

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

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Q1. The following objective helps in the development of India's economic development since independence.

- A rapidly and technologically progressive economy by democratic means
- A social order based on justice, offering equal opportunity to every citizen of the country.
- An increasing population of the country

Which among the following is/are the **objective**?

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

Q2. Which is the first Public Sector Corporation of independent India?

- a) State Trading Corporation of India
 - b) Hindustan Steel Corporation, Bhilai
 - c) Food Corporation of India
 - d) Damodar Valley Corporation
-

Q3. Personal disposable income means?

- a) Personal income- direct taxes + fees+ fines
 - b) None of these
 - c) Personal income- direct taxes + fees+ fines+ social security contribution by employers
 - d) Personal income- indirect taxes
-

Q4. Which of the following taxes is levied by the State Government only?

- a) Entertainment tax
- b) Wealth tax
- c) Income tax
- d) Gift tax

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Q5. The PURA Scheme which envisages the provision of urban amenities in rural areas in India was advocated for the first time by

- a) Sri A.P.J. Abdul Kalam
- b) Dr. M.S. Swaminathan
- c) Dr. Arvind Subramaniam
- d) Prof. Dinshaw Mistry

Q6. The present Indian monetary system is based on

- a) Proportional Reserve System
- b) Gold Reserve System
- c) Convertible Currency System
- d) Minimum Reserve System

Q7. The rate at which RBI gives short term loan to commercial banks is called

- a) Reverse Repo rate
 - b) Repo rate
 - c) Bank rate
 - d) Cash Reserve rate
-

Q8. In India, rural incomes are generally lower than urban incomes. Which of the following reasons account for this?

- A large number of farmers are illiterate and know little about scientific agriculture.
- Prices of primary products are lower than those of manufactured products.
- Investment in agriculture has been lower when compared to investment in the industry.

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

Q9. Currency notes of Rs.2 denomination and above are liabilities of :

- a) Reserve Bank of India
b) Government of India
c) State Bank of India
d) All of the above
-

Q10. Swarna Jayanti Gram Swarojgar Yojana has now been restructured as

- a) National Rural Livelihoods Mission
b) Prime Minister's Rojgar Yojana
c) Jawahar Gram Samriddhi Yojana
d) Sampoorna Gramin Rojgar Yojana
-

Q11. Indian Economy is characterised as

- a) developed economy
b) developing economy
c) backward economy
d) underdeveloped economy
-

Q12. The major aim of devaluation is to

- a) Encourage imports
- b) Discourage both exports and imports
- c) Encourage both exports and imports
- d) Encourage exports

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Q13. In an economy a condition of lack of money supply in comparison to the supply of the goods services, will lead to:

- a) Deflation
- b) Hyperinflation
- c) Inflation
- d) Devaluation

Q14. Money laundering normally involves

- a) layering of funds
- b) all the above
- c) integration of funds
- d) placement of funds

Q15. Depreciation is equal to

- a) $NNP - GNP$
- b) $Personal\ Income - Personal\ Taxes$
- c) $GNP - Personal\ Income$
- d) $GNP - NNP$

Answers to the above questions :

Q1. Answer: (a)

Since independence, India's economic development has been guided by the twin objectives

1. a rapidly and technologically progressive economy by democratic means; and
2. a social order based on justice, offering equal opportunity to every citizen of the country.

Q2. Answer: (d)

Damodar Valley Corporation is a thermal and hydropower generating public organization of India. It emerged as a culmination of attempts made over a whole century to control the wild and erratic Damodar River.

By April 1947, a full agreement was practically reached between the three Governments of Central, Bengal and Bihar on the implementation of the scheme and in March 1948, the Damodar Valley Corporation Act (Act No. XIV of 1948) was passed by the Central Legislature, requiring the three governments – the Central Government and the State Governments of West Bengal and Bihar (now Jharkhand) to participate jointly for the purpose of building the Damodar Valley Corporation.

The Corporation came into existence on 7 July 1948 as the first multipurpose river valley project and the first Public Sector Corporation of independent India.

Q3. Answer: (c)

Personal income- direct taxes + fees+ fines+ social security contribution by employers. The amount of money that households have available for spending and saving after income taxes have been accounted for.

Disposable personal income is often monitored as one of the many key economic indicators used to gauge the overall state of the economy. Disposable income is total personal income minus personal current taxes.

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Q4. Answer: (a)

Entertainment tax is an indirect tax that is levied by the State Governments in India. It is levied on every financial transaction that is related to entertainment such as movie tickets, major commercial shows and big private festivals.

Some other forms of entertainment that are included in the purview of entertainment taxes :

1. Amusement parks
2. Video games
3. Arcades
4. Exhibitions
5. Celebrity stage shows
6. Sports activities

Q5. Answer: (a)

Provision of Urban Amenities to Rural Areas (PURA) is a strategy for rural development in India. This concept was given by former president Dr A.P.J. Abdul Kalam and discussed in his book Target 3 Billion which he co-authored with Srijan Pal Singh.

PURA proposes that urban infrastructure and services be provided in rural hubs to create economic opportunities.

Q6. Answer: (d)

Since 1957, the Reserve Bank of India is required to maintain gold and foreign exchange reserves of Rs.200 crore, of which at least Rs.115 crore should be in gold and Rs.85 crore in the form of Government Securities. The system as it exists today is known as the minimum reserve system.

Q7. Answer: (b)

The rate at which RBI gives short term loans to commercial banks against securities is known as the Repo rate. A reduction in the repo rate helps banks to get money at a cheaper rate.

When the repo rate increases, borrowing from the central bank becomes more expensive. In contrast, the reverse repo rate is the rate at which banks can park surplus funds with RBI.

Q8. Answer: (c)

In India a large number of farmers are illiterate and know little about scientific agriculture, prices of primary products are lower than those of manufactured products and Investment in agriculture has been lower when compared to investment in the industry.

All these reasons are responsible for lower rural income.

Q9. 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".

The Government of India issues rupee coins in the denomination of Rs.1, 2, and 5 to the public. These coins are required to be circulated to the public only through the Reserve Bank under Section 38 of the RBI Act.

Q10. Answer: (a)

The Swarna Jayanti Swarozgar Yojana (SGSY) has been renamed as National Rural Livelihood Mission (NRLM).

NRLM is a poverty alleviation project implemented by the Ministry of Rural Development, Government of India. This scheme is focused on promoting self-employment and the organization of rural poor.

Q11. Answer: (b)

Q12. Answer: (d)

The major aim of devaluation is to encourage exports. Devaluation is a deliberate downward adjustment to the value of a country's currency, relative to another currency, group of currencies. One reason a country may devalue its currency is to combat trade imbalances.

Devaluation causes a country's exports to become less expensive, making them more competitive on the global market. This in turn means that imports are more expensive, making domestic consumers less likely to purchase them.

Q13. Answer: (d)

Deflation may be caused by a combination of the supply and demand for goods and the supply and demand for money, specifically the supply of money going down and the supply of goods going up.

Q14. Answer: (b)

Money laundering occurs in three steps: the first step involves introducing cash into the financial system by some means called as placement; the second involves carrying out complex financial transactions to camouflage the illegal source called layering; and the final step entails acquiring wealth generated from the transactions of the illicit funds called as integration.

Q15. Answer: (d)

Depreciation is equal to $GNP - NNP$ (Gross national products–Net national products)
Depreciation is also known as consumption of fixed capital. It is the wear and tear to the physical assets. It measures the amount of GNP that must be spent on new capital goods to maintain the existing physical capital stock.

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