

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

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Created By [Careericons](#) Team

Q1. GDP at Factor Cost is

- a) GDP minus depreciation allowances
 - b) GDP minus indirect taxes plus subsidies
 - c) NNP plus depreciation allowances
 - d) GDP minus subsidies plus indirect taxes
-

Q2. Net National Product (NNP) of a country is

- a) GDP plus net income from abroad
 - b) GNP minus depreciation allowances
 - c) GNP minus net income from abroad
 - d) GDP minus depreciation allowances
-

Q3. Which one of the following is **not** a scheme/project of the present Government?

- a) Swachh Bharat
 - b) AMRUT
 - c) AYUSH
 - d) Jan Dhan Yojana
-

Q4. Fiscal deficit implies

- a) Total expenditure – Total receipts
- b) Total expenditure – (Revenue receipts + receipts from disinvestment)

- c) Total expenditure – (Revenue receipts + recovery of loans + receipts from disinvestment)
- d) Total expenditure – Disinvestment receipts

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Q5. Name the Indian State with the highest tax revenue.

- a) Sikkim
- b) Assam
- c) Karnataka
- d) Maharashtra

Q6. The largest share of India's national income originates in the

- a) Secondary sector
- b) Primary sector
- c) Tertiary sector
- d) Any of the above

Q7. The existence of a parallel economy or black money

- a) makes the monetary policies less effective
- b) ensure increasing productive investment
- c) ensure a better distribution of income and wealth
- d) makes the economy more competitive

Q8. Which of the following are **correct** in regards to the austerity measures taken by a country going through adverse economic conditions:

- These measures include a reduction in expenditure.

- These measures include an increase in tax.
- These measures include a reduction in the budget deficit.

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

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

Q9. If the marginal return increase at a diminishing rate, the total return

- a) decreases
 - b) increases
 - c) remains constant
 - d) becomes income
-

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

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

Q11. The most appropriate measure of a country's economic growth is its

- a) Net Domestic Product
 - b) Per capita real income
 - c) Net National Product
 - d) Gross Domestic Product
-

Q12. Which amongst the following rural banks has been named after a river ?

- a) Varada Grameen Bank

- b) Prathama Bank
- c) Thar Anchalik Grameen Bank
- d) Aravali Kshetriya Grameen Bank

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Q13. Consider the following statements in regard to the **Goods and Service Tax**:

- The GST shall have two components: one levied by the centre, and the other levied by the states.
- The central GST and state GST are to be paid to the joint accounts of the centre and the states.
- While the imports would be zero-rated, the exports would be subjected to the GST.

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

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

Q14. In the production of cotton textiles India ranks

- a) third in the world
- b) fourth in the world
- c) second in the world
- d) first in the world

Q15. Which of the following statements is/are **correct** in regard to 'micro-finance'?

- Micro-credit extended by banks to individual is reckoned as a part of their priority sector lending.
- RBI has prescribed a particular model the banks to provide micro-finance.

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

- a) 2 only

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

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Answers to the above questions :

Q1. Answer: (b)

Gross value added at factor cost (formerly GDP at factor cost) is derived as the sum of the value-added in the agriculture, industry and services sectors.

If the value-added of these sectors is calculated at purchaser values, gross value added at factor cost is derived by subtracting net product taxes from GDP.

GDP at Factor Cost is called Real GDP. This is because it takes into account various other factors which give a clearer picture of the GDP.

Q2. Answer: (b)

Net National Product (NNP) of a country is GNP minus depreciation allowances.

NNP is the actual addition to the year's wealth. While calculating GNP, we ignore depreciation of assets but in reality, the process of production uses up the fixed assets or there is some wear and tear or fixed assets by process of depreciation.

In order to arrive at NNP, we deduct depreciation from GNP.

Q3. Answer: (a)

Swachh Bharat is India's biggest ever cleanliness campaign that was originally known as Nirmal Bharat Abhiyan and Total Sanitation Campaign from 1999 to 2012.

On 2 October 2014, the Nirmal Bharat Abhiyan campaign was relaunched as Swachh Bharat Abhiyan (Clean India Mission) which aims to eradicate open defecation by 2019.

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Q4. Answer: (c)

Fiscal Deficit: 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.

Q5. Answer: (d)

As per data released by Brickwork Ratings in December 2015, Maharashtra earns approximately 70 per cent of its total receipts through tax revenues — the highest among the bigger states — followed by Gujarat and Tamil Nadu.

It is the biggest economy within India at Rs 16.87 lakh crore in terms of gross state domestic product (GSDP). The state also contributes to about 40 per cent of India's income tax collections.

Q6. Answer: (c)

National Income is essentially what a country produces in a given year. It takes into account the value of all the goods and services in an economy.

The term is interchangeable with Gross Domestic Product (GDP) The services industry accounted for over 57% of India's gross domestic product in 2010- 2011 and is by far the largest.

Q7. Answer: (a)

The existence of a parallel economy or black money makes the monetary policies less effective.

A parallel economy, based on black money or unaccounted money, causes high circulation of money in the market and thus causes inflation etc.

Q8. Answer: (d)

Austerity describes policies used by governments to reduce budget deficits during adverse economic conditions.

These policies may include expenditure cuts, tax increases; this is done in an economic crisis situation to improve the credit rating of the countries going through adverse economic conditions.

Q9. Answer: (a)

The question talks about marginal return increasing at a diminishing rate which, in reality, is diminishing marginal return.

In economics, the law of diminishing returns states: "If increasing amounts of a variable factor are applied to a fixed quantity of other factors per unit of time, the increments in total output will first increase but beyond some point, it begins to decline".

Richard A. Bilas describes the law of diminishing returns as: "If the input of one resource to other resources is held constant, total output will increase but beyond some point, the resulting output increases will become smaller and smaller."

So as the marginal return increases at a diminishing rate, the total return will eventually decrease.

Q10. Answer: (c)

The Hindu rate of growth refers 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, while per capita income growth averaged 1.3%. The term was coined by Indian economist Raj Krishnaa.

It suggests that the low growth rate of India, a country with a high Hindu population was in sharp contrast to high growth rates in other Asian countries, especially the East Asian Tigers, which were also newly independent.

This meaning of the term, popularized by Robert McNamara, was used disparagingly and has connotations that refer to the supposed Hindu outlook of fatalism and contentedness.

Q11. Answer: (b)

The most appropriate measure of a country's economic growth is its per capita real income. Per capita income is average income, a measure of the wealth of the population of a nation. It is used to measure a country's standard of living thus a better indicator of economic growth.

Q12. Answer: (a)

Varada Gramina Bank is a Regional Rural Bank (RRB) named after the Wardha River which is one of the biggest rivers in the Vidarbha region in India.

It is one of those banks which were amalgamated and newly opened. It has been serving Kumta in Karnataka, providing excellent banks service to those in need.

Q13. Answer: (c)

The Goods and Services Tax (GST) is a Value Added Tax (VAT) replacing all indirect taxes levied on goods and services by the Indian Central and State governments.

India is a federal republic, and the GST is thus implemented concurrently by the central and state governments as the Central GST and the State GST respectively.

Exports will be zero-rated and imports will be levied the same taxes as domestic goods and services adhering to the destination principle.

Q14. Answer: (c)

As per the data of 2009-2010, China, India and the United States were the first three major produceRs. India is the second largest cotton producer and consumer. The textile industry accounted for 14.4% of the country's export earnings.

Q15. Answer: (c)

Micro-credit extended by banks to individuals is reckoned as a part of their priority sector lending and no particular model has been prescribed for microfinance and banks have been extended freedom to formulate their own models.

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