

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

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**Q1.** If India is experiencing economic growth, then which of the following statements must hold true:

- i. Real GDP is increasing
- ii. Nominal GDP is increasing
- iii. Rate of growth of real GDP is increasing
- iv. Rate of growth of nominal GDP is increasing

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

- a) (i) & (iii) only
  - b) (i) & (ii) only
  - c) (i) only
  - d) (i) & (iv) only
- 

**Q2.** Green revolution was the result of adaption of New Agricultural strategy which was introduced in 20th Century during decades of

- a) Sixties
  - b) Fifties
  - c) Eighties
  - d) Seventies
- 

**Q3.** Since 1997-98 which statement is correct regarding Minimum Support Price (MSP)?

- a)  $MSP > C_2$  costs
  - b)  $MSP = C_2$  costs
  - c) MSP is independent to  $C_2$  cost
  - d)  $MSP < C_2$  costs
-

**Q4.** Public Distribution System is aimed at

- a) to prevent hoarding and black marketing
- b) providing food security to the poor
- c) All of the above
- d) to prevent overcharging by traders

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**Q5.** Consider the following statements regarding India:

- i. Exports (of goods and services) as a per cent of GDP has steadily decreased in the last decade
- ii. Imports (of goods and services) as a per cent of GDP has steadily increased in the last decade
- iii. Trade as a per cent of GDP has steadily decreased in the last decade

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

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

**Q6.** Micro-finance is the provision services to people of low-income groups. This includes both the consumers and the self-employed. The service/services rendered under micro-finance is/are

- Credit-facilities
- Saving facilities
- Insurance facilities
- Fund transfer facilities

Select the correct answer using the codes given below.

- a) Only 1 and 4
- b) Only 1
- c) 1, 2, 3 and 4

d) Only 2 and 3

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**Q7.** Consider the following statements regarding **Incremental Capital Output Ratio (ICOR)**:

- i. It shows how efficiently capital is being used to produce output
- ii. It is the extra unit of capital required to produce one additional unit of output
- iii. It is the extra unit of output produced from one additional unit of capital
- iv. It is the ratio of change in capital to change in output

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

- a) (i), (ii) & (iv) only
  - b) (i) & (ii) only
  - c) (i) only
  - d) (i), (iii) & (iv) only
- 

**Q8.** Among the following, which one is related to Blue Revolution in India?

- a) Sericulture
  - b) Floriculture
  - c) Horticulture
  - d) Pisciculture
- 

**Q9.** National Agricultural Insurance Scheme was launched in the year

- a) 1998-99
  - b) 1995-96
  - c) 2001-02
  - d) 1999-2000
- 

**Q10.** Consider the following statement with reference to '**Income Elasticity of Demand**':

- i. It measures the responsiveness of demand for a particular good to changes in consumer income.

ii. Using this concept, it is possible to tell if a particular good represents a necessity or a luxury.

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

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

**Q11.** A country is going through a phase of industrialization. Which of the following statements are **correct**?

- a) Total factor productivity increases
  - b) Productivity of labour increases
  - c) Capital to labour ratio increases
  - d) All of the above
- 

**Q12.** In relation to Agricultural Finance and Refinance which institution is the biggest?

- a) NABARD Institution
  - b) Regional Rural Bank
  - c) Land Development Bank
  - d) Central Cooperative Bank
- 

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**Q13.** Among the Indian States, Uttar Pradesh is the largest producer of which of the following crops?

- a) Wheat, Potato, Sugarcane
- b) Wheat, Potato, Groundnut

- c) Potato, Sugarcane, Paddy
  - d) Potato, Sugarcane, Cotton
- 

**Q14.** The registered exporters, whose export performance in several years is of high quality, are known as

- a) Trading Houses
  - b) Export Houses
  - c) None of the above
  - d) Star Trading Houses
- 

**Q15.** The 'Green Revolution' involved the use of high yielding varieties of seeds which required

- a) more fertilizer and less water
  - b) less fertilizer and less water
  - c) more fertilizer and more water
  - d) less fertilizer and more water
- 

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**Answers to the above questions :**

**Q1. Answer: (c)**

**Q2. Answer: (a)**

**Q3. Answer: (a)**

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**Q4. Answer: (c)**

**Q5. Answer: (d)**

**Q6. Answer: (c)**

**Q7. Answer: (a)**

Incremental Capital Output Ratio (ICOR) is defined as:-

$$\text{ICOR} = \frac{\text{change in capital}}{\text{change in output}} = \frac{\text{(change in capital/output)}}{\text{(change in output/output)}} = \frac{\text{investment \% in GDP}}{\text{\% change in GDP}}$$

ICOR represents how much extra unit of capital is required to produce one additional unit of output. It basically represents the (inverse of) efficiency of the new capital. Hence, statement (iii) is false. "Basically, capital/output ratio represents (average) productivity and ICOR represents (marginal) productivity."

So, if ICOR of India = 5 or (5/1), then India requires Rs. 5 of additional capital goods to produce Rs. 1 of extra output.

If our ICOR is 5 and we want a growth of 8% in GDP then we will have to do 40% investment.

**Q8. Answer: (d)**

**Q9. Answer: (d)**

**Q10. Answer: (a)**

Income elasticity of demand is calculated as the ratio of the percentage change in quantity demanded to the percentage change in income. It measures the responsiveness of the quantity demanded a good or service to a change in income.

If the income elasticity of demand of a commodity is less than 1 that means that with a change in income, demand is not changing much, which means, it is a necessity good. If the elasticity of demand is greater than 1, it is a luxury good or a superior good.

**Q11. Answer: (d)**

When a country goes through industrialization, it uses more capital and less labour comparatively or we can say labours are replaced by capital (machinery). That means ratio of capital to labour increases sharply. So, statement (a) is true.

Industrialization also leads to an increase in production of goods and services (with the same amount of labour or maybe less labour). So, production per labour also increases which

means an increase in labour productivity. So, statement (b) is also true.

Total factor productivity means the productivity of all factors of production i.e. labour, capital, land etc. During industrialization, since overall production increases, production per unit of inputs i.e. labour, capital, land etc also increases. So, statement (c) is also true. Productivity of labour =  $\frac{\text{Output}}{\text{Labour}}$

Productivity of land =  $\frac{\text{Output}}{\text{Land}}$

We all know that because of industrialization output increased. Now if output increased (with the same land and labour), then as per the above formula, productivity of land and productivity of labour, both will increase.

So, in case of industrialization, productivity of all the factors of production increases.

**Q12. Answer: (a)**

**Q13. Answer: (a)**

**Q14. Answer: (d)**

**Q15. Answer: (c)**

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