St. Xavier's Sr. Sec. School
Delhi-54

Final Examination in **ECONOMICS**

Std. 11 M. Marks : 90

16-2-2017 Time : 3 hrs.

Roll No:

Total printed pages :	07
Total printed questions :	25

General Instructions:

i) Questions 1 - 4 and 14 are very short answer questions of 1 mark each.

ii) Questions 5 - 10 and 15 - 17 are short answer questions of 3 marks each. Answer them in a maximum of 60 words each.

iii) Questions 18 - 20 are short answer questions of 4 marks each. Answer them in a maximum of 70 words each.

iv) Questions 11 – 13 and 21 - 23 are long answer questions of 6 marks each. Answer them in a maximum of 100 words each.

v) Questions 24 & 25 belong to the OTBA section. These questions are of 5 marks each. Answer them in maximum of 80 words each.

STATISTICS FOR ECONOMICS

1. How is histogram different from a bar diagram? (1)

2. In tabular presentation of data, what does 'Stub' stand for? (1)

3. How is exclusive method of classification different from inclusive method? (1)

4. Define qualitative classification. (1)

5. Calculate mode for the following distribution- (3)

X : wages in Rs (Less than)	100	200	300	400	500	600	700
No: of workers	3	13	29	42	50	53	54

6. Compute Karl Pearson's coefficient of correlation and comment on your answer- (3)

X	46	51	48	50	47	49	52
Y	178	173	176	174	177	175	172

7. Calculate coefficient of quartile deviation from the following information: (3)

X	10	20	30	40	50	60	70
f:	20	30	50	100	50	30	20

8. Calculate Spearman's rank correlation coefficient and comment on your answer: (3)

X	12	18	32	18	25	24	25	40	38	22
Y	16	15	28	16	24	22	25	36	34	19

9. Differentiate between sampling and non-sampling errors.

(OR)

Giving examples differentiate between primary and secondary data. (3)

10. Find out the Consumer Price Index and interpret the result : (3)

ITEMS	Weights	Price in the base year	Price in the current year
Food	45	300	350
Rent	20	200	250
Fuel	8	100	110
Clothing	15	150	175
Others	12	250	300

11. a) Calculate Laspayre's and Pasche's price index numbers for 2015 using 2005 as the base year and compare the results:

Items	Price in 2015	Quantity in 2005	Quantity in 2015	Price in 2005
A	12	30	15	10
B	10	15	10	8
C	8	20	15	6
D	6	10	15	4

b) State any two uses of index numbers. (4+2)

12. Find the mean, mean deviation and standard deviation for the following data: (2+2+2)

X	0 - 4	4 - 8	8 - 12	12 - 16
f:	8	16	4	2

(OR)

Find the mean, standard deviation and coefficient of variation for the following data:

X	0 - 40	40 - 80	80 - 120	120 - 160
f:	16	32	8	4

13. a) Draw the less than and more than ogives and determine the value that divides the data into two equal halves:

Weekly wages in Rs.	0 - 200	200 - 400	400 - 600	600 - 800	800 - 1000
No: of workers	10	20	40	20	10

b) Represent the following using a time series graph: (4+2)

Year	2002	2004	2005
Profits in' 000 Rs.	500	510	502

INDIAN ECONOMIC DEVELOPMENT

14. Name any two alternative channels available for agricultural marketing in India. (1)

15. Explain the need and type of land reforms implemented in India. How far were they successful? (3)

16. Discuss how information technology can play a major role in achieving sustainable development and food security in India.

(OR)

Give a brief sketch of available sources of credit in rural areas. (3)

17. Discuss the foreign trade policies followed by India till 1990s and its implications. (3)

18. Name any two indicators of educational attainment in India. How is physical capital different from human capital with respect to-mobility across space, depreciation and nature of benefits that flow from them? (1+3)

(OR)

Name any two government organizations that facilitate educational institutions in India. Discuss how investments in education, on-the-job training and health infrastructure aid economic development.

19. How is cost push inflation different from demand pull inflation? Explain the use of any one fiscal and monetary policy instrument each to control inflation. (1+3)

20. a) How does the government create employment opportunities directly and indirectly?
    b) State any two adverse effects of inflation. (2+2)

21. a) Why has the industrial sector performed poorly after the introduction of reforms in India?
    b) What are the advantages that India has that make it a favourite outsourcing destination?

(OR)

a) Discuss economic reforms in the light of social justice and welfare.
b) Write a short note on how WTO proposes to promote multilateral trade. (3+3)

22. a) Define worker population ratio and analyse the given table- (1+2)

Worker-Population Ratio in India (2011-12)

Sex	Worker – Population Ratio		
	Total	Rural	Urban
Men	54.4	54.3	54.6
Women	21.9	24.8	14.7
Total	38.6	39.9	35.5

b) State three points to show how the opportunity cost of negative environmental impacts are high. (3)

23. Discuss the changes introduced in India’s fiscal and monetary policies in 1991. (6)

OTBA

Read the given abstract and answer the questions that follow:

Theme 2: Role of FDI in Economic Development

Abstract

Foreign Direct Investment (FDI) is an investment received by a company or an entity based in one country, from a company or an entity based in another country. It plays a major role in the economic development of an under developed economy. Over the past century, FDI has served the economies of many countries as a launching pad from where they can soar to greater economic heights. This text will help the students to understand the role played by FDI on development of an economy with special emphasis on China and India.

Foreign direct investment has a major role to play in the economic development of the host country. Over the years, foreign direct investment has helped the economies of the host countries tomake further improvements in their economic status. This trend has manifested itself in the last 25years. Any form of foreign investment brings capital, knowledge and technological resources in the economy. It has been observed that the economically developing as well as underdeveloped countries are dependent on the economically developed countries for financial assistance that would help them to achieve economic stability. The economically developed countries on their part can help these countries financially by investing in these countries.
It can also help the underdeveloped country to build its own research and development bases that can contribute to the technological development of the country. This is helpful as most of these countries are not able to perform these functions on their own especially in the context of the manufacturing and services sector of the particular country, they are able to enhance their productivity and ultimately advance from economic point of view. At times, it could be provided in the form of technology which is an indirect way of acquiring FDI.

Source: Moneycontrol.com

FDI in China

Encouragement to FDI has been an integral part of the planned economic reform process of China. Under Deng Xiaoping’s rule in 1970’s, China partially opened its territory for foreign investors. It has gradually opened up its economy for foreign businesses and has attracted large amount of direct foreign investment. China’s policies toward FDI have experienced roughly three stages:

a) **Initial Phase** (July 1979 onwards) gradual and limited opening,

b) **Continuous Development Phase** (1986-91) giving preferential treatment

c) **High Growth Period** (1992 onwards) promoting FDI with specific objectives

Government policies helped in setting Special Economic Zones (SEZs) to encourage FDI inflow, especially in export-oriented sectors by using relaxed policies. Foreign investors were provided the preferential tax treatment, the freedom to import inputs such as materials and equipment, and simpler licensing procedures. Additional tax benefits were also offered. FDI was encouraged in agriculture, energy, transportation and telecommunication.

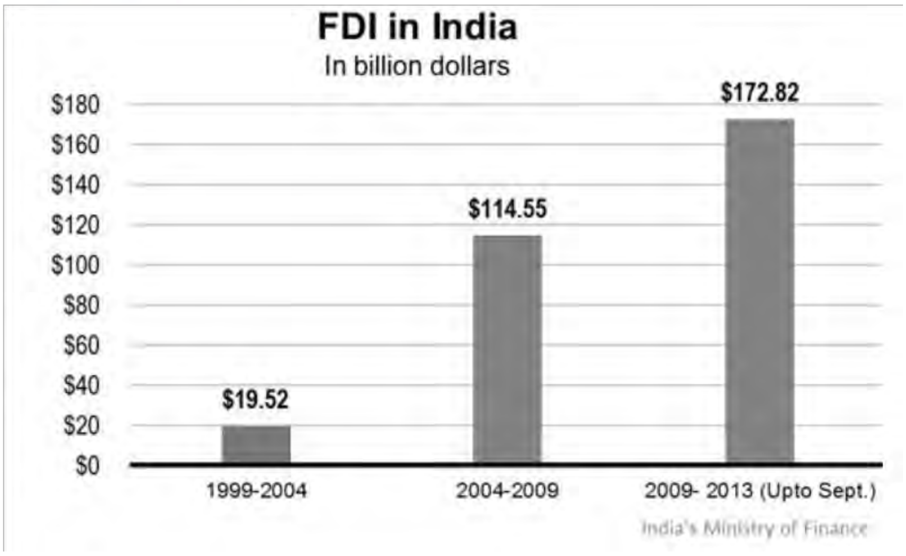
Foreign investors now had confidence in investing in China due to the reforms within the nation and the entry to WTO in early 2002. Attracted by the country's investment opportunities and by sheer size and growing domestic market, China is the second largest economy of the world just behind USA. FDI performance of China in attracting large amount of FDI could be attributed to its policy of SEZs particularly exports catering to the international market, focus on infrastructure and comparative advantage owing to the low labor costs. When comparisons are made between the emerging economies, it is observed that policies are common but China stands out with its relaxation for agriculture sector as well.

India's Experience

Till 1991, India had followed a cautious approach regarding FDI policy due to 'import-substitution strategy' and 'self reliance'. FDI through foreign collaboration was welcomed in the areas of high technology and high priority Public sector only. Government established Special Economic Zones (SEZs), designed selective liberal policy and provided incentives for promoting FDI in these zones with a view to promote exports. As India continued to be highly protective, these measures did not add substantially to export competitiveness. Since 24th July 1991, there has been a sea change in India's approach to foreign investment when it began structural economic reforms encompassing almost all the sectors of the economy. In 1991, there was a need for economic reforms because of the following reasons:

- India's Fiscal Deficit was 8.4 percent of GDP. The economy was caught in debt trap. IMF finally
  agreed to advance the loan but insisted that the Indian Government should introduce economic reforms
- Foreign debts rose to 23 percent of Gross Domestic Product.
- Depletion of Foreign Exchange Reserves
- Failure of the Public sector
- Rising prices

India embarked upon economic liberalization and reforms program in 1991 aiming to raise its growth potential and integrating with the world economy. Industrial policy reforms gradually removed restrictions on investment projects and business expansion on the one hand and allowed increased access to foreign technology and funding on the other. These efforts were boosted by the enactment of a large number of Acts to facilitate changes in foreign exchange dealings.



Source: Ministry of Finance (Govt. of India)

There are two routes by which there is inflow of FDI in India

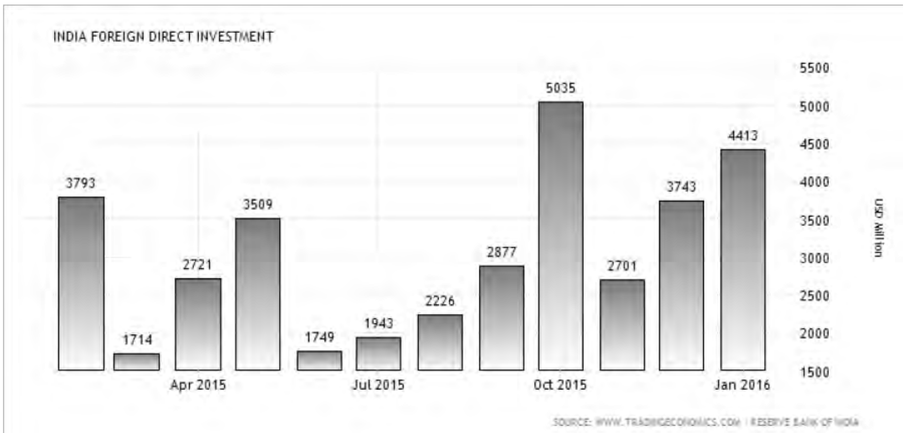
1) **Automatic Route**: By this route, FDI is allowed without any prior approval by Government or Reserve Bank of India. The host co are only required to notify the concerned regional office of the RBI within 30 days of receipt of inward remittances and file the required documents with that office within 30 days of issuance of shares to foreign investors. In the post liberalization era, India is known to have attracted a large amount of foreign direct investment. India is allowing FDI in most of the sectors except a few, where specific guidelines are given for the foreign direct investment beyond a limit. After liberalization its role has changed significantly. Progressive liberalization of FDI policy has strengthened the investor confidence with opening of new sectors like integrated township.

2) **Government Route**: Prior approval by government is needed via this route. Foreign Investment
Promotion Board (FIPB) is the responsible agency to oversee this route. India has been a major recipient of FDI inflows in the majority of sectors. Under this route, the proposals are considered in a time-bound and transparent manner by the FIPB. Approvals of proposals involving foreign investment/ foreign technical collaboration are also granted on the recommendations of the FIPB.

Investment proposals falling under the automatic route and matters related to FEMA (Foreign Exchange Management Act) are dealt with by RBI, while the Government handles investment through approval route and issues that relate to FDI policy through its three institutions:

1) Foreign Investment Promotion Board (FIPB)
2) Secretariat for Industrial Assistance (SIA)
3) Foreign Investment Implementation Authority (FIIA).

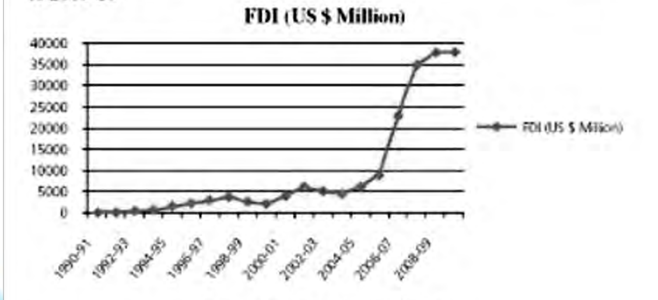
According to a report of the RBI, there has been a rise in India's Foreign Direct Investment from US $ 3509 in April 2015 to US $ 4413 in January 2016 as seen in the chart below.



Source: Reserve Bank of India

Since the onset of liberalization, the country experienced a high jump in the inflows of FDI in services sector because of the tremendous growth potential that it possesses. This sector has been ranked among the top ten sectors attracting FDI since 1991. Establishment of software technology parks, regulatory reforms by the Indian Government, the growing Indian market and availability of skilled work force have been important factors in boosting FDI inflows in this sector.

Figure 1: Trends in Foreign Direct Investment Inflows in India 1990-91 to 2009-10



Source: Reserve Bank of India

The top 10 countries FDI Inflow to India between April 2000 to July 2014 shows Mauritius, Singapore, UK, Japan, Netherlands, USA, Cyprus, Germany followed by France and Switzerland.

FDI Inflows: Sector-Wise Analysis

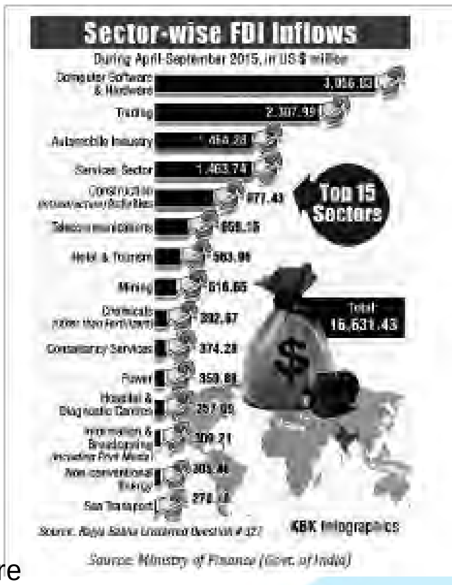
Telecommunication Sector in India is growing at an astonishing pace. India has more than 125 million telephone networks, which is one of the largest communication networks around the globe. Telecom industry which comprises of telecommunication, cellular mobiles and basic telephone services has ranked among the top ten sectors in attracting FDI since 1991. The main cause of huge FDI inflow in the telecom sector is the growing demand in India and the private sector participation.

Construction Sector is among the top 5 sectors in attracting FDI. This includes housing, commercial premises, hotels, resorts, hospitals, educational institutions and infrastructure. FDI to this sector is permissible under automatic route. The amount of inflow to construction activities during 2000 to 2014 has witnessed magnanimous growth. The construction activities sector shows a steep raise in FDI inflows from 2005 onwards.

Automobile Industry: FDI inflows to automobile industry in India have been increasing at a fast pace. 100 percent FDI is allowed in this sector and India is becoming a prime destination for many international players in the automobile industry who wish to set up their base in Asia. The basic advantages that India can provide are advanced technology, cost effectiveness, efficient manpower and most important growing demand.

Power Sector: The power sector has attracted considerable FDI during the period 1991-99. The huge size of the market in this sector and high returns on investment are two important factors in boosting FDI inflows to power sector. 100 percent FDI is allowed under automatic route in almost all kinds of power generation except atomic energy.

Metallurgical Industry: FDI inflows to the metallurgical industries have remained less noticeable after 1991. FDI in this sector can help to bring the latest technology but this sector could not get much FDI due to the dominance of public sector. India ranks among the top ten suppliers of aluminium and steel across the globe. India is the biggest manufacturer of sponge iron across the world.



Petroleum and Natural Gas: FDI inflows to this sector have started pouring since the year 2004. Since then the inflows in this sector have picked up in absolute sense and it has just managed to rank itself among the toppers although important initiatives have been taken by the Indian government to drive FDI inflows. Hundred percent FDI is now permitted under the automatic route and the growing demand for Petroleum and Natural Gas necessitates augmented investment in this sector.

Chemicals other than fertilizers have attracted a significant portion of FDI during 1980s and 1990s. During the period 1991 FDI inflows to this industry has greatly increased over the last few years due to the several incentives provided by the government of India. 100 percent FDI is allowed in chemicals under the automatic route in India. International companies having operations in chemical industry are Dow Chemicals, BASF, Du Pont and Bayer.

Trading sector showed a trailing investment pattern up to 2005 but there is an exponential rise in inflows from 2006 onwards. The top five Indian companies which received FDI inflows are: Multi Commodity Exchanges of India Ltd, Anchor Electricals, Metro cash and Carry Pvt. Ltd and Essilor India Pvt. Ltd.

HOTEL and TOURISM industry is growing faster for the past few years, bringing in large revenues through foreign as well as domestic tourists in various parts of the country.100 percent FDI is

permitted in Hotels and Tourism under the automatic route. FDI inflows to this country have increased from US $91.13 million during 1991-99 to US $7607.01 million during 2000-14. Outbound tourists from India have also increased in recent years, with more Indians undertaking foreign trips. Many international tour operators have started operations from India to tap the growing market of foreign tours from India. This has also led to increased Foreign Direct Investments in the hotel and tourism industry in India.
According to UNCTAD's Global Investment Trends Monitor (2011), improved macroeconomic conditions, particularly in the emerging economies, which boosted corporate profits coupled with better stock market valuations and rising business confidence augured well for global FDI prospects. According to UNCTAD, these favourable developments have increased the share of developing countries over 50 per cent in total FDI inflows, and this may increase further due to strong growth prospects. India also received large FDI inflows due to domestic economic performance. The attractiveness of India as a preferred investment destination has increased over the last two decades. The significant increase in FDI inflows to India reflected the impact of liberalization. FDI was gradually allowed in almost all sectors, except a few on grounds of strategic importance, subject to compliance of sector specific rules and regulations. China permits 100 per cent FDI in agriculture while this is completely prohibits FDI in media. In India, on the other hand, foreign ownership is allowed up to 100 per cent in sectors like 'mining, oil and gas', electricity and 'healthcare and waste management'.

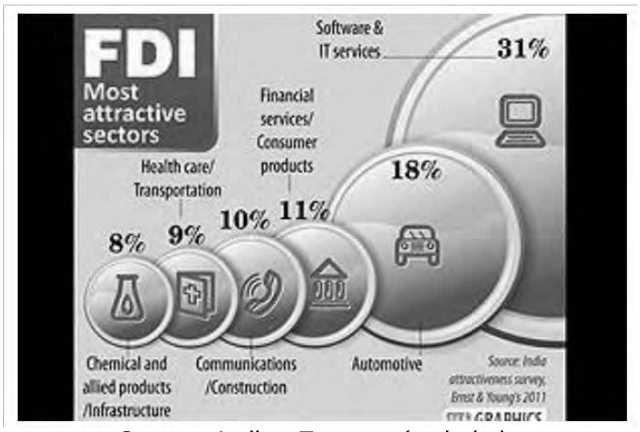
MAKE IN INDIA: It is an initiative taken by the Government of India to encourage multinational as well as domestic companies to manufacture their products in India.

Source: Ministry of Commerce, Government of India

The objective of Make in India is:

- To focus on job creation and skill development
- It aims at maintaining high quality standards
- Minimizing the adverse impact on environment
- Attracting better technology and greater investment in India

The most attractive sectors of FDI under Make in India are Automobiles, Automobile Components, Aviation, Biotechnology, Chemicals, Construction, Defence, Manufacturing, Electrical Machinery, Electronic Systems, Food Processing, Information Technology, Leather, Media and Entertainment, Mining, Oil and Gas, Pharmaceuticals, Ports and Shipping, Railways, Renewable Energy, Roads and Highways, Space and astronomy, Textiles and Garments, Thermal Power, Tourism and Hospitality, Wellness. 100% FDI is how permitted in all the sectors except for space (74%), defence (49%) and media (26%).



Source: Indian Express (website)

After initiation of the programme, India would emerge as the top destination globally for foreign investments.

Before the launch, foreign equity caps were relaxed, licenses were available online and their validity was increased to three years. In 2014, 49% FDI in defence sector and 100% in railways infrastructure was also permitted. Between September 2014 and November 2015 US $ 18 billion worth of proposals were received by the Government. With the demand of electronic hardware expected to rise to US $ 400 billion by 2020, India has the potential to become a manufacturing hub. Spice group in UP, Samsung in Noida and Hitachi in Chennai, Huawai in Bangalore, Xiamoi in Andhra Pradesh made investments and set up their units in India.

TOP 10 FDI DESTINATIONS IN INDIA

Sl. No.	City	Industry	Reasons
1	Bangalore	IT sector	Infrastructure and competent workforce
2	Delhi	Service industry, IT industry Consulting	Being capital better facilities and competent workforce
3	Pune	IT sector, Software Manufacturing	Better facilities and workforce
4	Mumbai	Services, manufacturing. Energy, transport and banking	Setting up of SEZ, financial capital, biotechnology, egovernance
5	Chennai	Automotive sector	Government policies
6	Hyderabad	IT sector	SEZ
7	Kolkata	IT and software	SEZ and better infrastructure
8	Ahmedabad	Exports and jewellery	Sabarmati Riverfront development project
9	Nagpur	Power distribution	Public transport
10	Jaipur	Traditional and Hand-made Jewellery of stones.	Local cottage industries

On 30 November 2015, the Ministry of Railways signed formal agreements with Alstom and GE Transport worth US$5.9 billion to set-up locomotive manufacturing factories in Madhepura and Marhaura in Bihar. In December 2015, Qualcomm announced "Design in India" programme to help

mentor up to 10 Indian hardware companies with the potential to come up with innovative solutions and help them reach higher scale of production. As part of the programme, the company will set up an Innovation Lab in Bengaluru to provide technical and engineering support to the selected companies. In the same month, Micromax announced that it would establish three new manufacturing units in Rajasthan, Telangana and Andhra Pradesh at a cost of US$45 million. The plants will begin functioning in 2016, and will each employ 3,000-3,500 people. Following Japanese Prime Minister's visit to India in December 2015, it was announced that Japan would set up a US$12 billion fund for Make in India related projects called the "Indo-Japanese Make-in-India Special Finance Facility". In December 2015, phone manufacturer Vivo Mobile India has already began manufacturing smart phones at a plant in Greater Noida, which employs around 2,200 people. A defence deal was signed during Prime Minister's visit to Russia in December 2015 which may see the Kamov Ka-226 multi-role helicopter being built in India. This is widely seen as the first defence deal to be actually signed under the Make in India campaign.

24. Describe the stages followed by China to open its territory for foreign investments. State a few factors that have helped to boost foreign investor's confidence in investing in China. (5)

25. a) How is foreign investment expected to benefit developing and underdeveloped countries?
    b) Describe the central idea and the objectives of the Make in India programme as well as expectations from it. (2+3)

-x-x-x-x-x-x-