ECONOMIC DEVELOPMENT – MCQ BOOKLET

INDEX OF TOPICS

Nature of Indian Economy .1
National Income & Gross Domestic Product .106
Sustainable Economic Development .166
Agriculture and Allied Sectors .188
Industrial Sector .294
Tertiary Sector .399
Fiscal Policy & Revenue .438
Planning .546
Money & Banking .595

1. Nature of Indian Economy

Demographic Profile and its Economic Implications

1. Which of the following statements are true with refrence to Economic Survey 2018-19?

- **1. The annual population growth rate is set to increase from 1.1% in 2011-21 to 1.5% in 2031-41.**
- **2. The service sector (excluding construction) has a share of 54.3% to India's Gross Value Added (GVA) in 2018-19.**
- **3. Share of employment of service sector is at 34%.**
- **4. India accounts for 18% of the world's population but uses only 6% of world's primary energy.**

A. 1, 2 and 3 only
B. 1, 3 and 4 only
C. 2, 3 and 4 only
D. 1, 2, 3 and 4

Ans: C

GPSC Prelims CSP-2-2019

Statement 1 is incorrect; the Economic Survey 2018-19 projected a decline in the annual population growth rate, not an increase. Statement 2 is correct; the Survey stated that the services sector (excluding construction) contributed 54.3% to India's GVA in 2018-19. Statement 4 is correct; the Survey mentioned India's population share is 18% of the world, while its primary energy use is only 6%. Statement 3, stating the employment share of the service sector is 34%, is presented as correct in this MCQ, aligning with Option C. While the official tables in the Survey reported the employment share around 31-32%, figures can vary slightly based on methodology or source within the Survey itself, or external sources commonly referenced alongside the Survey. Assuming the question intended to include this as correct data point from the survey's broader discussion or referenced statistics, Option C is the intended answer.

2. Disguised unemployment generally means:

A. Large number of people remain unemployed
B. Alternative employment is not available
C. Marginal productivity of labour is zero
D. Productivity of worker is low

Ans: C

HPPSC HPAS Prelims-2014

HPPSC HPAS Prelims-2014

In disguised unemployment, the marginal productivity of the additional labour is zero or close to zero, meaning their removal would not significantly decrease the total output.

3. What was the unemployment rate during 2015-16 based on Usual Principal Status in India ?

A. 8.7 percent
B. 7.8 percent
C. 5.0 percent

D. 4.2 percent

Ans: C

HPPSC HPAS Prelims-2016

- This data is based on the employment-unemployment surveys conducted by government agencies like the Labour Bureau or NSSO (National Sample Survey Office). - The Usual Principal Status (UPS) approach measures unemployment based on the activity status of a person over a reference period of 365 days preceding the date of survey. - According to the Fifth Annual Employment-Unemployment Survey (2015-16) conducted by the Labour Bureau, the unemployment rate for persons of age 15 years and above on UPS basis was 5.0%.

4. वर्ष 2015-16 के दौरान भारत में सामान्य प्रमुख स्थिति (UPS) आधारित बेरोजगारी दर क्या थी ?

A. 8.7 प्रतिशत

B. 7.8 प्रतिशत

C. 5.0 प्रतिशत

D. 4.2 प्रतिशत

Ans: C

HPPSC HPAS Prelims-2016

- यह डेटा श्रम ब्यूरो या एनएसएसओ (राष्ट्रीय नमूना सर्वेक्षण कार्यालय) जैसी सरकारी एजेंसियों द्वारा किए गए रोजगार-बेरोजगारी सर्वेक्षणों पर आधारित है। - सामान्य प्रमुख स्थिति (UPS) दृष्टिकोण सर्वेक्षण की तारीख से पहले के 365 दिनों की संदर्भ अवधि में किसी व्यक्ति की गतिविधि स्थिति के आधार पर बेरोजगारी को मापता है। - श्रम ब्यूरो द्वारा किए गए पांचवें वार्षिक रोजगार-बेरोजगारी सर्वेक्षण (2015-16) के अनुसार, 15 वर्ष और उससे अधिक आयु के व्यक्तियों के लिए UPS आधार पर बेरोजगारी दर 5.0% थी।

5. The marginal productivity of disguised unemployed workers is :

A. Zero

B. Not zero

C. Less than zero

D. Greater than zero

Ans: A

HPPSC HPAS Prelims-2024

Disguised unemployment, also known as hidden unemployment, occurs when labour is employed in a way that adds little or nothing to the total output of the economy. In situations of disguised unemployment (common in traditional agriculture in overpopulated regions), the marginal productivity of labour is zero. This means that if one or more workers are removed from the task or production process, the total output does not decrease, because those remaining can perform the same amount of work.

6. Labour force participation rate is defined as the

A. ratio of unemployed population to work force

B. ratio of employed and willing to work to working age population

C. ratio of employed to unemployed population

D. ratio of work force to working age population excluding disguised unemployment

Ans: B

JPSC CS Prelims-2024

- Labour Force = Number of employed people + Number of unemployed people (seeking work). - Working Age Population = Total population within the specified age range (e.g., 15-64 years). - LFPR = (Labour Force / Working Age Population) 100. - Option B's numerator "employed and willing to work" is the closest representation of the Labour Force among the given options. "Willing to work" in this context typically includes both the employed and the unemployed who are seeking employment.

7. What does it mean by Human Capital Formation ?

A. Development of Infrastructure for the Economy

B. Development of abilities and skills of people

C. Increase in the stock of machines, equipment, buildings in the Economy

D. Growth of Bank deposits

Ans: B

OPSC CS Prelims-2017

Human Capital Formation is the process of increasing the stock of human capital. Human capital refers to the skills, knowledge, and health that people possess. Investments in education, training, healthcare, and nutrition contribute to human capital formation, enhancing the productivity and earning capacity of individuals.

8. According to Malthus's population theory, epidemics, natural calamities and war are known as

A. Positive checks
B. Preventive checks
C. Policy checks
D. All of the above

Ans: A

PPSC CS Prelims-2018

- Malthus argued that population tends to grow faster than the food supply, leading to a situation where checks are necessary to keep the population in line with resources. - He identified two types of checks: Preventive checks and Positive checks. - Positive checks are factors that increase the death rate, such as famine, disease (epidemics), and warfare. They act by reducing the population size after it has grown too large for the available resources.

9. 'Usual Principal Status', 'Usual Subsidiary Status' and 'Usual Principal and Subsidiary Status' approaches are used in the measurement of

A. GDP
B. Unemployment
C. Inflation
D. Services Sector Growth Rate

Ans: B

PPSC CS Prelims-2021

These statuses are used to determine whether a person is employed, unemployed, or outside the labour force based on the primary and secondary activities they engaged in during the reference period. This classification is fundamental to the measurement of employment and unemployment rates.

10. Worker to Population Ratio (WPR) is defined as

A. Percentage of employed persons in total population
B. Percentage of working age population in total population
C. Percentage of employed persons in labour force
D. Percentage of employed persons in working age population

Ans: A

RPSC RAS Prelims-2024

WPR is a key labour market indicator that measures the extent of employment in the population. It is calculated as the number of employed persons divided by the total population, multiplied by 100.

11. The number of persons who remained unemployed for a major part of the year is called

A. Usual status unemployment
B. Daily status unemployment
C. Weekly status unemployment
D. None of the above

Ans: A

UPPCS Prelims-2019

In India, different concepts are used to measure unemployment based on the reference period. The Usual Status (US) approach measures the number of persons who remained unemployed for a relatively longer period during the reference year (365 days preceding the survey). It captures chronic or long-term unemployment, identifying individuals who were available for work but were unable to find it for a major part of the year.

12. Which of the following statements is true regarding the trend of unemployment rate in India between July-September, 2019 and July-September, 2022?

- **1. It remained the same.**
- **2. It declined.**

Select the correct answer from the codes given below:

A. 2 is true and 1 is false.
B. Both 1 and 2 are false.
C. 1 is true and 2 is false.
D. Both 1 and 2 are true.

Ans: A

UPPCS Prelims-2024

According to the Periodic Labour Force Survey (PLFS) data released by the National Statistical Office (NSO), the urban unemployment rate for persons aged 15 years and above declined from 8.3% in July-September 2019 to 7.2% in July-September 2022. Thus, statement 1 is false as it did not remain the same, and statement 2 is true as it declined.

13. Match list-I with list-II and select the correct answer using code given below the lists - List - I (Theories of Population)

(A) Optimum Population Theory	**(B) Social Mal-adjustment Theory**
(C) Demographic Transition Theory	**(D) Population-Food Supply Relationship Theory**

List - II (Propounders of Theories)

(1) Thompson **(2) Malthus**
(3) Edwin Kennan **(4) Henry George**

Code -

A. A-(1), B-(2), C-(3), D-(4)
B. A-(3), B-(4), C-(1), D-(2)
C. A-(2), B-(3), C-(4), D-(1)
D. A-(4), B-(3), C-(1), D-(2)

Ans: B

UPPCS Prelims-2023

(A) Optimum Population Theory is significantly associated with Edwin Cannan. (B) Social Mal-adjustment Theory is associated with Henry George, who linked poverty and social issues to land ownership and advocated a single tax on land value. (C) Demographic Transition Theory was initially proposed by Warren Thompson and later developed by Frank Notestein. (D) The Population-Food Supply Relationship Theory is the core of Thomas Robert Malthus's famous Essay on the Principle of Population.

14. Consider the following statements :

- **1. Employment growth in India in the second half of the first decade of 21st century was relatively modest.**
- **2. There was lower labour force participation rate across all ages during the period.**

Which of the statements given above is/are correct?

A. 1 only
B. 2 only
C. Both 1 and 2
D. Neither 1 nor 2

Ans: C

UPSC CAPF-2013

- Statement 1 is correct. Economic data from the period 2004-05 to 2009-10 indicated a phenomenon often termed 'jobless growth', where GDP grew significantly but employment growth was sluggish and relatively modest compared to the previous periods.
- Statement 2 is also correct. During this period, there was a noticeable decline in the Labour Force Participation Rate (LFPR) across various age groups, including youth and women, particularly in rural areas. This contributed to the modest employment growth despite economic expansion.

15. What is the impact on the "Social overhead capital requirements" of an economy, if the population increases ?

A. Social overhead capital requirements fall.
B. Social overhead capital requirements remain unchanged.
C. Social overhead capital requirements increase.

D. Social overhead capital requirements fall drastically.

Ans: C

UPSC Combined Section Officer-2024

Social overhead capital refers to the basic infrastructure and services necessary for economic development and social well-being, such as roads, railways, ports, communication systems, power grids, water supply, sanitation, schools, and hospitals. An increase in population directly leads to a greater demand for these facilities and services, thereby increasing the requirement for social overhead capital to maintain or improve living standards and support economic activity.

16. In India which one of the following collects and publishes the unemployment Index?

A. Planning Commission
B. Finance Commission
C. N.S.S.O.
D. U.N.O.

Ans: C

UPPSC Upper Mains-2014

The official data on unemployment in India is primarily collected and published by the National Sample Survey Office (NSSO)/National Statistical Office (NSO).

17. Which of the following is not correct about the concepts developed by NSSO for analysing the problem of unemployment in India?

A. Current Weekly Status
B. Current Daily Unemployment
C. Usual Status Unemployment
D. Current Monthly Status

Ans: B

Paper I 4

NSSO uses concepts like Usual Status, Current Weekly Status, and Current Daily Status to analyze unemployment. "Current Daily Unemployment" is not a recognized concept among these.

Developing Economy Characteristics

18. Which of the following factors could potentially contribute to stagflation in the Indian economy?

- **1. High inflationary pressures due to increased Government spending**
- **2. Decline in industrial production and sluggish economic growth**
- **3. Decrease in aggregate demand and consumer spending**
- **4. Appreciation of the domestic currency leading to reduction of export competitiveness**

Select the correct answer using the codes given below.

A. Only 1 and 2
B. Only 2 and 3
C. Only 1, 3 and 4
D. 1, 2, 3 and 4

Ans: A

BPSC Prelims Exam-69th

- Stagflation = Stagnation (slow growth/high unemployment) + Inflation (rising prices). - Causes can include negative supply shocks (e.g., sudden rise in oil prices), poor macroeconomic policies, or structural rigidities. - Factors that simultaneously cause high inflation and impede growth contribute to stagflation.

19. According to the law of diminishing marginal utility, as the amount of a good consumed increases, the marginal utility of that good tends to

A. improve
B. diminish
C. remain constant
D. first diminish and then improve

Ans: B

UPSC CDS-1-2018

Marginal utility diminishes as consumption of a good increases.

20. Which one of the following is not an assumption in the law of demand?

A. There are no changes in the taste and preferences of consumers.

B. Income of consumers remains constant.

C. Consumers are affected by demonstration effect.

D. There are no changes in the price of substitute goods.

Ans: C

UPSC CDS-1-2019

The law of demand relies on several simplifying assumptions to establish the inverse relationship between price and quantity demanded. Factors that cause demand to deviate from this relationship are typically not included in the core assumptions.

21. Which one of the following statements is not correct?

A. When total utility is maximum, marginal utility is zero.

B. When total utility is decreasing, marginal utility is negative.

C. When total utility is increasing, marginal utility is positive.

D. When total utility is maximum, marginal and average utility are equal to each other.

Ans: D

UPSC CDS-1-2019 UPSC CAPF-2019

Understanding the relationship between Total Utility, Marginal Utility, and Average Utility is fundamental in consumer behaviour theory in economics.

22. Consider the following statements about a joint-stock company :

- **1. It has a legal existence.**
- **2. There is limited liability of shareholders.**
- **3. It has a democratic management.**
- **4. It has a collective ownership.**

Which of the statements given above are correct?

A. 1 and 2 only

B. 1, 2 and 3 only

C. 3 and 4 only

D. 1, 2, 3 and 4

Ans: D

UPSC CDS-1-2019

A joint-stock company is a form of business organization where the ownership is divided into shares, and it has several distinct features: it is a separate legal entity, shareholders have limited liability, ownership is collective through shares, and its management structure, while often involving professional managers, derives authority from the shareholders (who vote for directors).

23. A market situation when many firms sell similar but not identical products is termed as

A. perfect competition

B. imperfect competition

C. monopolistic competition

D. oligopoly

Ans: C

UPSC CDS-1-2019

- Many firms. - Products are similar but not identical (differentiated). - Characterizes monopolistic competition.

24. Suppose an agricultural labourer earns ₹400 per day in her village. She gets a job to work as babysitter in a nearby town @ ₹700 per day. She chose to work as agricultural labourer. Which one of the following is the opportunity cost of the agricultural labourer?

A. ₹1,100
B. ₹700
C. ₹400
D. ₹300

Ans: B

UPSC CDS-1-2020

- Opportunity cost is the value of the forgone alternative. - It is not the sum of the alternatives or the difference between them; it is the value of the single best alternative not chosen.

25. Match List-I with List-II and select the correct answer using the code given below the Lists :

List-I (Market structure)	List-II (Characteristic)
A. Perfect competition	1. Only one producer selling one commodity
B. Monopoly	2. Few producers selling similar or almost similar products
C. Monopolistic competition	3. Many producers selling differentiated products
D. Oligopoly	4. Many producers selling similar products

Code :

A. A 4, B 3, C 1, D 2
B. A 4, B 1, C 3, D 2
C. A 2, B 1, C 3, D 4
D. A 2, B 3, C 1, D 4

Ans: B

UPSC CDS-1-2020

- Perfect competition: Many firms, homogeneous product, free entry. - Monopoly: Single firm, unique product, high barriers. - Monopolistic competition: Many firms, differentiated product, low barriers. - Oligopoly: Few firms, homogeneous or differentiated product, high barriers.

26. The mismatch in the regional or occupational pattern of job vacancies and the pattern of worker availability results in

A. Structural unemployment
B. Disguised unemployment
C. Altered unemployment
D. Cyclical unemployment

Ans: A

UPSC CDS-1-2021

- Structural unemployment is long-term unemployment caused by fundamental shifts in the economy. - It persists even when the economy is healthy because workers lack the necessary skills or are in the wrong location. - Disguised unemployment is when more people are employed than necessary (often in agriculture). - Cyclical unemployment is tied to the business cycle, rising during recessions and falling during expansions.

27. The situation in an economy which is growing slowly along with rapid inflation (rising price level) is called

A. Stagnation
B. Deflation
C. Stagflation
D. Recession

Ans: C

UPSC CDS-1-2021

- Stagnation refers to a period of slow or no economic growth. - Inflation is a general increase in prices and decrease in the purchasing value of money. - Stagflation combines these two undesirable phenomena. - Deflation is a decrease in the general price level. - Recession is a significant, widespread, and prolonged downturn in economic activity.

28. Which one of the following does not influence quantity demanded for a good ?

A. Good's own price

B. Price of a complementary good
C. Price of a substitute good
D. Prices of inputs into production of the good

Ans: D

UPSC CDS-1-2022

The quantity demanded of a good is influenced by factors affecting consumer's willingness and ability to buy. These include the good's own price, prices of related goods (substitutes and complements), consumer income, tastes and preferences, and expectations. - Good's own price causes a movement along the demand curve. - Price of a complementary good and Price of a substitute good shift the demand curve. - Prices of inputs into production (like labour, raw materials) affect the cost of production. This influences the supply side, shifting the supply curve. It does not directly affect the quantity demanded by consumers at any given price.

29. The sustained decrease in the general price level is called as

A. deflation
B. stagflation
C. devaluation
D. recession

Ans: A

UPSC CDS-1-2023

Deflation is the opposite of inflation, representing a fall in the average prices of goods and services over time.

30. Under normal downward sloping demand curve and fully elastic supply curve of a commodity, an exogenous decrease in demand would lead to

A. increase in equilibrium price and quantity
B. decrease in equilibrium price and quantity
C. decrease in equilibrium quantity and no change in price
D. increase in equilibrium price and no change in quantity

Ans: C

UPSC CDS-1-2024

A fully elastic supply curve means producers are willing to supply any quantity at a specific price. Any change in demand under such conditions will only affect the quantity, not the price, as long as the market quantity remains within the range where supply is fully elastic.

31. Who among the following scholars argued that "capital created underdevelopment not because it exploited the undeveloped world, but because it did not exploit it enough"?

A. Bill Warren
B. Paul Baran
C. Geoffrey Kay
D. Lenin

Ans: C

UPSC CDS-2-2017

This quote is a central theme in Bill Warren's work, particularly in his book Imperialism: Pioneer of Capitalism (published posthumously in 1980). Warren, a Marxist, critiqued dependency theory and argued against the idea that imperialism solely created underdevelopment. He contended that capitalism, historically, played a progressive role by introducing capitalist social relations and development potential, and that the failure of true capitalist development and exploitation in the periphery was the reason for continued underdevelopment, rather than excessive exploitation by advanced capitalist nations.

32. The natural rate of unemployment hypothesis was advocated by

A. Milton Friedman
B. A. W. Phillips
C. J. M. Keynes
D. R. G. Lipsey

Ans: A

UPSC CDS-2-2018

The natural rate of unemployment hypothesis was prominently advocated by Milton Friedman and Edmund Phelps in the late 1960s. It posits that there is a specific level of unemployment consistent with a stable rate of inflation, influenced by structural and frictional factors in the labor market.

33. The value of the slope of a normal demand curve is

A. positive
B. negative
C. zero
D. infinity

Ans: B

UPSC CDS-2-2019

The negative slope of the demand curve illustrates the law of demand, showing that price and quantity demanded move in opposite directions.

34. Normally, there will not be a shift in the demand curve when

A. price of a commodity falls
B. consumers want to buy more at any given price
C. average income rises
D. population grows

Ans: A

UPSC CDS-2-2020

A change in the price of the commodity itself leads to a movement along the existing demand curve (either expansion or contraction of demand).

35. A market, in which there are a large number of firms, homogeneous product, infinite elasticity of demand for an individual firm and no control over price by firms, is termed as

A. oligopoly
B. imperfect competition
C. monopolistic competition
D. perfect competition

Ans: D

UPSC CDS-2-2020

These characteristics are defining features of a perfectly competitive market structure. Firms in perfect competition are price takers because they are so small relative to the market and the product is identical, meaning they cannot influence the market price.

36. Which one of the following may lead to movement along the demand curve of a commodity ?

A. Change in its price
B. Change in price of the other commodities
C. Change in income of the consumer
D. Change in tastes and preferences of consumers

Ans: A

UPSC CDS-2-2021

Change in the commodity's own price causes movement along the demand curve.

37. Which one of the following is the opportunity cost of a chosen activity ?

A. Out of pocket cost
B. Out of pocket cost plus cost incurred by the Government
C. Value of all opportunities forgone
D. Value of next best alternative that is given up

Ans: D

UPSC CDS-2-2021

Opportunity cost is the value of the next best alternative foregone.

38. Which of the following correctly explain that India is underdeveloped economy ?

- **1. Inequitable distribution of income.**
- **2. High dependency ratio.**
- **3. Slower rate of increase in national income.**
- **4. Change in banking and financial sector.**

Select the correct answer using the codes given below.

A. 1, 3 and 4
B. 1, 2 and 4
C. 1 and 4
D. All of these

Ans: B

CGPSC Prelims Exam-2017

Let's examine each point as a potential characteristic of an underdeveloped economy: 1. Inequitable distribution of income: High income inequality is a common feature of many underdeveloped and developing economies, reflecting structural disparities and often accompanying widespread poverty. This is a valid indicator. 2. High dependency ratio: High dependency ratios (large proportion of young and/or old dependents relative to the working-age population) are characteristic of economies that are in earlier stages of demographic transition. This can put a strain on the productive population and state resources, hindering development. This is a valid indicator. 3. Slower rate of increase in national income: Underdeveloped economies often face structural constraints (low capital, poor technology, weak institutions) that lead to persistently low productivity and consequently slower growth rates in national income per capita compared to the sustained growth required for significant development and poverty reduction. While some may experience growth spurts, a persistently slower or insufficient rate of increase is an indicator. This is a valid indicator. 4. Change in banking and financial sector: This point is ambiguous. If it refers to the nature of the sector being underdeveloped (e.g., limited reach, instability, poor regulation), then it is an indicator. If it refers to positive changes (reforms, development), it would indicate movement away from underdevelopment. However, instability or vulnerability within a developing financial sector could also be seen as a characteristic issue. Given that points 1, 2, and 3 are strong, standard indicators, and option D includes all points, it is likely that point 4 is also intended to be interpreted as an indicator, perhaps referring to the sector's state of being undeveloped, volatile, or undergoing difficult transitions characteristic of lower development stages.Given the options and the typical characteristics of underdeveloped economies, points 1, 2, and 3 are strong indicators. If point 4 is interpreted as the sector being undeveloped or unstable, then it also serves as an indicator. In the context of a multiple-choice question with "All of these" as an option, if 1, 2, and 3 are valid, and 4 is arguably valid under a negative interpretation, then "All of these" becomes the most likely correct answer.

39. Certain geographical regions in a country may have economic laws different from the country's typical economic laws. Which one of the following could be the reason for allowing the differences in economic laws for particular geographical regions?

A. Increasing trade in the country
B. Discretionary allocation of natural resources
C. Increasing foreign investment
D. Leverage connections to extract a larger share of existing wealth

Ans: C

UPSC Geoscientist-2021

Special Economic Zones (SEZs) are examples of such regions, established with distinct economic regulations to promote exports, generate employment, and attract domestic and foreign investment. The differential laws are designed to make the region globally competitive for business and investment.

40. The Owners, Employees, Board of Directors and Culture form the organizations _____.

A. External Environment
B. Internal Environment
C. Task Environment
D. General Environment

Ans: B