Bank of Calcutta, making it the oldest commercial bank in the Indian Subcontinent.

Bank of Madras merged into the other two presidency banks—Bank of Calcutta and Bank of Bombay—to form the Imperial Bank of India, which in turn became the State Bank of India.

The Government of India nationalized the Imperial Bank of India in 1955, with the Reserve Bank of India taking a 60% stake, and renamed it the State Bank of India

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