

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

For All Competitive SSC, Bank, IBPS, UPSC, Railway, IT & Other Govt. Exams  
Created By [Careericons](#) Team

---

**Q1.** The term stagflation refers to a situation where

- a) rate of growth and prices both are decreasing
  - b) rate of growth is slower than the rate of price increase
  - c) rate of growth is faster than the rate of price increase
  - d) growth has no relation with the change in price
- 

**Q2.** Which one of the following is an example for Non-Banking Financial institution?

- a) SBI
  - b) RBI
  - c) IOB
  - d) LIC
- 

**Q3.** Who estimated the National Income for the first time in India ?

- a) Dadabhai Naoroji
  - b) Mahalanobis
  - c) V.K.R.V. Rao
  - d) Sardar Patel
- 

**Q4.** Which of the following is **not** true when the interest rate in the economy goes up?

- a) Lending decreases
- b) Return on capital increases

c) Cost of production increases

d) Saving increases

**5000+ FREE INDIAN ECONOMY MCQ QUESTION BANK FOR ALL SSC, UPSC, BANK, RAILWAY EXAMS**

[Free Practice MCQs »](#)

[Download More PDF »](#)

[Free Online Quiz »](#)

---

**Q5.** One of the objectives of Industrial Licensing Policy in India was to ensure :

a) free flow of foreign capital in Indian industries.

b) creation of adequate employment opportunities.

c) use of modern technology.

d) balanced industrial development across regions.

---

**Q6.** Which State Government has launched the Smart Village Programme, to improve public facilities in village?

a) Rajasthan

b) Maharashtra

c) Odisha

d) Gujarat

---

**Q7.** National income ignores

a) exports of the IT sector

b) salary of employees

c) sales of a firm

d) sale of land

---

**Q8.** The headquarters of RBI is in

a) Kanpur

- b) Delhi
  - c) Mumbai
  - d) Nasik
- 

**Q9.** The nationalisation of major commercial banks took place in

- a) 1956
  - b) 1947
  - c) 1969
  - d) 1980
- 

**Q10.** Which plan gave emphasis on removal of poverty for the first time ?

- a) Fifth
  - b) Fourth
  - c) Sixth
  - d) Seventh
- 

**Q11.** India's share in total global trade in value terms is:

- a) more than 2%
  - b) less than 1% but more than  $\frac{1}{2}\%$
  - c) less than  $\frac{1}{2}\%$
  - d) between 1% and 2%
- 

**Q12.** What is the main function of Central Statistical Organisation (CSO) ?

- a) Collection of estimates of national income
- b) Determination of money supply
- c) Collection of detail data regarding employment
- d) Price determination

**1000+ FREE INTRODUCTION TO INDIAN ECONOMY BASED QUESTIONS AND ANSWERS  
FOR ALL COMPETITIVE EXAMS**

[Free Practice MCQs »](#)

[Download More PDF »](#)

[Free Online Quiz »](#)

**Q13.** The number of Nationalised Banks in India is

- a) 21
- b) 14
- c) 20
- d) 22

**Q14.** After ONGC, OIC, NTPC and SAIL, the 'Navratna' PSU which was awarded 'Maharatna' status is

- a) GAIL
- b) HAL
- c) Coal India Ltd
- d) BHEL

**Q15.** The basis of determining dearness allowance (D.A.) to government employees in India is

- a) Consumer Price Index
- b) Per capita income
- c) Standard of living
- d) National income

[Read More introduction Question and Answers »](#)

**Answers to the above questions :**

**Q1. Answer: (b)**

Stagflation is a condition of slow economic growth and relatively high unemployment.

It is accompanied by a rise in prices, or inflation. Stagflation occurs when the economy isn't growing but prices are increasing, which is not a good situation for a country to be in.

**Q2. Answer: (d)**

A non-bank financial institution (NBFI) is a financial institution that does not have a full banking license or is not supervised by a national or international banking regulatory agency.

LIC is an example of a NonBanking Financial institution.

**Q3. Answer: (a)**

Dadabhai Naoroji prepared the first estimates of National income in 1876. He estimated the national income by first estimating the value of agricultural production and then adding a certain percentage as non-agricultural production.

**5000+ INDIAN ECONOMY MCQ TOPIC WISE MCQ QUESTION BANK WITH SOLVED ANSWERS & FREE PDF**

INTRODUCTION TO INDIAN ECONOMY

PLANNING, ECONOMIC DEVELOPMENT & FIVE YEAR PLANS

NATIONAL INCOME & HUMAN DEVELOPMENT INDEX

AGRICULTURE SECTOR, SUBSIDY AND FOOD PROCESSING

INDUSTRIES, MANUFACTURING & SERVICE SECTORS

INCLUSIVE GROWTH, SUSTAINABLE DEVELOPMENT AND EMPLOYMENT

POVERTY & UNEMPLOYMENT

INTRODUCTION TO MICRO ECONOMICS

INTRODUCTION TO MACRO ECONOMICS

MACRO FUNDAMENTALS, GDP, INVESTMENT, GROWTH

DEMAND & SUPPLY, PROFIT LOSS, INFLATION & PRICE INDEX

FISCAL POLICY, PUBLIC FINANCE AND MONETARY POLICY

MONEY SUPPLY, BANKING AND FINANCIAL INSTITUTIONS

## TAXES TYPES, METHODS & BUDGETING PROCESS

### BANKING, SECURITY MARKET & INSURANCE

#### **Q4. Answer: (b)**

The rise in interest rates results in an increased cost of borrowing so lending decreases because businesses do not borrow at a high cost. Moreover, it results in an increase in the cost of production as the cost for all suppliers of raw material increases due to an increase in their borrowing cost.

For individuals, the savings increase as they start saving in lieu of higher return as interest. Higher rates of interest result in a decrease in return on capital as the cost of investment in capital increases.

#### **Q5. Answer: (d)**

In India, there are some regulations and restrictions with regard to establishing industries in certain categories. This is done by making it mandatory to obtain licenses before setting up such an industry.

The Licence Raj continued till 1991 (liberalization was introduced) as a result of India's decision to have a planned economy where all aspects of the economy are controlled by the state and licences are given to a select few.

Up to 80 government agencies had to be satisfied before private companies could produce something and, if granted, the government would regulate production. The Industrial Policy Resolution 1956 aimed at the removal of regional disparities through the development of regions with low industrial bases.

The Indian economy was then guided by the socialistic model of planned development rather than being guided by profit.

#### **Q6. Answer: (d)**

The Gujarat government, on 22 May 2014, launched the Smart Village programme to improve public facilities in villages. The objective of the programme is to make villages self-reliant, clean, and hygienic.

It has been conceptualized on the lines of the Smart Cities initiative of the Union Government under which 100 cities were chosen for infrastructure development.

**Q7. Answer: (d)**

National Income ignores sale of land.

**Q8. Answer: (c)**

The headquarters of the Reserve Bank of India (RBI) is located in Mumbai, Maharashtra. Initially, the headquarter of RBI was in Calcutta (now Kolkata) but in 1937 it was permanently moved to Bombay (now Mumbai).

The RBI commenced its operations on 1 April 1935 during the British Rule in accordance with the provisions of the Reserve Bank of India Act, 1934.

**Q9. Answer: (c)**

The Government of India nationalized 14 major commercial banks in July 1969. This was followed by a second phase of nationalization in 1980, when Government of India acquired the ownership of 6 more banks, thus bringing the total number of nation-alised banks to 20.

**Q10. Answer: (a)**

The Fifth Five-Year Plan (1974–1979) laid stress on employment, poverty alleviation, and justice. The plan also focused on self-reliance in agricultural production and defence.

**Q11. Answer: (a)**

India's share in global trade was 2.8 per cent in 2014, up from 2.07 per cent in 2013. The government aims to increase its share in the global trade to 3.5 per cent by 2020.

**Q12. Answer: (a)**

The Central Statistics Organization, established in 1951, is responsible for the coordination of statistical activities in the country, and evolving and maintaining statistical standards.

Its activities include National Income Accounting; conduct of Annual Survey of Industries, Economic Censuses and its follow up surveys, a compilation of Index of Industrial Production, as well as Consumer Price Indices for Urban NonManual Employees, Human Development Statistics, Gender Statistics, imparting training in Official Statistics, Five Year Plan work relating to Development of Statistics in the States and Union Territories; dissemination of statistical information, work relating to trade, energy, construction, and environment statistics, revision of National Industrial Classification, etc.

**Q13. Answer: (c)**

On July 19, 1969, 14 commercial banks were nationalized, which got presidential approval on August 9, 1969. In 1980, in order to provide government more power and command over credit delivery, six more commercial banks in India were nationalized. If the associate banks of State Bank of India are counted, then the number goes to 27.

**Q14. Answer: (c)**

In April 2011, Coal India Limited (CIL) was conferred the Maharatna status by the Union Government of India and ranked as one of India's most valuable companies by market value. It is the world's largest coal miner with revenue exceeding Rs.624.15 billion in 2012.

**Q15. Answer: (a)**

The basis of determining dearness allowance (D.A.) to government employees in India is the consumer price index. Dearness Allowance (DA) is an allowance paid to employees to compensate them for the erosion of real income/wage due to inflation.

The increase in the cost of living and the consequent erosion of income is measured in terms of a consumer price index number and, DA to be sanctioned to employees is determined on the basis of the percentage increase in that index.

On our site **Careerions.com**, You can find all the content you need to prepare for any kind of exam like. **Verbal Reasoning, Non-Verbal Reasoning, Aptitude, English, Computer, History, Polity, Economy, Geography, General Science, General Awareness & So on.** Make use of our expert-curated content to get an edge over your competition and prepare for your exams effectively.

Practice with our **Free Practice MCQs, Mock Tests Series, Online Quiz** and get an idea of the real exam environment. Keep track of your progress with our detailed performance reports. They are perfect for competitive exam preparation, as well as for brushing up on basic & fundamental knowledge. The questions are updated regularly to keep up with the changing syllabuses.