

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

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Q1. When the prices of commodities, goods and services start declining consistently, the phenomenon is known as

- a) Deflation
 - b) Market capitalism
 - c) Negative growth
 - d) Discount field
-

Q2. The most accessible medium in India is

- a) Newspapers
 - b) Radio
 - c) Cinema
 - d) Television
-

Q3. Which is the **correct** definition of National Income ?

- National Income means the total amount of money Govt. earns through direct tax collection.
 - It is the total value of stocks held by a country at a particular point of time.
 - This is the measure of goods and services produced during an accounting year without double counting.
- a) 2 only
 - b) 3 only
 - c) 1 only
 - d) All 1, 2 and 3
-

Q4. Which of the following is associated with fiscal policy?

- a) Taxation
- b) Consumption
- c) Inflation
- d) Money supply

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Q5. The main source of National income in India is

- a) agriculture
- b) trade sector
- c) industrial sector
- d) service sector

Q6. National Income is defined as:

- It is the total amount of money government earns through direct tax collection.
- It measures the flow of goods and services in an economy
- It is the total value of stocks held by a country at a particular point of time

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

Q7. At present, India is following

- a) Pegged down exchange rate
- b) Floating exchange rate
- c) Pegged up exchange rate
- d) Fixed exchange rate

Q8. Antyodaya Programme is associated with :

- a) bringing up cultural revolution in India
 - b) liberation of bonded labour
 - c) demands of textile labourers
 - d) upliftment of the poorest of the poor
-

Q9. Which State in India has introduced FAT Tax on junk food

- a) Kerala
 - b) Rajasthan
 - c) Andhra Pradesh
 - d) Bihar
-

Q10. 'Basel III' norms target at which of the following?

- Improve the banking sector's ability to absorb shocks arising from financial and economic stress.
- Improve risk management and governance.
- Strengthen banks' transparency.

Choose the **correct** answer using the codes given below:

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

Q11. What was the objective of Command Area Development Programme?

- a) Poverty alleviation in selected areas
 - b) To ensure better utilisation of irrigation potential
 - c) To develop the areas under the command of Army
 - d) To ensure that land is given to the tillers
-

Q12. Consider the following Statement

- The relationship between population growth and economic development can be explained by the Theory of Demographic Transition for contemporary developed nations.
- The three stages of population growth are stable or slow population growth, population explosions, low birth rates and low death rates.

Select the **correct** statement using the code given below:

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

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Q13. During period of inflation, rates should

- a) Decrease
- b) Fluctuate
- c) Remain constant
- d) Increase

Q14. The definition of 'small-scale industry' in India is based on

- a) export capacity
- b) investment in machines and equipments
- c) market coverage
- d) sales by the unit

Q15. The 'more mega store' retail chain belongs to which Indian Industry ?

- a) Bharti Enterprises
- b) Reliance Industry

c) Aditya Birla Group

d) None of these

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Answers to the above questions :

Q1. Answer: (a)

When the prices of commodities, goods and services start declining consistently, the phenomenon is known as deflation. Deflation is because of a fall in the aggregate level of demand.

That is, there is a fall in how much the whole economy is willing to buy and the price for goods. Because the price of goods is falling, consumers have an incentive to delay purchases and consumption until prices fall further, which in turn reduces overall economic activity.

Since this idles the productive capacity, investment also falls, leading to further reductions in aggregate demand.

Q2. Answer: (a)

The newspaper's importance in India may be due to the fact that it is relatively free from the competition despite the rise of the Internet. Though there are a large number of households that own television sets, there are still many more without.

Newspapers are highly affordable and are the more accessible alternative, even for rural areas.

Moreover, it is not dependent on other factors such as infrastructure or availability of electricity, which are both areas that are lacking in India.

Q3. Answer: (b)

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Q4. Answer: (b)

Fiscal policy is the use of government revenue collection (taxation) and expenditure (spending) to influence the economy.

The two main instruments of fiscal policy are changes in the level and composition of taxation and government spending in various sectors.

Q5. Answer: (d)

The service sector is one of the three economic sectors. it includes:

1. telecommunication,
2. hospitality industry/tourism,
3. mass media,
4. healthcare/ hospitals,
5. information technology,
6. banking,
7. insurance,
8. investment management,

9. accountancy,
10. legal services,
11. consulting,
12. retail sales,
13. real estate,
14. education.

The maximum contribution to national income comes from the service sector which contributes around 60%.

Q6. Answer: (a)

National income measures the net value of goods and services produced in a country during a year and it also includes net earned foreign income.

Q7. Answer: (b)

The exchange rate can be defined as the value of one currency in terms of another. India follows a floating exchange rate system for the determination of the exchange rate.

A floating exchange rate system can be defined as a system where the exchange rate between currencies is not fixed but keep fluctuating, as they are determined by the demand and supply for the domestic currency in the international market.

India has been operating on a managed floating exchange rate regime since March 1993, marking the start of an era of a market-determined exchange rate regime of the rupee with provision for timely intervention by the central bank.

Q8. Answer: (d)

Antyodaya Anna Yojana (AAY) is a centrally sponsored scheme that was launched on December 25, 2000, for one crore of the poorest families. It is an important milestone in providing foodgrains to the poor.

It contemplated providing 25 kg. of foodgrains per month at highly subsidized rates of Rs.2 per kg. for wheat and Rs.3 per kg. for rice to each Antyodaya family.

This scheme reflects the commitment of the Government of India to ensure food security for all, create a hunger-free India in the next five years and reform and improve the Public Distribution System so as to serve the poorest of the poor in rural and urban areas.

Q9. Answer: (a)

In a first-of-its-kind move in the country, Kerala, in July 2016, introduced a 'fat tax' on the consumption of junk food items like pizzas and burgers sold through branded restaurants.

The state government imposed a 14.5% tax on branded restaurants selling items like tacos, pizzas, burgers, sandwiches, among others.

Q10. Answer: (d)

Basel III (or the Third Basel Accord) is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk.

So all the given statements are correct.

Q11. Answer: (b)

The Command Area Development Programme was launched in the year 1974-75 under Centrally Sponsored Scheme, with the objective of fast utilization of created irrigation potential and optimum agriculture production from irrigable land.

It aimed at:

1. reclamation of waterlogged areas;
2. construction of field irrigation channels;
3. construction of field drains;
4. all-around development of areas pertaining to agriculture, etc.

Q12. Answer: (b)

Population growth directly impacts the Indian economy. The three stages of population growth are:

The first stage of stable or slow population growth:

The growth of the population was slow due to the high death rate which nullified the high birth rate.

In this stage, these economies were primitive and primarily agrarian, with widespread illiteracy, poor sanitation and health care conditions, negligible knowledge of family planning and large family sizes which contributed to factors such as high fertility rate and high death

rate. In the period between the first and the second stages, the death rates start reducing and birth rates remain stable which brings an imbalance in the economy.

Measures like diseases control, improving nutrition levels, and sanitation improvement are implemented to reduce death rates, but the measures for controlling birth rates are not implemented, which results in a population explosion. This required a period of transition for adjustment, thus bringing the second stage of transition.

The second stage of population explosions:

In this stage rise in income levels contributed to improvement in health care, education, disease control and so on which in turn contributed to reducing the death rates. This accelerated the growth of the population. The family size reduced and improved trade and economic conditions resulted in more food and better food habits which further helped the population to grow at a much higher rate than in the first stage. The demographic changes brought imbalances in the economy, creating conditions for further transition of society.

The third stage of low birth rates and low death rates:

Modernization and industrialization changed the living pattern in such nations, the rural population shifted to cities and family sizes were reduced to become nuclear families. The standard of living increased which further brought down mortality rates and birth rates. As a result, the growth of the population declined.

Q13. Answer: (d)

During inflation interest rates should increase so that the investor invests more in lieu of higher interest-earning thus money supply reduces which can reduce inflation.

Similarly higher interest rates mean credit becomes costly so that again supply of money reduces which helps in curbing inflation.

Q14. Answer: (b)

Generally, the small-scale sector is defined in terms of investment ceilings on the original value of the installed plant and machinery.

As per the Ministry of Micro, Small & Medium Enterprises of India, a small scale industry is an industrial undertaking in which the investment in fixed assets in plant and machinery whether held on ownership terms on lease or on hire purchase does not exceed Rs 10 million.

Fixed capital investment in a unit has been adopted as criteria to make a distinction between small-scale and largescale industries. This limit is being continuously raised upwards by the government.

Q15. Answer: (c)

Aditya Birla Retail Limited (ABRL), the retail arm of Aditya Birla Group company, operates two store formats - Supermarket and Hypermarket under the brand 'more'. ABRL is the 4th largest supermarket chain in India after Future Group, Reliance Retail and D-Mart.

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