BANKING SHIKSHA

PAPER I - INDIAN ECONOMY & INDIAN FINANCIAL SYSTEM

Module A: INDIAN ECONOMIC ARCHITECTURE

Chapter 1: An overview of Indian Economy

MCQs Practice Pack

Question 1: The term "Hindu rate of growth," famously coined by Professor Raj Krishna, is used to describe a specific period in India's post-independence economic history. What does this term refer to?

A. The high annual GDP growth rate of over 8% achieved during the 1980s.

B. The period of economic stagnation and looting during British Company Rule.

C. The slow annual growth rate of the Indian economy, which hovered around 3.5% during the first three decades after independence.

D. The growth rate of the agricultural sector specifically, which was linked to monsoon patterns.

Question 2: The COVID-19 pandemic and the subsequent lockdown had a varied impact across different sectors of the Indian economy. Which of the following sectors proved to be the most resilient and was largely exempt from the lockdown restrictions, showing positive growth even during the peak of the crisis?

A. Trade, hotels, and transport.

B. Manufacturing.

C. Financial and real estate services.

D. Agriculture and allied activities.

Question 3: Based on its per capita income levels, how does the World Bank currently classify the Indian economy?

A. Low-Income Economy

B. Lower-Middle-Income Economy

C. Upper-Middle-Income Economy

D. High-Income Economy

Question 4: What was the primary strategic purpose of the railway infrastructure developed by the British in India?

A. To promote industrialization and economic growth within India.

B. To facilitate passenger travel and connect major cultural centers.

C. To assist in the movement of troops for administrative control.

D. To transport raw materials from the hinterlands to ports for export to Britain.

Question 5: Which of the following best describes the "Home Charges" during the British Raj?

A. Taxes levied on Indian households for home ownership.

B. A fund created by the British to invest in Indian infrastructure projects.

C. Official payments made from India to Britain to cover British administrative and military costs and pensions.

D. The cost of importing British goods into the Indian domestic market.

Question 6 (Fill in the Blank): The systematic ruin of India's traditional handicraft and textile industries by the British to promote their own manufactured goods is known as __________.

A. Commercialisation

B. De-industrialisation

C. Globalisation

D. Westernisation

Question 7 (Fill in the Blank): The policies of Liberalisation, Privatisation, and Globalisation, collectively known as _________ policies, were adopted in India following the 1991 economic crisis.

A. NITI

B. SEBI

C. FEMA

D. LPG

Question 8: What was the primary characteristic of the Indian economy at the time of independence in 1947?

A. A highly industrialized and modern economy.

B. A stagnant, predominantly agrarian economy with low productivity.

C. A service-sector dominated economy with a strong financial system.

D. An economy with a balanced contribution from all three sectors.

Question 9 (Match the Following): Match the items in Column A with their correct description in Column B.

Column A	Column B
1. Dadabhai Naoroji	a. An unfair land tax system used by the East India Company.
2. Post-2008 Crisis	b. Fiscal stimulus and liquidity injection to support the economy.
3. Zamindari System	c. First to publish estimates of India's national income.
4. Wealth Drain	d. The unilateral transfer of resources from India to Britain.

A. 1-d, 2-c, 3-b, 4-a

B. 1-c, 2-b, 3-a, 4-d

C. 1-a, 2-b, 3-d, 4-c

D. 1-c, 2-a, 3-d, 4-b

Question 10: The long-term shift in an economy's structure where the contribution of the primary sector (like agriculture) decreases while that of the tertiary sector (services) increases is a typical sign of what?

A. Economic Development

B. Stagnation

C. Inflation

D. Recession

Answer Key & Explanations

Q. No	Correct Answer	Explanation
1	C	The term refers to the period from roughly **1951 to 1980**, when India's annual GDP growth rate was stubbornly slow, averaging only around **3.5%**, despite the implementation of five-year plans.
2	D	During the stringent COVID-19 lockdown, **agriculture and allied activities** were largely exempt. This allowed the sector to remain robust while other contact-intensive sectors like trade and transport suffered heavily.
3	B	The World Bank categorizes economies based on GNI per capita. Due to its level of per capita income, India falls into the **Lower-Middle-Income** category.

Q. No	Correct Answer	Explanation
4	D	The British railway network was primarily designed for colonial exploitation. Its main purpose was to efficiently **transport raw materials from inland areas to coastal ports** for shipping to Britain.
5	C	"Home Charges" were official payments made from India to Britain. They were a key mechanism of the 'wealth drain' and covered costs like **salaries, pensions, and administrative expenses** of the British establishment.
6	B	**De-industrialisation** is the term used to describe the process where colonial policies led to the decline and ruin of India's flourishing traditional industries, particularly textiles, to make way for British manufactured goods.
7	D	The major economic reforms initiated in 1991 are known as **LPG** policies, which stand for **Liberalisation, Privatisation, and Globalisation**.
8	B	At independence, India inherited a colonial economy that was primarily **agrarian (dependent on agriculture), stagnant** (with very low growth), and marked by low productivity and widespread poverty.
9	B	**Dadabhai Naoroji (1-c)** was the first to estimate national income. The **Post-2008 Crisis (2-b)** response involved stimulus. The **Zamindari System (3-a)** was a land tax method. The **Wealth Drain (4-d)** was the transfer of resources.

Q. No	Correct Answer	Explanation
10	A	A hallmark of **Economic Development** is a structural transformation where an economy moves away from reliance on agriculture towards industry and, eventually, a dominant services sector.