

MACRO FUNDAMENTALS, GDP, INVESTMENT, GROWTH BASED INDIAN ECONOMY MCQ PRACTICE QUESTIONS AND ANSWERS PDF WITH EXPLANATION

For All Competitive SSC, Bank, IBPS, UPSC, Railway, IT & Other Govt. Exams

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Q1. Economic growth in India is measured by change in GDP at:

- a) Factor Cost at constant prices
 - b) Current market prices
 - c) Constant market prices
 - d) Factor Cost at market prices
-

Q2. Which one of the following led the Malegam committee to recommend for interest rate cap for micro-finance institutions?

- a) High interest rate
 - b) Promoters of micro-finance institution growing rich
 - c) Borrowers stopped repaying loans
 - d) Small loans offered to microenterprises
-

Q3. Which of the following is a common measure of degree of 'openness of an economy'?

- a) Trade balance as a percentage of GDP
 - b) Balance of Payments as a percentage of GDP
 - c) Exports and imports share in world GDP
 - d) Exports and imports of goods and services as a percentage of GDP
-

Q4. What is/are the recent policy initiative(s) of government of India to promote the growth of manufacturing sector?

- Setting up of National Investment and manufacturing Zones.
- Providing the benefits of 'single window clearance'.

- Establishing the technology acquisition and development fund.

Select the correct answer using the codes given below.

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

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Q5. Wholesale Price Inflation (WPI) index includes price change of which of the following sectors:

- i. Agriculture
- ii. Mining
- iii. Manufacturing
- iv. Electricity

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

- a) (i), (ii) & (iii) only
- b) (iii) only
- c) (ii) & (iii) only
- d) All of the above

Q6. Public procurement of food grains at support prices insures the following.

- Stability in farm prices
- Remunerative prices to the farmers
- Building food stocks for public distribution

Which of the above statements are correct?

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

Q7. Which of the following statements are correct about **CPI rural, CPI urban and CPI combined index**?

- i. Inflation data is published by NSO
- ii. The base year is 2011-12
- iii. It is released for all India and for states and UTs separately on a monthly basis

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

- a) (ii) & (iii) only
 - b) (ii) only
 - c) (i) only
 - d) All of the above
-

Q8. Green Revolution is related to

- a) Pulse production
 - b) Millet production
 - c) Oil seed production
 - d) Wheat production
-

Q9. Why is the Government of India disinvesting its equity in the Central Public Sector Enterprises (CPSEs)?

- Government intends to use the revenue earned from the disinvestment mainly to pay back the external debt.
- The government no longer intends to retain the managements control of the CPSEs.

Which of the statement(s) given above is/are correct?

- a) Only 2
 - b) Only 1
 - c) Neither 1 nor 2
 - d) Both 1 and 2
-

Q10. The **demand for GDP** in the economy comes from which of the following sectors:

- i. Household

- ii. Private
- iii. Government
- iv. External

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

- a) (i), (ii) & (iii) only
- b) (ii) & (iii) only
- c) (i) & (ii) only
- d) All of the above

Q11. Which of the following are **not** counted in **India's GDP** calculation?

- i. Informal sector activity
- ii. Re-exports

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

- a) Both (i) & (ii)
- b) (ii) only
- c) (i) only
- d) Neither (i) nor (ii)

Q12. Consider the following statements regarding **India's merchandise trade**:

- i. India's merchandise imports as a percentage of GDP has steadily decreased in the last decade
- ii. India's merchandise exports as a percentage of GDP has steadily decreased in the last decade

Select the correct answer using the code given below:

- a) Both (i) & (ii)
- b) (ii) only
- c) (i) only
- d) Neither (i) nor (ii)

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Q13. Small Scale and Cottage Industries are important because

- a) Government helps them
 - b) they provide more employment
 - c) management is easy
 - d) they are traditional
-

Q14. Consider the following statements

- i. Capital goods are final goods and are not used as an input
- ii. Intermediate goods are those which have been produced but should be further transformed before they can be used for any purpose

Select the correct answer using the code given below:

- a) Both (i) & (ii)
 - b) (ii) only
 - c) (i) only
 - d) Neither (i) nor (ii)
-

Q15. Capital formation in a country will necessarily lead to which of the following:

- i. Increase in ICOR
- ii. Decrease in ICOR
- iii. Economic growth

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

- a) (iii) only
 - b) (ii) & (iii) only
 - c) (i) & (iii) only
 - d) None of the above
-

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Answers to the above questions :

Q1. Answer: (c)

Q2. Answer: (a)

Q3. Answer: (d)

Openness is measured as, Exports + Imports of goods and services of a country as a percentage of its GDP.

So, (d) is correct

Trade balance means Exports – Imports.

So, statement (c) is incorrect.

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Q4. Answer: (c)

Q5. Answer: (d)

Wholesale Price Index (WPI) is released by the Office of Economic Advisor, Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry. The Base year has been revised to 2011-12 and includes 697 items.

WPI inflation measures the average change in prices of commodities for bulk sale at the level of the early stage of transactions pertaining to four sectors namely agriculture, mining, manufacturing and electricity. WPI does not cover services. WPI covers commodities falling under three Major Groups namely:

"Primary Articles" (weight 22.62%) like agricultural commodities and minerals

"Fuel and Power" (weight 13.15%) like coal and electricity and

"Manufactured Products" (weight 64.23%) like textiles, leather, machine tools

The prices tracked are agri-market (mandi) prices for agricultural commodities, ex-factory prices for manufactured products and ex-mines prices for minerals. The prices used for compilation do not include indirect taxes in order to remove the impact of fiscal policy. This is in consonance with best international practices and makes the new WPI conceptually closer to the "Produce Price Index" used internationally.

The weight given to each commodity covered in the WPI basket is based on the net traded value of the item in the year 2011-12. The net traded value is the value of output in the year 2011-12 adjusted for net imports. Thus, the net traded value represents the total transactions of each product in the economy during the base year.

Q6. Answer: (d)

Q7. Answer: (d)

Q8. Answer: (d)

Q9. Answer: (c)

Q10. Answer: (d)

An economy produces two types of final goods i.e. consumption and capital goods. Consumption goods get consumed and capital goods are used for further production processes (capital goods are also called investment).

The value of these two goods produced in the economy in a year is called GDP. These two types of goods i.e. GDP is purchased by the four sectors of the economy

1. Household sector (consumption goods)
2. Private sector (capital goods)
3. Government sector (consumption and capital both)
4. External sector (consumption and capital both)

Q11. Answer: (d)

Informal economic activity constitutes around 30% of the GDP. We may not be able to measure it accurately but while calculating the GDP figures informal activity is extrapolated based on formal activities and are included in GDP.

Re-exports means, something imported and then processed and then again exported. So, whatever goes in processing will be part of our GDP.

For example, India imported crude oil worth Rs 50 and then refined/processed it and then exported it in Rs. 80, then $\text{Rs. } 80 - \text{Rs. } 50 = \text{Rs. } 30$ will be included in India's GDP

Q12. Answer: (d)

Refer the Trends

Economic Survey 2019-20, Vol- 2, Page no. 76 and 79

Q13. Answer: (b)

Q14. Answer: (b)

Intermediate goods are semi-finished goods that have been produced by a process but cannot be used as it is and need to go through further production/transformation process to be converted into a final good.

For example, steel sheets. The steel sheets cannot be used as it is and needs to be transformed into final products like automobiles, appliances etc. So (ii) the statement is true.

A particular good will be capital in nature only if it possesses the following three characteristics:

1. It is a produced durable output of a man-made process
2. It again acts as an input for the further production processes (to be sold in the market)
3. While acting as an input, it does not get transformed or consumed (hence it's a final good)

Q15. Answer: (a)

Capital formation means the production of capital goods. Production of capital goods leads to the future production of goods and services and hence economic growth. So, statement (iii) is true

Production of capital goods increases the capital stock in the economy but does not tell whether there is an increase in efficiency of that capital.

Efficiency is measured as how much output is produced from how much of inputs. So, we can't say that ICOR will increase or decrease with capital formation.

Basically, if you increase the number of hours you study, still you cannot say that the "number of pages per hour" that you study will increase or decrease.

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