

Marking Scheme
Strictly Confidential
(For Internal and Restricted use only)
Senior Secondary Supplementary School Examination, 2026 (XII)
ECONOMICS (SUBJECT CODE – 030)
(PAPER CODE – 58/7/1)

General Instructions: -

1	You are aware that evaluation is the most important process in the actual and correct assessment of the candidates. A small mistake in evaluation may lead to serious problems which may affect the future of the candidates, education system and teaching profession. To avoid mistakes, it is requested that before starting evaluation, you must read and understand the spot evaluation guidelines carefully.
2	“Evaluation policy is a confidential policy as it is related to the confidentiality of the examinations conducted, evaluation done and several other aspects. Its leakage to public in any manner could lead to derailment of the examination system and affect the life and future of millions of candidates. Sharing this policy/document to anyone, publishing in any magazine and printing in Newspaper/Website, etc. may invite action under various rules of the Board and IPC.”
3	Evaluation is to be done as per instructions provided in the Marking Scheme. It should not be done according to one’s own interpretation or any other consideration. Marking Scheme should be strictly adhered to and religiously followed. However, while evaluating, answers which are based on latest information or knowledge and/or are innovative, they may be assessed for their correctness otherwise and due marks be awarded to them. In Class-XII, while evaluating two competency-based questions, please try to understand given answer and even if reply is not from marking scheme but correct competency is enumerated by the candidate, due marks should be awarded.
4	The Marking scheme carries only suggested value points for the answers. These are in the nature of Guidelines only and do not constitute the complete answer. The students can have their own expression and if the expression is correct, the due marks should be awarded accordingly.
5	The Head-Examiner must go through the first five answer books evaluated by each evaluator on the first day, to ensure that evaluation has been carried out as per the instructions given in the Marking Scheme. If there is any variation, the same should be zero after deliberation and discussion. The remaining answer books meant for evaluation shall be given only after ensuring that there is no significant variation in the marking of individual evaluators.
6	Evaluators will mark (✓) wherever answer is correct. For wrong answer CROSS ‘X’ be marked. Evaluators will not put right (✓) while evaluating which gives an impression that answer is correct and no marks are awarded. This is most common mistake which evaluators are committing.

7	If a question has parts, please award marks on the right-hand side for each part. Marks awarded for different parts of the question should then be totaled up and written in the left-hand margin and encircled. This may be followed strictly.
8	If a question does not have any parts, marks must be awarded in the left-hand margin and encircled. This may also be followed strictly.
9	If a student has attempted an extra question, answer of the question deserving more marks should be retained and the other answer scored out with a note “ Extra Question ”.
10	No marks to be deducted for the cumulative effect of an error. It should be penalized only once.
11	A full scale of marks 0 to 80 has to be used. Please do not hesitate to award full marks if the answer deserves it.
12	Every examiner has to necessarily do evaluation work for full working hours i.e., 8 hours every day and evaluate 20 answer books per day in main subjects and 25 answer books per day in other subjects (Details are given in Spot Guidelines). This is in view of the reduced syllabus and number of questions in question paper.
13	Ensure that you do not make the following common types of errors committed by the Examiner in the past :- • Leaving answer or part thereof unassessed in an answer book. • Giving more marks for an answer than assigned to it. • Wrong totaling of marks awarded on an answer. • Wrong transfer of marks from the inside pages of the answer book to the title page. • Wrong question wise totaling on the title page. • Wrong totaling of marks of the two columns on the title page. • Wrong grand total. • Marks in words and figures not tallying/not same. • Wrong transfer of marks from the answer book to online award list. • Answers marked as correct, but marks not awarded. (Ensure that the right tick mark is correctly and clearly indicated. It should merely be a line. Same is with the X for incorrect answer.) • Half or a part of answer marked correct and the rest as wrong, but no marks awarded.
14	While evaluating the answer books if the answer is found to be totally incorrect, it should be marked as cross (X) and awarded zero (0) Marks.
15	Any unassessed portion, non-carrying over of marks to the title page, or totaling error detected by the candidate shall damage the prestige of all the personnel engaged in the evaluation work as also of the Board. Hence, in order to uphold the prestige of all concerned, it is again reiterated that the instructions be followed meticulously and judiciously.
16	The Examiners should acquaint themselves with the guidelines given in the “ Guidelines for Spot Evaluation ” before starting the actual evaluation.
17	Every Examiner shall also ensure that all the answers are evaluated, marks carried over to the title page, correctly totaled and written in figures and words.
18	The candidates are entitled to obtain photocopy of the Answer Book on request on payment of the prescribed processing fee. All Examiners/Additional Head Examiners/Head Examiners are once again reminded that they must ensure that evaluation is carried out strictly as per value points for each answer as given in the Marking Scheme.

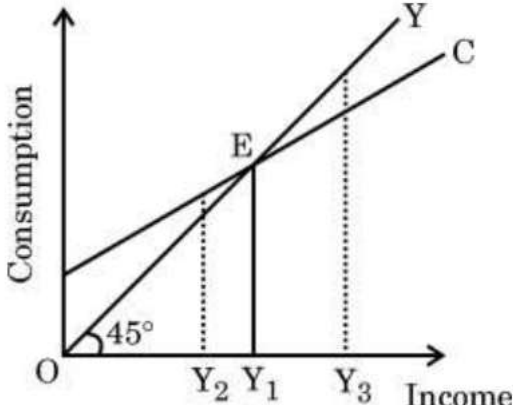
MARKING SCHEME

Senior School Certificate Examination (Supplementary), July 2026

ECONOMICS (Subject Code–030)

[Paper Code: 58/7/1]

Maximum Marks: 80

Q. No.	EXPECTED ANSWER / VALUE POINTS	Marks
SECTION -A (Macro Economics)		
1.	Refer to the given diagram. At which level of income will the value of Average Propensity to Save (APS) be zero? (Choose the correct option)  Options: (A) Level O (B) Level OY₁ (C) Level OY₂ (D) Level OY₃ Ans. (B) Level OY₁ <i>Note: The following question is for the Visually Impaired Candidates only, in lieu of Q. No. 1.</i> At the break-even level of income, the slope of the consumption function will be equal to _____. (Choose the correct option to fill in the blank) (A) Average Propensity to Save (APS) (B) Average Propensity to Consume (APC) (C) Marginal Propensity to Save (MPS) (D) Marginal Propensity to Consume (MPC) Ans. (D) Marginal Propensity to Consume (MPC)	1
2.	Identify which of the following option will be included while estimating the national income by income method. (Choose the correct option) (A) Windfall gains (B) Capital loss (C) Mixed income (D) Transfer income Ans. (C) Mixed income	1
3.	“Anil purchased a house costing ₹ 30 lakhs. For this, he took a bank loan, which he agreed to repay over a period of 25 years in fixed monthly instalments.” Identify the function of money indicated in the above situation. (Choose the correct option) (A) Medium of exchange (B) Standard of deferred payments (C) Medium of exchange and standard of deferred payments (D) Store of value Ans. (C) Medium of exchange and standard of deferred payments	1

4.	Identify the transactions that will be recorded in India's capital account of the Balance of Payments (BoP): (i) Indian residents purchasing properties in Dubai (ii) Indian firms borrowing from international banks (iii) Remittances by Indians working abroad (iv) Repayment of outstanding loans by the Indian Government to the IMF Options: (A) (i) and (iii) (B) Only (iii) (C) (ii) and (iii) (D) (i), (ii) and (iv) Ans. (D) (i), (ii) and (iv)	1
5.	Ayaan owns a transportation company and spent ₹ 30,000 in the year 2024 - 25 on the repair of all vehicles. This will be classified as _____ expenditure while estimating the National Income of India. (Choose the correct option to fill in the blank) (A) Intermediate (B) Consumption (C) Investment (D) Final Ans. (A) Intermediate	1
6.	Under the Keynesian theory, 'Reference line' is a straight line passing through the origin drawn at an angle of _____. (Choose the correct option to fill in the blank) (A) 25° (B) 45° (C) 55° (D) 75° Ans. (B) 45°	1
7.	Read the following statements carefully: <i>Statement I:</i> Stock variables are measurable at a particular point of time. <i>Statement II:</i> A change in any stock variable in a given time period is a flow variable. In the light of the given statements, choose the correct option from the following: (A) Both Statements I and II are true. (B) Both Statements I and II are false. (C) Statement I is true, but Statement II is false. (D) Statement I is false, but Statement II is true. Ans. (A) Both Statements I and II are true.	1
8.	Suppose the Reserve Bank of India (RBI) decides to keep the reserve ratio equal to 10%. The total deposits created will be _____ times the primary deposit. (Choose the correct option to fill in the blank) (A) ∞ (Infinity) (B) 1 (Unity) (C) 0 (Zero) (D) 10 (Ten) Ans. (D) 10 (Ten)	1
9.	Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below: <i>Assertion (A):</i> Capital account is in balance when capital inflows are equal to capital outflows.	

	<i>Reason (R):</i> Autonomous capital inflows indicate a decrease in assets and an increase in liabilities. Options: (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A). (C) Assertion (A) is true, but Reason (R) is false. (D) Assertion (A) is false, but Reason (R) is true. Ans. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).	1																																							
10.	“In recent times, the Reserve Bank of India has reduced the Repo Rate (RR).” The most likely objective of the Reserve Bank of India behind this policy change is to _____ the borrowing cost and _____ liquidity in the economy. (Choose the correct option to fill in the blanks) (A) decrease, decrease (B) increase, increase (C) decrease, increase (D) increase, decrease Ans. (C) decrease, increase	1																																							
11. (a)	From the following data of a hypothetical economy, calculate the value of National Income (NNP_{FC}). <table border="1"> <thead> <tr> <th>S.No.</th><th>Particulars</th><th>Amount (in ₹ crore)</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>Mixed income of the self-employed</td><td>550</td></tr> <tr> <td>(ii)</td><td>Net factor income from abroad</td><td>(-) 50</td></tr> <tr> <td>(iii)</td><td>Rent</td><td>150</td></tr> <tr> <td>(iv)</td><td>Consumption of fixed capital</td><td>40</td></tr> <tr> <td>(v)</td><td>Profits after tax</td><td>250</td></tr> <tr> <td>(vi)</td><td>Wages and salaries</td><td>1700</td></tr> <tr> <td>(vii)</td><td>Net indirect taxes</td><td>50</td></tr> <tr> <td>(viii)</td><td>Corporate tax</td><td>150</td></tr> <tr> <td>(ix)</td><td>Dividends</td><td>50</td></tr> <tr> <td>(x)</td><td>Net exports</td><td>(-) 40</td></tr> <tr> <td>(xi)</td><td>Interest</td><td>350</td></tr> <tr> <td>(xii)</td><td>Social security contributions by employers</td><td>80</td></tr> </tbody> </table> Ans. National Income (NNP_{FC}) = (vi) + (xii) + (iii) + (xi) + (viii) + (v) + (i) + (ii) $= 1700 + 80 + 150 + 350 + 150 + 250 + 550 + (-50)$ $= ₹ 3,180 \text{ crore}$ OR	S.No.	Particulars	Amount (in ₹ crore)	(i)	Mixed income of the self-employed	550	(ii)	Net factor income from abroad	(-) 50	(iii)	Rent	150	(iv)	Consumption of fixed capital	40	(v)	Profits after tax	250	(vi)	Wages and salaries	1700	(vii)	Net indirect taxes	50	(viii)	Corporate tax	150	(ix)	Dividends	50	(x)	Net exports	(-) 40	(xi)	Interest	350	(xii)	Social security contributions by employers	80	1 ½ 1 ½ 3
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(xii)	Social security contributions by employers	80																																							
(b)	Giving valid reasons, state whether the following will be included in India's domestic income or not: (i) Expenditure on stationery items by a firm Ans. Expenditure on stationery items by a firm will not be included in the estimation of domestic income. It is an intermediate consumption expenditure and including it would lead to the problem of double counting.	1 ½																																							

	(ii) Interest received by a branch of State Bank of India (SBI) in Germany on loans it has extended. Ans. Interest received by a branch of State Bank of India (SBI) in Germany on loans will not be included in the estimation of domestic income, as it is the income generated outside the domestic territory of India.	1 ½
		3
12.	“The RBI is implementing a phased reduction of the Cash Reserve Ratio (CRR) from 4% to 3%.” In the light of the given information, explain the rationale behind the Reserve Bank of India’s policy initiative to promote credit expansion. Ans. The reduction in Cash Reserve Ratio (CRR) from 4% to 3% by Reserve Bank of India (RBI) leads to reduction in the amount of reserves to be maintained by the Commercial Banks. This enhances the lending capacity of the Commercial Banks, thereby, increasing the availability of credit in the economy. Consequently, promoting credit expansion. (To be marked as a whole)	3
13.	A local tea seller uses tea leaves, utensils, sugar, milk, water, ginger and a small gas stove to sell tea to customers. Using this given information, categorize these items as intermediate or final goods. Explain the basis for distinguishing between these two categories. Ans. The items like Utensils, Small Gas Stove and Tea can be categorized as final goods as these goods are used either for consumption purposes or for investment purpose. However, the items like Tea Leaves, Sugar, Milk, Water and Ginger can be categorized as Intermediate Goods, as these goods are used for further production/resale in the same year.	1 ½ 2 ½
	OR	4
(b)	“A petrochemical industrial unit was accused of causing groundwater pollution, deterioration in air quality and negatively impacting the health of residents in the nearby villages.” Analyse the likely impact of this activity on the Gross Domestic Product of the nation and the welfare of people in general. Ans. The output of petrochemical industrial unit contributes to the Gross Domestic Product (GDP) through value addition in the economy. However, it generates negative externalities such as groundwater pollution, deteriorating air quality and health problems for people living in nearby villages. This will increase healthcare costs and reduce the overall quality of life. Therefore, GDP may increase but at the cost of welfare of people in general. (To be marked as a whole)	4
14.	The exchange rate of the US dollar to the Indian rupee has fluctuated between a high of ₹ 88.325 on September 5, 2025 and a low of ₹ 87.899 on September 2, 2025. In the light of these exchange rate movements, analyse the likely impact on the exports and imports of India, assuming all other factors constant. Ans. An increase in the exchange rate from ₹ 87.899 to ₹ 88.325 per US dollar, indicates that the Indian rupee (₹) has depreciated. Assuming all other factors constant, this will encourage exports, as Indian goods will become relatively cheaper for buyers abroad. Conversely, imports will become dearer as more units of Indian rupee are required to buy one US dollar, leading to a decline in imports. Hence, depreciating Indian rupee is likely to promote exports and discourage imports.	2 2
		4
15.	(a) State the meaning of ‘Effective Demand’. Ans. Effective Demand is that level of Aggregate Demand (AD) which can be met by the corresponding Aggregate Supply (AS) in the economy.	1

	(b) Explain the adjustment mechanism to restore equilibrium in the economy, if ex-ante Aggregate Demand exceeds ex-ante Aggregate Supply. Ans. When ex-ante Aggregate Demand exceeds ex-ante Aggregate Supply, it means that the households and firms are planning to consume more than what the firms are planning to produce. This will lead to unintended decumulation of inventories. To bring back the inventories to the desired level producers may increase the output. This adjustment mechanism will continue till the equilibrium level of output is restored. (To be marked as a whole)	3	4
16.	(i) “Suppose, in an economy, a given rise in investment expenditure results in a five-fold increase in National Income.” Calculate the rise in the investment expenditure if the change in income was ₹ 2,000 crore. Ans. Given, Investment Multiplier (K) = 5 Change in Income (ΔY) = ₹ 2,000 crore $\Delta Y = 5 \times \text{Change in Investment } (\Delta I)$ $2000 = 5 \times \Delta I$ Change in Investment (ΔI) = ₹ 400 crore (ii) Explain any one fiscal measure which the government of the nation can initiate to curtail the situation of inflationary gap in the economy. Ans. To curtail the situation of inflation, the government may increase the tax rates which may decrease the disposable income (purchasing power) in the hands of the general public. Consequently, it may lead to a fall in Aggregate Demand, thereby correcting the inflationary gap. (To be marked as a whole) (Any other valid measure to be awarded marks) OR	1 ½ 1 ½	3
(b)	(i) In a hypothetical economy, whenever the income increases, savings of the households increase by 20%. Their consumption expenditure which is independent of the level of income is ₹ 200 crore. The autonomous investment expenditure is ₹ 100 crore. Calculate the Equilibrium level of Income. Ans. Given, Marginal Propensity to Save (MPS) = 0.2 Consumption which is independent of level of income ($\bar{C}$) = ₹ 200 crore Autonomous investment expenditure (I) = ₹ 100 crore Marginal Propensity to Consume = 1 – Marginal Propensity to Save (MPS) $= 1 - 0.2$ $= 0.8$ As we know that, at equilibrium level of income; $Y = C + I$ $Y = \bar{C} + (\text{MPC})Y + I$ $Y = 200 + 0.8Y + 100$ $Y = ₹ 1,500 \text{ crore}$ (ii) The Central Bank announced that it will conduct auctions of government securities (G-Sec) for a total of ₹ 80,000 crore through open market operations. In the light of the information given above, analyse the likely impact of such open market operations of the Central Bank on the aggregate demand of the Indian economy. Ans. The proposed auction of government securities (G-Sec) by the Central Bank, worth ₹ 80,000 crore through Open Market Operations (OMO), will lead to fall in the availability of funds with the commercial banks. Consequently, lending capacity of commercial banks will fall leading to decrease in the money supply, which will in turn reduce the Aggregate Demand in the economy. (To be marked as a whole)	1 ½ 1 ½	3
			6

17.	Read the following text carefully: According to the federal government's budget document, India will spend ₹ 4.57 trillion (\$ 52.81 billion) on subsidies for food, fertilisers and rural employment schemes in the next financial year. The federal government has budgeted a collective spending of ₹ 4.54 trillion for the current fiscal year ending March 31 across the three types of subsidies, as per the government's revised estimates. The allocation for the government's flagship rural jobs guarantee programme has been retained at ₹ 860 billion while that for fertilisers has been marginally lowered to ₹ 1.67 trillion from ₹ 1.71 trillion revised estimate for 2024-25. The country has budgeted ₹ 2.03 trillion for food subsidy for the upcoming financial year at slightly above the ₹ 1.97 trillion revised estimate for the ongoing fiscal year. On the basis of the above text and common understanding related to economics, answer the following questions: (i) Explain the objective of government budget indicated in the text. Ans. The objective of the Government Budget indicated in the above text is Allocation Function. The aim of the government to allocate substantial funds for food & fertiliser subsidies and the rural employment schemes is to redirect resources towards priority sectors for economic development. (To be marked as a whole) (ii) Identify the category of budgetary expenditure to which subsidies belong and explain the reason in support of your answers. Ans. Budgetary expenditure incurred on subsidies can be classified as Revenue Expenditure. The expenditures on subsidies can be classified as Revenue Expenditure as it neither create assets nor reduce liabilities of the government.	3 1 2 6
SECTION – B (Indian Economic Development)		
18.	Indian producers were protected against foreign competition which did not give them the incentive to improve the quality of goods that they produced. Identify the policy referred to: (Choose the correct option) (A) Industrial Policy Resolution, 1948 (B) Policy to promote small-scale industries (C) Import substitution policy (D) Licencing policy Ans. (C) Import substitution policy	1
19.	In a hypothetical country, if the worker-population ratio is 30 and total number of workers is 1500, its total population will be _____. (Choose the correct option to fill in the blank) (A) 50 (B) 450 (C) 5,000 (D) 50,000 Ans. (C) 5,000	1
20.	Read the following statements carefully: <i>Statement I:</i> Prasanta Chandra Mahalanobis is known as the architect of Indian planning. <i>Statement II:</i> The Industrial Policy Resolution of 1948 was adopted to ensure that the state takes the dominating status in the economy. In the light of the given statements, choose the correct option from the following: (A) Both Statements I and II are true.	

	(B) Both Statements I and II are false. (C) Statement I is true, but Statement II is false. (D) Statement I is false, but Statement II is true. Ans. (C) Statement I is true, but Statement II is false.	1
21.	According to Herman Daly (an environmental economist), to achieve sustainable development _____. (Choose the correct option to fill in the blank) (A) the human population should be limited within the carrying capacity (B) technological progress should be input-consuming (C) renewable resources should not be extracted on a sustainable basis (D) the non-renewable resources' rate of depletion should exceed its rate of substitution Ans. (A) the human population should be limited within the carrying capacity	1
22.	Identify the correct statement from the following: (Choose the correct option) (A) Human capital is tangible, whereas physical capital is intangible. (B) Human capital formation and physical capital are the same. (C) Human capital benefits not only the owner, but also society in general. (D) Human capital, and physical capital, nature of depreciation remains the same. Ans. (C) Human capital benefits not only the owner, but also society in general.	1
23.	Identify the limitation of organic farming from the following: (Choose the correct option) (A) Healthier food (B) Shorter shelf-life (C) Environment-friendly (D) Lower production cost Ans. (B) Shorter shelf-life	1
24.	Raghav is a factory owner with 50 workers. He laid off 5 workers and noticed that the total factory output remained the same. This situation will most likely be described as _____ employment. (Choose the correct option to fill in the blank) (A) Structural (B) Disguised (C) Seasonal (D) Frictional Ans. (B) Disguised	1
25.	The expenditure by the Indian government on education is expressed as a percentage of _____. (Choose the correct option to fill in the blank) (i) Gross Domestic Product (GDP) (ii) Total Government Expenditure (iii) Total State Expenditure Options: (A) (i) and (iii) (B) (i) and (ii) (C) (ii) and (iii) (D) (i), (ii) and (iii) Ans. (B) (i) and (ii)	1
26.	Identify the example of a casual worker from the following: (Choose the correct option) (A) An exporter of carpets (B) A nurse permanently employed in a government hospital (C) A mason working at a construction site (D) A local tailor running his own business Ans. (C) A mason working at a construction site	1
27.	From the set of terms given in Column I and the corresponding facts given in Column II, choose the correct pair:	

		<i>Column I</i>		<i>Column II</i>		
	a.	Great Leap Forward	i.	Students and professionals were sent to the countryside		
	b.	Great Proletarian Cultural Revolution	ii.	Aimed at bringing changes in agriculture and industry		
	c.	Economic Reforms in China	iii.	Aimed at nationalisation of capital good industries		
	d.	Establishment of People's Republic of China	iv.	All critical sectors were brought under government control		
	Options: (A) a-i (B) b-ii (C) c-iii (D) d-iv Ans. (D) d-iv					1
28.	"India and Pakistan followed similar developmental strategies for their own development paths." Do you agree with the given statement? Justify your answer with a relevant explanation. Ans. Yes. The similar developmental strategies adopted by both India and Pakistan are: • They followed the path of mixed economic system involving the public as well as the private sector. • They adopted import substitution policy in order to protect their domestic industries from foreign competition. (Any other valid strategy to be awarded marks)					1 ½ 1 ½ 3
29.	"Human capital formation through education and health is central to the process of development of a country." Do you agree with this statement? Justify your answer with a valid explanation. Ans. Yes. Education enhances knowledge, technical skills and labour productivity, leading to sustainable economic growth and higher future returns. Expenditure on health ensures availability of efficient manpower which provides uninterrupted labour supply for a longer period of time. Thus, expenditure on both education and health as a source of human capital formation is central to a country's overall economic and social development. (To be marked as a whole) OR (b) "India is striving for higher rates of economic growth, but this often comes at the cost of environmental degradation." In the light of the above statement, discuss any one strategy by which India can achieve a balance between economic growth and sustainable development. Ans. India can achieve a balance between economic growth and sustainable development by adopting strategies such as promoting traditional practices and knowledge. India has a rich heritage of sustainable systems such as Ayurveda, Unani, herbal products and natural farming, which rely on locally available resources and cause minimal environmental damage. Encouraging the use of these environmentally friendly alternatives reduces pollution, conserves natural resources and supports economic growth without compromising the needs of future generations. (To be marked as a whole) (Any other valid strategy to be awarded marks)					3 3

	• In urban areas, the number of enterprises is much higher compared to rural areas. These enterprises require workers on a regular basis. Therefore, a relatively larger proportion of workers are employed as regular salaried employees.	1 ½
	(Any other valid reason to be awarded marks)	4
	<i>Note: The following question is for the Visually Impaired Candidates only in lieu of Q.No. 32.</i> Discuss any two reasons behind the pattern of distribution of workers in rural and urban areas with respect to the following categories: (a) Self-employed (b) Regular salaried employees Ans. Two reasons behind the pattern of distribution of workers in rural and urban areas: (a) In rural areas, the share of self-employed workers is higher because majority of those depending on farming own plots of land and cultivate independently. (b) In urban areas, regular salaried employees enjoy the largest proportion of the total workforce. The number of enterprises is much higher compared to rural areas. These enterprises require workers on a regular basis. Therefore, a relatively larger proportion of workers are employed as regular salaried employees.	2
	(Any other valid reason to be awarded marks)	2
		4
33.	(i) As the Disinvestment Commission has observed, “the essence of a long-term disinvestment strategy should be not only to enhance budgetary receipts, but also minimise budgetary support towards unprofitable units. Also, it must ensure the long-term viability and sustainable levels of employment in such units.”	
(a)	(I) Identify the sector, whose disinvestment is being referred to in the statement. Ans. Public sector is being referred to in the aforesaid statement.	1
	(II) Justify this disinvestment strategy adopted by the Indian Government. Ans. The disinvestment strategy was adopted by the Indian Government, to reduce the fiscal burden by privatizing loss-incurring Public Sector Undertakings (PSUs). It also, aimed at improving efficiency, financial discipline and modernization. This strategy ensured the long-term viability of PSUs and attract greater Foreign Direct Investment (FDI).	2
	(ii) “Agricultural stagnation in colonial India was not only due to the use of backward techniques of production, but also a result of exploitative land settlement systems and policies adopted by the British.” Defend or refute this statement giving valid arguments. Ans. The given statement is defended. Agricultural stagnation in colonial India resulted not only from the use of backward production techniques, lack of irrigation and low levels of technology, but also from exploitative land settlement systems like the Zamindari System. Under this system Zamindars collected rent, irrespective of the economic conditions of the cultivators, adding to their plight.	3
	(To be marked as a whole)	
	OR	6
(b)	(i) “In the 1950s, excessive government regulation prevented the growth of entrepreneurship.” Do you agree with the given statement? Give a valid explanation in support of your answer.	

	Ans. Yes. Excessive government regulation under the permit license raj restricted the growth of entrepreneurship. Industrial licensing limited the expansion of firms, while import restrictions reduced competition and innovation. As a result, producers had little incentive to improve efficiency, quality or adopt modern technology, thereby hindering industrial growth. (To be marked as a whole) (ii) “The tax reductions in the reform period have not resulted in an increase in tax revenue.” Justify the given statement with a valid explanation. Ans. During the reform period, tax rates were reduced with the objective of yielding larger revenue and curb tax evasion. However, it did not result in an increase in tax revenue for the government. Furthermore, reform policies involving tariff reduction and to attract foreign investors, have curtailed the scope for raising tax revenue which adversely impacted developmental and welfare expenditures. (To be marked as a whole) (Any other valid explanation to be awarded marks)	3 3 6
34.	Read the following text carefully: India’s floriculture industry has grown into a high-performing sector, earning its status as a “sunrise industry” with a 100 per cent export orientation. Driven by a growing global demand for flowers, floriculture has evolved into a key commercial venture within the agriculture sector. Commercial floriculture is particularly lucrative, offering higher returns per unit area than many traditional field crops. Production of flowers witnessed more profitability compared to cereals, pulses, vegetables and oilseeds. With subsidy support and crop loan financing, it is a promising venture for marginal and small landholdings, which constitute more than 96 per cent of the total landholdings and 63 per cent of the area of cultivation under floriculture. In FY24, approximately 297 thousand hectares were dedicated to floriculture. During the same period, India exported 19,678 metric tonnes of floriculture products, earning ₹ 717.83 crore (USD 86.63 million). Key export destinations included the USA, the Netherlands, the UAE, the UK, Canada and Malaysia. On the basis of the given text and common understanding related to economics, answer the following questions: (i) Why is floriculture essential for providing a sustainable livelihood for the farmers? Ans. Floriculture provides a sustainable livelihood as it offers higher returns per unit area than crops such as cereals, pulses, vegetables and oilseeds. It has emerged as a highly profitable commercial venture due to the growing global demand for flowers and India’s 100% export-oriented floriculture industry, creating better income and employment opportunities for farmers. (To be marked as a whole) (ii) Explain any two ways in which the government can extend help to the small and marginal farmers. Ans. The government can support small and marginal farmers by: • providing subsidies to reduce the cost of cultivation and encourage floriculture. • extending crop loan financing at affordable rates to help farmers invest in production and expand their cultivation. (Any other valid way to be awarded marks)	3 1 ½ 1 ½ 6
