

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

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**Q1.** Per capita Income of a country derived from

- a) National Income and Population both
  - b) National Income
  - c) Population
  - d) None of these
- 

**Q2.** Government of India has decided to integrate\_\_\_\_\_with recently launched Pradhan Mantri Krishi Sinchayee Yojana.

- a) National Rural Livelihood Mission
  - b) Mahatma Gandhi National Rural Employment Guarantee Act
  - c) Haryali
  - d) Accelerated Irrigation Benefit Programme
- 

**Q3.** Which Bank was merged in the Punjab National Bank in February, 2003 ?

- a) Nainital Bank Ltd.
  - b) Catholic Syrian Bank Ltd.
  - c) Nedungadi Bank Ltd.
  - d) Madurai Bank Ltd.
- 

**Q4.** Which of the following is definitely a major indication of the state of the economy of a country?

- a) Number of Banks in a country
- b) Rate of GDP growth

- c) Rate of inflation
- d) None of these

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**Q5.** Economic Survey in India is published officially, every year by the :

- a) NITI Aayog
- b) Reserve Bank of India
- c) Ministry of Finance
- d) Ministry of Commerce

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**Q6.** Prime Minister's 'Ujjwala Yojana' is related to

- a) Free electric connections to members of Scheduled Castes and Scheduled Tribes.
- b) Free distribution of LPG connections to socially backward classes.
- c) Mass immunisation campaign for children.
- d) None of the these

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**Q7.** The fringe benefit tax was introduced in the budget of

- a) 2004-05
- b) 2003-04
- c) 2005-06
- d) 2006-07

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**Q8.** Consider the following statement related to population

- An effective employment policy, which can absorb the growing number of workers and promote economic growth.

- An imaginative family planning programme to encourage families to adopt the small family norm.

Which among the above statements is / are **not correct**?

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

**Q9.** Consider the following statements in regard to 'poverty line' :

- The International poverty line according to World Bank is US \$ 1.25/day/person based on PPP (Purchasing Power Parity).
- Planning commission of India has defined poverty line based on intake of calories and is different for rural and urban areas.

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
- 

**Q10.** Who coined the term 'Hindu rate of growth' for Indian economy?

- a) Kirit S. Parich
  - b) Montek Singh Ahluwalia
  - c) Raj Krishna
  - d) A.K. Sen
- 

**Q11.** From the national point of view which of the following indicates Micro Approach?

- a) Study of sales of TISCO
- b) Per capita income in India
- c) Inflation in India

d) Educated Unemployment in India

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**Q12.** Development expenditure of the Central government **does not** include

- a) expenditure on economic services
- b) grant to states
- c) expenditure on social and community services
- d) defence expenditure

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**Q13.** In India, agriculture income is calculated by

- a) input method
  - b) commodity flow method
  - c) expenditure method
  - d) output method
- 

**Q14.** Which of the schemes of the Government of India makes Indian cities free from slums?

- a) Central Rural Sanitation Programme
  - b) Indira Awas Yojana
  - c) Rajiv Awas Yojana
  - d) Antyodaya
- 

**Q15.** In the context of the Indian economy, consider the following statements

- The growth rate of GDP has steadily increased in the last five years.
- The growth rate in per capita income has steadily increased in the last five years.
- The growth rate of GDP has steadily increased.

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

- a) 2 only
- b) Both 1 and 3
- c) 1 only
- d) None of these

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### Answers to the above questions :

#### Q1. Answer: (a)

The per capita income of a country is derived from both National Income and population both. Per Capita Income is obtained by dividing National Income by the total population of the country.

Per capita income, also known as income per person, is the mean income of the people in a country.

It is calculated by taking a measure of all sources of income in the aggregate (such as GDP or Gross national income) and dividing it by the total population.

#### Q2. Answer: (b)

Pradhan Mantri Krishi Seenchayi Yojana will converge with rural development schemes like the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and other schemes of the agriculture ministry and land resources department.

This will help in creating more irrigation assets.

#### Q3. Answer: (c)

In February 2003, the Punjab National Bank took over Nedungadi Bank, the oldest private sector bank in Kerala. At the time of the merger with PNB, Nedungadi Bank's shares had zero value, with the result that its shareholders received no payment for their shares.

It was the first private sector commercial bank to be set up in South India. The bank was incorporated in 1913 and in 1965 it took over selected assets and liabilities of the Coimbatore National Bank Ltd.

**NOTE:** On 15 February 2017, the Union Cabinet approved the merger of 5 associate banks with SBI.

Finally, the five associate banks, along with Bharatiya Mahila Bank, merged with SBI on 31 March 2017. With effect from April 1, 2017; all the branches of Associates Banks viz State Bank of Patiala, State Bank of Hyderabad, State Bank of Bikaner & Jaipur, State Bank of Mysore and State Bank of Travancore, will function as branches of STATE BANK OF INDIA (SBI).

On 7 October 2014, Arundhati Bhattacharya became the first woman to be appointed Chairman of the bank. She is serving as present chairman of SBI.

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

The rate of GDP growth is a major indication of the state of the economy of a country. Economic growth is the increase in the market value of the goods and services produced by

an economy over time. It is conventionally measured as the per cent rate of increase in gross domestic product.

Gross domestic product (GDP) is the market value of all officially recognized final goods and services produced within a country in a year, or another given period of time.

**Q5. Answer: (c)**

The Economic Survey of India is a flagship annual document of the Ministry of Finance, Government of India.

It reviews the developments in the Indian economy over the previous 12 months, summarizes the performance of major development programs, and highlights the policy initiatives of the government and the prospects of the economy.

**Q6. Answer: (b)**

Pradhan Mantri Ujjwala Yojana is an ambitious social welfare scheme of the Narendra Modi Government launched on 1 May 2016 from Ballia in Uttar Pradesh.

The scheme aims to provide LPG connections to BPL households in the country and, thus, replace the unclean cooking fuels mostly used in rural India with the clean and more efficient LPG (Liquefied Petroleum Gas).

**Q7. Answer: (c)**

The fringe benefits tax (FBT) was introduced in India in the year 2005-2006. Fringe Benefits Tax (FBT) is fundamentally a tax that an employer has to pay in lieu of the benefits that are given to his/her employees. It was an attempt to comprehensively levy tax on those benefits, which evaded the taxman.

The list of benefits encompassed a wide range of privileges, services, facilities or amenities which were directly or indirectly given by an employer to current or former employees, be it something simple like telephone reimbursements, free or concessional tickets or even contributions by the employer to a superannuation fund.

FBT was introduced as a part of the Finance Bill of 2005 and was set at 30% of the cost of the benefits given by the company, apart from the surcharge and education cess that also needed to be paid.

**Q8. Answer: (d)**

The problem of over population can be solved by two ways

An effective employment policy, which can absorb the growing number of workers and promote economic growth.

An imaginative family planning programme to encourage families to adopt the small family norm.

**Q9. Answer: (c)**

The poverty line is a minimum level of income deemed adequate in a particular country. The common international poverty line has in the past been roughly \$1 a day.

In 2008, the World Bank came out with a revised figure of \$1.25 at 2005 purchasing power parity.

In India, the poverty line is identified in monetary units as the level of income or consumption expenditure required in order to avoid poverty.

**Q10. Answer: (c)**

The term was coined by Indian economist Raj Krishna. The Hindu rate of growth is a derogatory term referring to the low annual growth rate of the socialist economy of India before 1991, which stagnated around 3.5% from the 1950s to the 1980s.

The word "Hindu" implies that the Hindu outlook of fatalism and contentedness was responsible for the slow growth.

**Q11. Answer: (a)**

Microeconomics is a branch of economics that studies the behaviour of individuals and firms in making decisions regarding the allocation of limited resources. Typically, it applies to markets where goods or services are bought and sold.

This is in contrast to macroeconomics, which involves the "sum total of economic activity, dealing with the issues of growth, inflation, and unemployment."

So the study of sales of TISCO will come under microeconomics.



**Q12. Answer: (b)**

All expenditures that promote economic growth and development are termed development expenditure.

Expenditure on infrastructure development, public enterprises or the development of agriculture increase productive capacity in the economy and bring income to the government.

Expenditures in the nature of consumption such as Defence, interest payments, expenditure on law and order, public administration, do not create any productive asset which can bring income or returns to the government are non-development expenditures.

**Q13. Answer: (d)**

For calculating national income, the Indian economy is divided into 14 broad sectors, which are then grouped into three main categories A, B and C.

In India, agriculture, forestry and logging, fishing, mining and quarrying, registered manufacturing and construction units are included in category A. The output method is applied to category A.

The value added by this category is found by subtracting the value of raw materials and other inputs from the aggregate of commodity-wise output.

**Q14. Answer: (c)**

Rajiv Awas Yojana (RAY) envisages a "Slum Free India" with inclusive and equitable cities in which every citizen has access to basic civic infrastructure and social amenities and decent shelter.

It aims to make India slum-free by 2022 by providing people with shelter or housing, free of cost. It was introduced by the Union Ministry of Housing and Alleviation.

**Q15. Answer: (d)**

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