

PAPER I - INDIAN ECONOMY & INDIAN FINANCIAL SYSTEM

Module A: INDIAN ECONOMIC ARCHITECTURE

Chapter 11: Issues facing Indian Economy

MCQs Practice Pack

Question 1: What is the economic phenomenon known as "Jobless Growth"?

- A. A situation where the economy is in a recession and losing jobs.
- B. An economy where the unemployment rate is zero.
- C. A situation where a country's GDP grows, but the level of employment remains the same or decreases.
- D. A government policy that discourages the creation of new jobs.

Question 2: What does the term "K-shaped recovery" describe in a post-crisis economic scenario?

- A. An economic recovery that is very slow and takes the shape of the letter 'K'.
- B. A recovery where all sectors of the economy grow equally and uniformly.
- C. A recovery where different parts of the economy recover at vastly different rates, with one segment doing well while another declines.



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D. A situation where the economy recovers quickly and then immediately falls back into a recession.

Question 3: Which of the following is a major government program specifically designed for poverty alleviation by providing a legal guarantee for wage employment in rural areas?

- A. Start-Up India
 - B. Make in India
 - C. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
 - D. Pradhan Mantri Jan Dhan Yojana (PMJDY)
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Question 4: Which of the following is a commonly suggested policy measure to address the issue of rising income inequality in a country?

- A. A regressive tax system where the poor pay a higher percentage of their income in taxes.
 - B. A progressive tax system where higher earners are taxed at a higher percentage rate.
 - C. Reducing government spending on public services like health and education.
 - D. Providing tax cuts exclusively to the wealthiest individuals.
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Question 5: What is the primary economic reason for the large-scale migration of people from rural to urban areas in India?

- A. The desire to live in a more polluted environment.
 - B. The search for better economic opportunities and employment.
 - C. The availability of more agricultural land in cities.
 - D. Government policies that force people to move to cities.
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Question 6: Complete the following sentence: To get a broader understanding of poverty beyond just income levels, the government now primarily uses NITI Aayog's National _____ Index.

- A. Consumer Price
 - B. Human Development
 - C. Multidimensional Poverty
 - D. Gini
-

Question 7: Complete the following sentence: To combat jobless growth, a key strategy is to promote _____ industries like textiles, tourism, and food processing, which create more jobs for a given amount of investment.

- A. capital-intensive
- B. knowledge-intensive
- C. labor-intensive



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D. automated

Question 8: Which of the following statements about migration in India is TRUE?

- A. Migration is primarily a phenomenon where people move from large cities back to their villages.
 - B. The influx of migrants into unplanned urban settlements often leads to excessive pressure on local resources like water and housing.
 - C. Environmental factors like droughts and floods have no significant impact on migration patterns.
 - D. Government policies are aimed at completely stopping all forms of internal migration between states.
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Question 9: Which of the following statements correctly describes an issue facing the Indian economy?

- A. The economy's growth is primarily driven by the agriculture sector, which creates a surplus of well-paying jobs.
- B. There are no significant disparities in wealth distribution, with income being shared almost equally among the population.
- C. A key challenge is that economic growth has often been driven by capital-intensive sectors, which do not create enough jobs for the low-skilled workforce.
- D. India's economy is completely independent of the global economy and is not affected by international events.



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For Question 10, use the following table to find the correct match.

Column A (Term/Scheme)	Column B (Description)
1. Jobless Growth	a. An economic recovery where different sectors recover at vastly different rates.
2. K-shaped Recovery	b. A government scheme providing guaranteed rural employment.
3. Progressive Taxation	c. A system where higher earners pay a larger percentage of their income in tax.
4. MGNREGA	d. A situation where GDP increases without a corresponding increase in jobs.

Question 10: From the table above, which of the following is a correct match?

- A. 1-a
- B. 2-b
- C. 3-c
- D. 4-d



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Answer Key & Explanations

Q. No	Correct Answer	Explanation
1	C	Jobless Growth describes a paradoxical situation where an economy's output (GDP) increases, but this growth is not accompanied by a similar increase in job creation.
2	C	A K-shaped recovery illustrates a divergent path after a crisis: the top part of the 'K' represents industries/individuals recovering well (e.g., formal, tech sectors), while the bottom part represents those who continue to struggle (e.g., informal, low-wage sectors).
3	C	MGNREGA is a landmark social security and poverty alleviation program that legally guarantees 100 days of wage employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work.
4	B	Progressive Taxation is a tool to reduce income inequality. It works on the principle that those with a higher ability to pay should contribute a larger percentage of their income towards taxes.
5	B	The primary "pull" factor for rural-to-urban migration is the perception and reality of better economic and employment opportunities in cities compared to rural areas.
6	C	The Multidimensional Poverty Index (MPI) provides a more holistic view of poverty by considering deprivations in health, education, and living standards, not just income.
7	C	Labor-intensive industries are those that require a large amount of human labor relative to capital. Promoting these sectors is a key



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Q. No	Correct Answer	Explanation
		solution to generate more employment.
8	B	Statement B is true. Unplanned urbanization, driven by migration, often strains a city's infrastructure, leading to overcrowding and pressure on essential resources like water, sanitation, and housing.
9	C	Statement C is true. A major structural issue in India is that growth is often concentrated in high-skill services or capital-intensive manufacturing , which do not absorb the large, low-skilled workforce, leading to jobless growth.
10	C	Progressive Taxation (3-c) is correctly matched with its definition as a tax system where the tax rate increases as the taxable amount increases, aiming to reduce income inequality. (Jobless Growth=d, K-shaped Recovery=a, MGNREGA=b).

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