

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

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Q1. Who among the following has suggested migration to accrual accounting system from cash based accounting system in India?

- a) D.N. Ghosh
 - b) C. Rangarajan
 - c) R.H. Patil
 - d) I.V. Reddy
-

Q2. Golden Hand Shake scheme is the name of

- a) Voluntary Retirement Scheme
 - b) Retirement Scheme
 - c) One Rank One Pension Scheme
 - d) Private Sector Retirement Scheme
-

Q3. Consider the following statements in regard to **Headline inflation** :

- It provides an accurate picture of the inflation in the country.
- It is affected by short term transitory effects on the prices of products.

Which of the statements given above is/are **correct**?

- a) 2 only
 - b) Both 1 and 2
 - c) 1 only
 - d) Neither 1 nor 2
-

Q4. Which of the following does **not** form a part of the foreign exchange reserves of India ?

- a) SDRs
- b) Gold
- c) Foreign currency assets
- d) Foreign currency and securities held by the banks and corporate bodies

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Q5. Disguised unemployment in India is mainly related to

- a) Rural Area
- b) Agricultural sector
- c) Factory sector
- d) Urban Area

Q6. Who was the head of the 10th Finance Commission ?

- a) Vasant Sathe
- b) Manmohan Singh
- c) Shiv-Shankar
- d) K.C Pant

Q7. One of the reasons for India's occupational structure remaining more or less the same over the years has been that :

- invest pattern has been directed towards capital intensive industries
- productivity in agriculture has been high enough to induce people to stay with agriculture
- ceiling on land holdings have enabled more people to own land and hence their preference to stay with agriculture
- people are largely unaware of the significance of transition from agriculture to industry for economic development

Find out the **correct** option from the code :

- a) 4 only

- b) None of the above
 - c) 2 and 3 only
 - d) 1 only
-

Q8. What does the open market operation of the RBI mean ?

- a) Auctioning of foreign exchange
 - b) Buying and selling shares
 - c) Trading in securities
 - d) Transactions in gold
-

Q9. Scheduled bank is a bank which is

- a) Not Nationalised
 - b) Nationalised
 - c) Based in foreign Country
 - d) Included in the second schedule of RBI
-

Q10. A high Statutory Liquidity Ratio (SLR)

- a) increases the strength of the banks
 - b) increases supply of cash
 - c) provides funds to the state
 - d) restricts lending
-

Q11. Which one of the following is **not** included while estimating national income through income method?

- a) Mixed incomes
- b) Rent
- c) Pension
- d) Undistributed profits

Q12. “Himayat” is a training cumplacement programme for unemployed youth in the State of

- a) Punjab
- b) Haryana
- c) Jammu and Kashmir
- d) Himachal Pradesh

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Q13. If all the banks in an economy are nationalized and converted into a monopoly bank, the total deposits

- a) will increase
- b) will neither increase nor decrease
- c) will decrease
- d) None of the above

Q14. Fiscal deficit in the Union Budget means :

- the difference between current expenditure and current revenue
- net increase in Union Governments borrowings from the Reserve Bank of India.
- the sum of budgetary deficit and net increase in internal and external borrowings
- the sum of monetised deficit and budgetary deficit

Choose the **correct** option from the code :

- a) 2 and 4 only
- b) All of the above
- c) 3 only
- d) 2 only

Q15. The type of note issue system followed in India is :

- a) Minimum reserve system
- b) Maximum fiduciary system
- c) Proportional fiduciary system
- d) Fixed fiduciary system

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Answers to the above questions :

Q1. Answer: (a)

Q2. Answer: (a)

The Voluntary Severance Scheme (VSS) is popularly known as Golden Hand Shake. It is a stipulation in an employment agreement that states that the employer will provide a significant severance package if the employee loses their job.

A golden handshake is usually provided to top executives for loss of employment through layoffs, firing or even retirement.

Q3. Answer: (a)

Headline inflation also called WPI inflation is a measure of the total inflation within an economy and is affected by areas of the market which may experience sudden inflationary spikes such as food or energy.

As a result, headline inflation may not present an accurate picture of the current state of the economy as it doesn't take account of the service sector.

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Q4. Answer: (d)

Foreign-exchange reserves are assets held by central banks and monetary authorities, usually in different reserve currencies, mostly the United States dollar.

However, the term in popular usage commonly also adds gold reserves, special drawing rights (SDRs), and International Monetary Fund (IMF) reserve positions.

Q5. Answer: (b)

Disguised unemployment exists where part of the labour force is either left without work or is working in a redundant manner where worker productivity is essentially zero.

It is unemployment that does not affect aggregate output. When more people are engaged in a job than actually required, a state of disguised unemployment is created.

Disguised, or hidden, unemployment is primarily found in the agricultural and the unorganized sectors of rural India.

Q6. Answer: (d)

The Tenth Finance Commission was incorporated in the year 1995 consisting of Shri Krishna Chandra Pant as the Chairman. The operational duration of the Commission was 1995-2000.

Note : The chairman of 14th and current finance commission is former RBI governor Y.V.Reddy.

Q7. Answer: (d)

The gap between poor and rich will be wide and it must be increase when their investment lean towards capital sector. They only prefer profit.

Q8. Answer: (c)

Open Market Operations (OMO) is the buying and selling of government securities in the open market in order to expand or contract the amount of money in the banking system.

Purchases inject money into the banking system and stimulate growth while sales of securities do the opposite.

Q9. Answer: (d)

A scheduled bank, in India, refers to a bank that is listed in the 2nd Schedule of the Reserve Bank of India Act, 1934.

Banks not under this Schedule are called non-scheduled banks. Scheduled banks are usually private, foreign, and nationalized banks operating in India.

Q10. Answer: (d)

Statutory Liquidity Ratio refers to the amount that the commercial banks require to maintain in the form of gold or government approved securities before providing credit to the customers.

An increase in SLR practically restricts lending, thus controlling credit in the country. In India, the RBI can increase the Statutory Liquidity Ratio to contain inflation, suck liquidity in the market, to tighten the measure to safeguard the customers' money.

Q11. Answer: (d)

The income approach equates the total output of a nation to the total factor income received by residents or citizens of the nation.

The main types of factor income are:

1. Employee compensation (cost of fringe benefits, including unemployment, health, and retirement benefits);
2. Interest received net of interest paid;
3. Rental income (mainly for the use of real estate) net of expenses of landlords; and
4. Royalties paid for the use of intellectual property and extractable natural resources.

All remaining value-added generated by firms is called the residual or profit. If a firm has stockholders, they own the residual, some of which they receive as dividends.

Profit includes the income of the entrepreneur - the businessman who combines factor inputs to produce a good or service.

Q12. Answer: (c)

Himayat is a training-cum-placement programme for unemployed youth in Jammu and Kashmir. Under the program, the youth of the state will be provided short-term training for at least 3 months, in a range of skills for which there is good market demand.

The scheme aims to train 1,00,000 youth in 5 years and provide at least 75% of them with jobs.

Q13. Answer: (b)

It will remain the same, because banks do not increase the national income. So it remains the same immaterial whether banks are there or not.

Q14. Answer: (c)

When a government's total expenditure exceeds the revenue that it generates (excluding money from borrowings).

Deficit differs from debt, which is an accumulation of yearly deficits. A fiscal deficit is regarded by some as a positive economic event.

Q15. Answer: (a)

In terms of Section 22 of the Reserve Bank of India Act, the RBI has been given the statutory function of note issue on a monopoly basis. The note issue in India was originally based upon the "Proportional Reserve System". When it became difficult to maintain the re-serve proportionately, it was replaced by the "Minimum Reserve System ".

According to the RBI Amendment Act of 1957, the bank should now maintain a minimum reserve of Rs.200 crore worth of gold coins, gold bullion and foreign securities of which the value of gold coin and bullion should be not less than Rs.115 crore.

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