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. Consider the following :

- Market borrowing
- Treasury bills
- Special securities issued to RBI

Which of these is/are components of internal debt?

a) 1 and 2

b) 2 only

c) 1 only

d) 1, 2 and 3

Q2. Open market operation refers to

a) lending by scheduled banks to non-scheduled banks

b) borrowing by commercial banks from the R.B.I.

c) purchase and sale of Government securities by the R.B.I.

d) purchase and sale of bonds and securities by the Central Govt.

Q3. Poverty in less developed countries is largely due to

a) lack of intelligence of the people

b) income inequality

c) lack of cultural activities

d) voluntary idleness

Q4. Estimation of national income in India are **not** accurate as there is:

- illiteracy
- non-monetised consumption
- inflation
- people holding multiple jobs

a) 2 and 3

b) 1 and 4

c) 1, 2, 3 and 4

d) 1, 2 and 4

Q5. Which of the following areas make the largest contribution to national income in India?

a) Services

b) Industry

c) Agriculture

d) Mining

Q6. The largest share in our imports is from

a) European Community

b) North America

c) OPEC (Organisation of Petroleum Exporting Countries)

d) African and Asian Developing Countries

Q7. State Bank of India was previously known as :

a) Canara Bank

b) Imperial Bank of India

c) Syndicate Bank

d) Co-operative Bank of India

Q8. National product at factor cost is equal to

a) Gross domestic-product - depreciation

b) Domestic product + Net factor income from abroad

c) National product at market prices - indirect taxes + subsidies

d) National product at market prices + Indirect taxes + subsidies

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Q9. Which among the following equation is **correct**

- GDP = GNP + X - M
- GNP = GDP + X – M
- GNP = GDP + NFIA
- NNP = GNP – Depreciation.

Select the **correct** answer using the codes given below.
a) 1, 2 and 3

b) 2, 3 and 4

c) 1 and 2

d) 1, 3 and 4

Q10. In an economy, the sectors are classified into public and private on the basis of

a) nature of economic activities

b) use of raw materials

c) ownership of enterprises

d) employment condition

Q11. Consider the following statements:

I. Government disinvesting its share in various public sector undertakings
II. Process of disinvestment is very fast

III. Process of disinvestment is very slow and government always falls short of target

Which of above statements is/ are true about government policy of disinvestment
a) I and III

b) I and II

c) Only I

d) I, II and III

Q12. Consider the following statements in regards to devaluation and depreciation of a currency:

- Devaluation is an activity conducted by the Central government whereas depreciation happens due to market forces.
- In both the devaluation and depreciation, the currency loses value against other currencies in a floating currency exchange market.

Which of the statements given above is/are **correct**?
a) 1 and 2 both

b) 2 only

c) 1 only

d) None

Q13. What is the extent of change of the literacy rate envisaged by the end of the Xth Five Year Plan ?

a) From 60% to 70%

b) From 65% to 75%

c) From 50% to 55%

d) From 45% to 50%

Q14. The Minimum Alternative Tax (MAT) was introduced in the budget of the Government of India for the year?

a) 1992-93

b) 1995-96

c) 1991-92

d) 1996-97

Q15. From which of the following banks did Madan Mohan Malaviya take loans for financing "The Hindustan Times" ?

a) Bank of Maharashtra

b) Punjab National Bank

c) Bank of Baroda

d) State Bank of India

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Answers to the above questions :

Q1. Answer: (d)

All these statements are components of internal debt.

Q2. 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.

OMOs are the market operations conducted by the Reserve Bank of India by way of sale/ purchase of Government securities to/ from the market with an objective to adjust the rupee liquidity conditions in the market on a durable basis.

Q3. Answer: (b)

Despite the developing countries' impressive aggregate growth of the past 25 years, its benefits have only reached the poor to a very limited degree.

Not only have the poorest countries grown relatively slowly, but growth processes are such that within most developing countries, the incomes of the poor increase much less than the average.

Much of the poverty is due to severe inequality which in turn is due to lop-sided development. Income inequality is the major determinant of poverty both in developed and non-developed countries.

Rising unemployment is a major source of spreading poverty. Lack of access to crucial assets and services (health care, schooling, and infrastructure) exclude the poor from the very beginning.

Q4. Answer: (d)

Q5. Answer: (a)

Assuming national income being measured as the Gross Domestic Product (GDP), the lion's share in the national income of India is of the SERVICE sector (tertiary sector) which stands at 57% in 2013.

India's dynamic services sector has grown rapidly in the last decade with almost 72.4 per cent of the growth in India's GDP in 2014-15 coming from this sector. (Source: Economic Survey 2015-16).

Q6. Answer: (c)

A large quantity of imports of India comes from OPEC countries like Saudi Arabia, Iran, Brazil, etc.

Normally, this group accounts for more than 25 per cent of India's imports. As per the Economic Survey 2011-2012, the United Arab Emirates and Saudi Arabia were the major exporters to India.

India's foreign trade with developing countries has been on the rise. The share of these countries in India's import trade has increased to over 31 per cent.

Q7. Answer: (b)

The State Bank of India traces its ancestry to British India when the Bank of Calcutta was established on 2 June 1806. The Bank of Bengal was one of three Presidency banks, the other two being the Bank of Bombay (1840) and the Bank of Madras (1843).

The Presidency banks amalgamated on 27 January 1921 as the Imperial Bank of India. On 1 July 1955, the Imperial Bank of India became the State Bank of India.

Q8. Answer: (b)

National product at factor cost is equal to net domestic product at factor cost + Net factor Income from Abroad.

Q9. Answer: (b)

X = Income from Abroad (income earned and received by nationals within the boundaries of foreign countries).

M = Income received by foreign nationals within the country.

Q10. Answer: (c)

In an economy, the sectors are classified into private and public on the basis of ownership. Private sector is owned and managed by proprietors and partnerships while the public sector is wholly owned and managed by government.

Q11. Answer: (a)

The government of India is divesting its share from public sector undertakings. Most of the government undertakings were incurring losses during the pre liberalization period.

Hence, after the introduction of a new economic policy in 1991, the government started downsizing its share in PSU. But the process of disinvestment is very slow due to a host of legal and political hurdles.

Q12. Answer: (c)

Devaluation happens in countries with a fixed exchange rate. In a fixed-rate economy, the government decides what its currency should be worth compared with that of other countries. The exchange rate can change only when the government decides to change it.

If a government decides to make its currency less valuable, the change is called devaluation. Depreciation happens in countries with a floating exchange rate. A floating exchange rate means that the global investment market determines the value of a country's currency.

Q13. Answer: (b)

The Tenth Five-Year Plan (2002–2007) envisaged attainment of 8% GDP growth per year; reduction of poverty ratio by 5 percentage points by 2007; and reduction in gender gaps in literacy and wage rates by at least 50% by 2007.

It set the goal that the rate of literacy must be increased by at least 75%, within the tenure of the Tenth Five Year Plan.

Q14. Answer: (d)

The Minimum Alternative Tax (MAT) was introduced for the first time in the Budget for the year 1996-97.

Minimum alternate tax or MAT is a tax levied on firms/ companies or limited liability partnerships (LLPs) making abundant profits as well as distributing dividends to its shareholders who leveraging on the features of the Indian Taxation system do not contribute towards the government's taxation kitty.

Thus, for such corporates, a minimal tax amounting to some fixed percentage of book profits i.e. profits according to accounting records is charged as minimal alternative tax (MAT).

Q15. Answer: (b)

Madan Mohan Malaviya raised Rs.50,000 rupees to acquire the Hindustan Times along with the help of nationalist leaders Lajpat Rai and M. R. Jayakar and industrialist G. D. Birla, who paid most of the cash. Due to involvement of Lala Lajpat Rai with Punjab National Bank. Malaviya received much needed funds from the bank to revive the paper.