

TEACHER'S HANDBOOK

 **STELLAR LEARNING**

Economics

10

**On
Board!**
BOOKS

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1

Development

Milestone

Multiple-Choice Questions

1. Which one of the following is the reason for low infant mortality rate in Kerala?
 - (a) It has natural resources.
 - (b) It provides education facilities and adequate provision of basic health.
 - (c) It has a very efficient Government.
 - (d) It has the highest per capita income.

Ans. (b) It provides education facilities and adequate provision of basic health.

2. Which one of the following is not a component of Human Development Index (HDI)?
 - (a) National income
 - (b) Life expectancy
 - (c) Gross enrolment ratio
 - (d) Per capita income

Ans. (c) Gross enrolment ratio

3. Which currency is used to calculate per capita income and presented for each country of the world?
 - (a) Pound
 - (b) Euro
 - (c) Dollar
 - (d) None of these

Ans. (c) Dollar

Very Short Answer Type Questions

4. Define national income.

Ans. The total income of a country is the sum of the incomes of all the residents; also called the national income.

5. What is the criterion of a developed country?

Ans. According to the World Development Reports of the World Bank, countries with per capita income of US\$ 12,056 per annum are called rich countries. The rich countries, excluding the Middle East countries, are generally called developed countries.

6. What is the meaning of net attendance ratio?

Ans. It is the total number of children of age group 14 and 15 years attending school as a percentage of total number of children in the same age group.

7. What is infant mortality rate?

Ans. It indicates the number of children that die before the age of one year as a proportion of 100 live children born in that particular year.

Short Answer Type Questions

8. What does the term 'People have different developmental goals' mean? Justify your answer with an example.

Ans. To most people, the goal is the desire for more income. Other than that, people also want equal treatment, freedom, security, respect for others, no discrimination in any form, and so on. All these cannot be measured but are very important. People look at a mix of goals. In some cases, these may be more important than more income or more consumption because material goods are not all that you need to live. There are many things that are not easily measured but they mean a lot to our lives. These are often ignored. However, it would be wrong to conclude that what cannot be measured is not important.

9. What do you think is the reason for low mortality rate in Kerala?

Ans. Kerala fares high in these factors because it has adequate provisions of basic health care and education facilities, which are mostly provided by the government. So, if the government provides health care and education facilities and a good public distribution system, then the health and nutritional status of such states will be better than that of the others.

10. How is BMI calculated?

Ans. Body Mass Index is a way to find out if we are properly nourished. It is derived from the weight and height of an individual. Find out your weight in kilograms (kg). Then take your height by drawing up a scale on the wall and measuring accurately with the head straight. Record your height in metres. Divide the weight recorded with the square of your height. The number you get is called the BMI.

11. Why do you think average income is an important criterion for development?

Ans. The total income of a country is the sum of the incomes of all the residents; also called the national income. But this is not an appropriate measure. Since total population is different for different countries, just the total income of all the residents cannot tell us what one person is likely to earn. So we calculate the average income of countries for comparison. The average income is calculated by dividing the total income of the country by its total population. This is also called the per capita income.

Long Answer Type Questions

12. Define IMR, literacy rate, net attendance ratio and life expectancy at birth ratio.

Ans. IMR: It indicates the number of children that die before the age of one year as a proportion of 100 live children born in that particular year.

Literacy Rate: It is the measurement of the proportion of literate population in the 7 and above age group.

Net Attendance Ratio: It is the total number of children of age group 14 and 15 years attending school as a percentage of total number of children in the same age group.

Life expectancy at birth ratio: Life Expectancy at birth denotes average expected length of life of a person at the time of birth.

13. Why is sustainability important for development?

Ans.

- Sustainability is important for development because development does not mean only present development but also development in future.
- If natural resources are depleted then development will stagnate after a point of time.
- All resources are given to us by nature and exploiting them or using them unethically will impact the future development of the country.
- To sustain and make progress in the development of a country, all natural resources must be used wisely keeping in mind the consequences of environmental degradation.

- If we use more than what is replenished by nature than we will be exhausting that resource.

Self-Assessment

Multiple-Choice Questions

1. IMR stands for

- (a) International Monetary Rate
- (b) Institute of Medical Relation
- (c) Internal Money Ratio
- (d) Infant Mortality Ratio

Ans. (d) Infant Mortality Ratio

2. Human Development Index points out

- (a) health development.
- (b) better education system.
- (c) all round development of the people.
- (d) none of these.

Ans. (c) all round development of the people.

3. Which one is the formula to calculate Body Mass Index?

- (a) $\frac{\text{Height}}{\text{Weight}}$
- (b) $\frac{\text{Weight}}{\text{Height}^2}$
- (c) $\frac{\text{Weight}^2}{\text{Height}}$
- (d) $\frac{\text{Weight}}{\text{Height}}$

Ans. (b) $\frac{\text{Weight}}{\text{Height}^2}$

Assertion-Reason Type Questions

For question numbers 4 to 7, two statements are given as Assertion (A) and Reason (R). Read the statements and choose the correct option from (a), (b), (c) and (d) as given below.

- (a) Both A and R are true and R is the correct explanation of A.
- (b) Both A and R are true but R is not the correct explanation of A.
- (c) A is true but R is false.
- (d) A is false but R is true.

4. **Assertion (A):** A safe and secure environment may allow more women to take up a variety of jobs or run a business.

Reason (R): It is true that if women are engaged in paid work, their dignity in the household and society increases.

Ans. (b) Both Assertion (A) and Reason (R) are true but R is not the correct explanation of A, because it is true that a safe and secure environment allows the women to take up various jobs and business opportunities and it is also true that the women who are engaged in work enjoy a dignified status in the society.

5. Assertion (A): Countries with per capita income of US\$ 11,047 per annum and above in 2018, are called rich countries.

Reason (R): Countries with per capita income of US\$ 955 or less are called low-income countries.

Ans. (d) Assertion (A) is wrong but Reason (R) is correct because, countries with per capita income of US\$ 12,056 per annum and above in 2017, are called rich countries.

6. Assertion (A): A person in Haryana earned ₹ 1,62,034 in one year (2015-2016).

Reason (R): A person in Bihar earned only around ₹ 29,454 in the financial year (2015-2016).

Ans. (c) Assertion (A) is correct but Reason (R) is wrong because, a person in Bihar earned only around Rs 31,454 in the financial year 2015-2016.

7. Assertion (A): Infant Mortality Rate (or IMR) indicates the number of children that die before the age of one year as a proportion of 1000 live children born in that particular year.

Reason (R): Net Attendance Ratio is the total number of children of age group 14 and 15 years attending school as a percentage of total number of children in the same age group.

Ans. (b) Both A and R are true but R is not the correct explanation of A.

Match the Following

8. Match the following items given in Column A with those in Column B. Choose the correct answer from the options given below:

Column A (Countries)	Column B (Life Expectancy at birth 2017)
A Sri Lanka	1 75.5 years
B India	2 68.8 years
C Myanmar	3 66.7 years
D Bangladesh	4 72.8 years

Codes:

	A	B	C	D
(a)	1	2	3	4
(b)	2	4	1	3
(c)	4	1	3	2
(d)	2	3	4	1

Ans. (a)

Find the Incorrect Option

9. (a) HDI Rank of Sri Lanka in 2018 was 76.
 (b) HDI Rank of Myanmar in 2018 was 148.
 (c) HDI Rank of Bangladesh in 2018 was 136.
 (d) HDI Rank of India in 2018 was 149.

Ans. (d)

10. (a) Children aged 16-17 in Bihar are not attending school beyond Class 11.
 (b) The per capita income of Haryana is more than that of Kerala.
 (c) Kerala, out of 1000 children born, 12 died before completing one year of age but in Haryana the proportion of children dying within one year of birth was 36.
 (d) The average income is also called per capita income.

Ans. (a)

Correct the Following Statement and Rewrite

11. Kerala has a high Infant Mortality Rate because it has no adequate provision of basic health and educational facilities.
Ans. Kerala has a low Infant Mortality Rate because it has adequate provision of basic health and educational facilities.

Fill in the Blanks

12. Different persons have different developmental goals.
 13. For comparing countries, their income is considered one of the most important attribute.
 14. Human development report is published by UNDP.

Very Short Answer Type Questions

15. What will be the immediate goal of a landless labourer?
Ans. Immediate goal of landless labourer is like more days of work and better wages; local school is able to provide quality education for their children; there is no social discrimination and they too can become leaders in the village.
 16. What do you mean by developed economy?
Ans. Countries with higher income are more developed than others with less income.

Short Answer Type Questions

17. How can we ensure a better distribution of water resources in the country?
Ans. Recent studies suggest that the groundwater is under serious threat of overuse in many parts. Around 300 districts in India have reported a drastic decline in ground water level more than 4 metres during the past 20 years. In India almost one-third of the country is overusing groundwater reserves. Groundwater overuse is particularly found in the agriculturally prosperous regions of Punjab and Western UP, some coastal areas and the rapidly growing urban settlements. In order to ensure a better distribution of water resources, dams and canals need to be constructed so that in case of drought the water can be diverted to the regions facing any issue.

18. 'Growth and literacy is must for economic development'. Explain the statement.

Ans. It is true to say that both growth and literacy is must for economic development because they both complement each other. For example, if any country is economically strong but the literacy rate of that country is low then the citizens of that country will not be able to enjoy the benefits of economic growth. We have a live example of the two Indian states, Kerala and Haryana. Though the per capita incomes of the two states are very close but there is a huge gap between the literacy rates of Kerala (94%) and Haryana (82%). So, for economic development in real sense both literacy rate and growth should complement each other.

19. For development, people look at a mix of goals. Give some examples in support of this statement.

Ans. For development, people look at a mix of goals, i.e. not only better income but also other things which they consider important in their lives. People want more income, for example, they desire regular work, better wages and good price for their crops or for the other products that they produce. People also seek things such as equal treatment, freedom, security and respect for themselves and for others. In some cases, these may be more important than more income or more consumption because material goods are not all that you need to live. Money, or material things that one can buy with it, is one of the factors on which our life depends on non-material things mentioned above. There are many things that are not easily measured but they mean a lot to our lives. These are often ignored. However, it would be wrong to conclude that what cannot be measured is not important. Similarly, for development people look at a mix of goals. The developmental goals that people have are not only about better income but also about other important things in life.

Paragraph Based Questions

20. Read the sources given below and answer the questions that follow:

Source A – National Development

Countries with per capita income of US\$ 12,056 per annum and above in 2017, are called rich countries and those with per capita income of US\$ 955 or less are called low-income countries. India comes in the category of low middle income countries because its per capita income in 2017 was just US\$ 1820 per annum.

(a) Why India is consider as a low middle income country?

Source B – Public Facilities

Kerala has a low Infant Mortality Rate because it has adequate provision of basic health and educational facilities. Similarly, in some states, the Public Distribution System (PDS) functions well. Health and nutritional status of people of such states is certainly likely to be better.

(b) Define Infant Mortality Rate. Why Kerala has a low IMR?

Source C – Sustainability of Development

Groundwater is an example of renewable resources. These resources are replenished by nature as in the case of crops and plants. However, even these resources may be overused. For example, in the case of groundwater, if we use more than what is being replenished by rain then we would be overusing this resource.

(c) How can we say that groundwater is an example of renewable resource?

Ans. (a) India is consider as a low middle income country because its per capita income was US\$1820 in 2017 where as the countries with per capita income of US\$ 12,056 per annum are consider as rich countries.

(b) Infant Morality Rate indicates the number of children that die before the age of one year as a proportion of 100 live children born in that particular year. Kerala has a low IMR because of the education and basic medical facilities.

(c) Groundwater is an example of renewable resources because these resources are replenished by nature just like crops and plants.

Case Based Questions

21. Besides seeking more income, one way or the other, people also seek things like equal treatment, freedom, security, and respect of others. They resent discrimination. All these are important goals. In fact, in some cases, these may be more important than more income or more consumption because material goods are not all that you need to live. Money, or material things that one can buy with it, is one factor on which our life depends. But the quality of our life also depends on non-material things mentioned above. If it is not obvious to you, then just think of the role of your friends in your life. You may desire their friendship. Similarly, there are many things that are not easily measured but they mean a lot to our lives. These are often ignored. However, it will be wrong to conclude that what cannot be measured is not important. For development, people look at a mix of goals. It is true that if women are engaged in paid work, their dignity in

the household and society increases. However, it is also the case that if there is respect for women there would be more sharing of housework and a greater acceptance of women working outside. A safe and secure environment may allow more women to take up a variety of jobs or run a business. Hence, the developmental goals that people have are not only about better income but also about other important things in life.

21.1 In addition to equal treatment, freedom, security, and respect for others, what does a person seek?

- (a) Good amount of cash in hand
- (b) Job security
- (c) Better income
- (d) Health benefits

Ans. (c) Better income

21.2 Resentment of discrimination is a/an

- (a) conditional right
- (b) important goal
- (c) inevitable privilege
- (d) developmental aspect

Ans. (b) important goal

21.3 The quality of our life is not independent of

- (a) better income
- (b) more consumption
- (c) non-material things
- (d) all of these

Ans. (d) all of these

21.4 How can women take up different jobs or run a business?

- (a) By having a safe and secure environment.
- (b) By being offered better salaries.
- (c) By having the opportunity to study.
- (d) By being helped at home and office.

Ans. (a) By having a safe and secure environment.

22. Usually we take one or more important characteristics of persons and compare them based on these characteristics. Of course, there can be differences about what are important characteristics that should form the basis of comparison: friendliness and spirit of cooperation, creativity or marks secured? This is true of development too. For comparing countries, their income is considered to be one of the most important attributes. Countries with higher income are more developed than others with less income. This is based on the understanding that more income means more of all things that human beings need. Whatever people like, and should have, they will be able to get with

greater income. So, greater income itself is considered to be one important goal. Intuitively, the income of the country is the income of all the residents of the country. This gives us the total income of the country. However, for comparison between countries, total income is not such a useful measure. Since, countries have different populations, comparing total income will not tell us what an average person is likely to earn. Are people in one country better off than others in a different country? Hence, we compare the average income which is the total income of the country divided by its total population. The average income is also called per capita income.

22.1 According to the passage which of the following characteristics can be used to compare two individuals?

- (a) Nature
- (b) Creativity
- (c) Academic excellence
- (d) All of these

Ans. (d) All of these

22.2 Countries are compared on the basis of

- (a) foreign ties
- (b) average income
- (c) gender of the population
- (d) defence force strength

Ans. (b) average income

22.3 A developed country is said to have

- (a) higher per capita income
- (b) lower per capita income
- (c) higher per capita expenditure
- (d) lower per capita expenditure

Ans. (a) higher per capita income

22.4 Why is the income of a country an incompetent measure to assess its development state?

- (a) Due to difference in literacy rate.
- (b) Due to difference in geographical positioning.
- (c) Due to difference in resources.
- (d) Due to difference in population size.

Ans. (d) Due to difference in population size.

Long Answer Type Questions

23. What is sustainable development? Suggest any two ways in which resources can be used judiciously.

Ans. Sustainable development is a condition where the current needs and aspirations of the society can be met without compromising the ability of the future generations to meet their needs and aspirations. Let's take the example of groundwater. This is a renewable resource. But

overuse of this resource is depleting it, and it is not being replenished by nature at the same rate. Groundwater is a renewable resource and is replenished by nature in the form of rain but to sustain it for future generations it should be utilised wisely or the consequences can be serious. Resources can be used judiciously in the following manner:

- (i) Using a bicycle or walking for short distances rather than using a two-wheeler or four-wheeler can help in saving fuel and also will help in reducing air pollution.
- (ii) Urbanisation without deforestation can help us to sustain the natural environment.
- (iii) By using CNG in place of petrol, we can help in reducing air pollution.

24. Development means different things for different people. Support your statement with reasons.

Ans. The following examples show that development could mean different things to different people.

- A girl may try to seek freedom and opportunity as her brother for development, but this notion may not be liked by the parents.
- The school may seek increase in tuition fee for the advancement of education facilities, but the parents may find it difficult to bear.
- Women may seek desirable reservation in election to local bodies for their development, however, the male-dominated society may not approve it fearing their share being divided.
- Construction of dam may be development for some. It may be beneficial for the generation of electricity. Urban areas may benefit from it but the rural areas may be submerged under water.

25. Read the extract and answer the questions that follow:

However, for comparison between countries, total income is not such a useful measure. Since, countries have different populations, comparing total income will not tell us what an average person is likely to earn. Are people in one country better off than others in a different country? Hence, we compare the average income which is the total income of the country divided by its total population. The average income is also called per capita income. In World Development Reports, brought out by the World Bank, this criterion is used in classifying countries. Countries with per capita income of US\$ 12,056 per annum and above in 2017, are called rich countries and those with per capita income of US\$ 955 or less are called low-income countries. India comes in the category of low middle income

countries because its per capita income in 2017 was just US\$ 1820 per annum. The rich countries, excluding countries of Middle East and certain other small countries are generally called developed countries.

- (a) Why the comparison of total income of countries is not a useful measure?
- (b) Define the term per capita income.
- (c) Which organisation publishes the World Development Report?

Ans. (a) The comparison between total incomes of countries is not such a useful measure because, countries have different populations and comparing their total incomes does not tell us how much an average person is likely to earn.

(b) The total income of the country divided by its total population is called per capita income.

(c) The World Bank publishes the World Development Report. According to this report the countries with per capita income of US\$ 12,056 per annum and above in 2017, were called rich countries and those with per capita income of US\$ 955 or less were called low-income countries.

Let's Compete

Multiple-Choice Questions

- 1.** National income refers to
 - (a) sum of all the factor income
 - (b) wages
 - (c) rent
 - (d) interest

Ans. (a) sum of all the factor income

- 2.** Sustainable development takes care of the present and

(a) society	(b) past
(c) future	(d) community

Ans. (c) future

- 3.** BMI stands for

(a) Body Mass Index	(b) Bureau Mass Index
(c) Below Measure Index	(d) None of these

Ans. (a) Body Mass Index

- 4.** Per capita income refers to

(a) whole income	(b) average income
(c) national income	(d) none of these

Ans. (b) average income

- 5.** Which method is used by the World Bank to classify the countries?

(a) Human Development	(b) Per Capita Income
(c) National Income	(d) Economic Development

Ans. (b) Per Capita Income

6. Which of the following neighbouring countries has better performance in terms of human development than India?

- (a) Bangladesh
- (b) Sri Lanka
- (c) Nepal
- (d) Pakistan

Ans. (b) Sri Lanka

7. A person is overweight if the body mass index is more than

- (a) 18
- (b) 20
- (c) 22
- (d) 25

Ans. (d) 25

8. Which of the following states of India has low literacy rate?

- (a) Punjab
- (b) Bihar
- (c) Kerala
- (d) Tamil Nadu

Ans. (b) Bihar

9. Which of the following do we get when we divide the national income of a country by its total population?

- (a) Per Capita Income
- (b) Gross Development Product
- (c) Human Development Index
- (d) None of these

Ans. (a) Per Capita Income

10. National Development refers to

- (a) equality
- (b) democracy
- (c) employment
- (d) development of all sections

Ans. (d) development of all sections

Value-based Questions (Optional)

1. India is a developing country. What factors do you think can lead to make it a developed nation?

Ans. Yes, it is true that India is a developing country. Some of the important factors which can make India a developed nation are as follows:

- (i) Population control
- (ii) Proper management of resources
- (iii) Eradication of unemployment
- (iv) Work towards attaining sustainable development
- (v) Environmental protection

2. How can skill development help the Indian youth to fulfil its aspirations?

Ans. The shortage of skilled labour is a greater challenge for countries like India and various other developing nations. But nowadays, the firms and producers in developing countries are increasingly involved in the global brands which require them to meet global standards of quality. This in turn requires higher levels of skills in the workforce. So the skill development will help the Indian youth to compete with the international workforce which in turn will be of great help in their economic and personal development. The youth will now start thinking and working according to the global standards.

2

Sectors of the Indian Economy

Milestone

Multiple-Choice Questions

1. When was MGNREGA launched?
(a) 2000 (b) 2003
(c) 2005 (d) None of these

Ans. (c) 2005

2. Name the sector in which workers do not produce goods.
(a) Primary sector (b) Secondary sector
(c) Tertiary sector (d) None of these

Ans. (c) Tertiary sector

3. GDP is the total value of **(CBSE 2010)**
(a) all final goods and services
(b) all goods and services
(c) all intermediate goods and services
(d) all intermediate and final goods and services

Ans. (a) all final goods and services

Very Short Answer Type Questions

4. By what other name is the service sector known as?

Ans. Service sector is also known as the Tertiary sector.

5. Give two characteristics of the secondary sector.

Ans. In this sector, through industrial process, natural products are changed into many other forms. Secondary sector is also called the industrial sector.

6. Give two examples of the tertiary sector.

Ans. Transport and communication are examples of the tertiary sector.

Short Answer Type Questions

7. Give one difference between organised and unorganised sectors. **(CBSE 2015)**

Ans. Organised sector is the term used for those places of work where the terms of employment are fixed

and work is assured to the workers. These places are registered with the government and follow the laws of the government such as Minimum Wages Act, Factories Act, Payment of Gratuity Act, etc. and have some formal process and procedures. In unorganised sector jobs are low-paid and irregular, with no benefits. The workers very often face social discrimination.

8. Compare and contrast the working conditions in organised and unorganised sectors. **(CBSE 2015)**

Ans. In organised sector the employees enjoy security of employment. Their working period is fixed and if they do overtime, they have to be paid for this extra work by the employer. They get some other benefits such as paid leave, payment during holidays, provident fund, medical benefits, etc. with assurance of a safe working environment. Unorganised sector is outside the ambit of government control. The term relates to small and scattered units. These units do not follow government rules.

9. Is it necessary to have the public sector? Substantiate your answer by examining the role of the government.

Ans. In Public Sector most of the assets are owned by the government and it also provides all the services. The motive of the government is public and social welfare. For example, post offices and Railways. The purpose of the public sector is not just to earn profits. Governments raise money through taxes and other ways to meet expenses on the services rendered by it. Modern-day governments spend on a whole range of activities. There are various activities, which need the support of government. The private sector may not continue their production or business without the encouragement from the government. For example, selling electricity at the cost of

generation may push up the costs of production of goods in many industries.

10. Explain which part of the service sector is suffering in terms of growth.

Ans. The entire service sector is not growing equally well. Service sector in India employs many different kinds of people. At one end there are a limited number of services that employ highly skilled and educated workers. At the other end, there are a very large number of workers engaged in services such as small shopkeepers, repair persons, transport persons, etc. These people barely manage to earn a living and yet they perform these services because no alternative opportunities for work are available to them.

Long Answer Type Questions

11. Compare and contrast the activities and functions of the private and public sectors. Substantiate by giving examples from your area.

Ans. Public Sector: In this sector, most of the assets are owned by the government and it also provides all the services. The motive of the government is public and social welfare. For example, Post Offices and Railways. The purpose of the public sector is not just to earn profits. Governments raise money through taxes and other ways to meet expenses on the services rendered by it. Modern-day governments spend on a whole range of activities.

Private Sector: Private individuals and companies have ownership of assets as well as the delivery of services. The motive here is to earn profits. For example, Tata Iron and Steel Company Limited (TISCO). The private sector is less inclined to invest in infrastructure development projects as it requires major investments with low returns.

12. Elucidate the role of the public sector in contributing to the economic development of a nation.

Ans. In public sector, most of the assets are owned by the government and it also provides all the services. The motive of the government is public and social welfare. For example, Post Offices and Railways. There are some activities, which the government has to support. The private sector may not continue their production or business unless government encourages it. For example, the Government in India buys wheat and rice from farmers at a 'fair price' and stores in its godowns and sells at a lower price to consumers through ration shops.

13. Explain with examples, how the workers in the unorganised sector need protection on the following issues: health, wages and safety.

Ans. Unorganised sector is outside the ambit of government control. The term relates to small and scattered units. These units do not follow government rules. Typically jobs in this sector are low-paid and irregular, with no benefits. The workers often face social discrimination. For both economic and social development, it is essential that protection and support are given to the unorganised sector-workers. Health securities like mediclaim facilities should be given to employees. It should be mandatory for them to follow the laws of the government such as Minimum Wages Act, Factories Act, Payment of Gratuity Act, etc. and have some formal process and procedures.

14. What is the role played by Mahatma Gandhi National Rural Employment Guarantee Act in improving the employment situation in India?

Ans. The Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA 2005) and implementation of the Directive Principles of State Policy (Article 41 of the Constitution) which is the basic Right to Work by the government are some steps. Under MGNREGA scheme, 100 days of employment in a year by the government is guaranteed to those who are able to and are in need of work. If the unable and needy are not given employment by the government then it will have to give an unemployment allowance.

15. Explain the statement: 'Economic activities, though grouped into three different categories, are highly interdependent.'

Ans. The three sectors are interdependent on each other. Let us think about any product like pulses: if companies decide not to buy from the Indian market and import all pulses they want from other countries, then Indian pulses cultivation will become less profitable and the farmers may become bankrupt, if they cannot switch to other crops. Similarly, if we talk about secondary and tertiary sectors, it is very clear that these sectors are dependent on the primary sector.

16. How can employment opportunities be improved in India? Give any three ways.

Ans. There are some ways by which employment opportunities can be improved:

- Loans should be provided to small farmers by the government or bank to have more irrigation facilities like wells and tube wells in order to enable them to grow second crop.
- New dams and canals should be constructed which will lead to more employment in the agricultural sector.
- Transportation and storage facilities must be improved to provide productive employment to not only the farmers but also to others in

- services like transport and trade.
- Banks should provide agricultural credit to the farmers for farming to improve.
- More schools should be opened in rural areas. This will provide jobs to about 20 lakh people in the education sector.
- Health services should be improved by opening dispensaries and hospitals. This will create jobs for doctors, nurses and other staff.

Self-Assessment

Multiple-Choice Questions

- Which of the following statements is true in respect of the Public sector?
 - Big companies own most of the assets
 - Government owns the assets
 - A group of people owns most of the assets
 - An individual owns the assets **(CBSE 2010)**

Ans. (b) Government owns the assets

- Which of the following economic activities is not in the tertiary sector?
 - Banking
 - Bee-keeping
 - Teaching
 - Working in a call centre **(CBSE 2010)**

Ans. (b) Bee-keeping

- The service sector includes activities such as
 - agriculture, dairy, fishing and forestry.
 - making sugar, gur and bricks.
 - transport, communication and banking.
 - none of these. **(CBSE 2010)**

Ans. (c) transport, communication and banking.

Assertion-Reason Type Questions

For question numbers 4 to 7, two statements are given as Assertion (A) and Reason (R). Read the statements and choose the correct option from (a), (b), (c) and (d) as given below.

- Both A and R are true and R is the correct explanation of A.
 - Both A and R are true but R is not the correct explanation of A.
 - A is true but R is false.
 - A is false but R is true.
- Assertion (A):** The secondary sector covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity.

Reason (R): By using cotton fibre from the plant, we spin yarn and weave cloth.

Ans. (a) Both A and R are true and R is the correct explanation of A because Reason (R) is an

appropriate example of the secondary sector discussed in the Assertion (A)

- Assertion (A):** Transport, storage, communication, banking, trade are some examples of primary activities.

Reason (R): Service sector also includes some essential services that may not directly help in the production of goods. For example, we require teachers, doctors, and those who provide personal services such as washermen, barbers, cobblers, lawyers, and people to do administrative and accounting works.

Ans. (d) A is wrong but R is correct because, transport, storage, communication, banking, trade are some examples of tertiary activities.

- Assertion (A):** The sum of production in the primary and secondary gives what is called the Gross Domestic Product (GDP) of a country.

Reason (R): Gross Domestic Product (GDP) of a country is the value of all final goods and services produced within a country during a particular year.

Ans. (d) A is wrong but R is correct because the sum of production in the three sectors gives what is called the Gross Domestic Product (GDP) of a country.

- Assertion (A):** In India about 60 per cent of the population belongs to the age group 5-29 years.

Reason (R): Out of 60 per cent of population, only about 51 per cent attend educational institutions.

Ans. (b) Both A and R are true but R is not the correct explanation of A.

Match the Following

- Match the following items given in Column A with those in Column B. Choose the correct answer from the options given below:

Column A	Column B
A Unorganised Sector	1 The government owns most of the assets and provides all the services.
B Organised Sector	2 These are small and scattered units, outside the control of government.
C Private Sector	3 In this sector ownership of assets and delivery is in hands of private individuals.
D Public Sector	4 These sectors are registered by the government and have certain rules and regulations.

Codes:

- | | | | |
|-------|---|---|---|
| A | B | C | D |
| (a) 1 | 2 | 3 | 4 |

- | | | | | |
|-----|---|---|---|---|
| (b) | 2 | 4 | 3 | 1 |
| (c) | 4 | 1 | 3 | 2 |
| (d) | 2 | 3 | 4 | 1 |

Ans. (b)

Find the Incorrect Option

9. (a) More than one-third of the workers in the country are working in the tertiary sector, mainly in agriculture, producing one half of the GDP.
- (b) The production in the service sector rose by 14 times, employment in the service sector rose around five times.
- (c) The central government in India made a law implementing the Right to Work in about 625 districts of India.
- (d) A study conducted by the erstwhile Planning Commission (now known as NITI Aayog) estimates that nearly 20 lakh jobs can be created in the education sector alone.

Ans. (a)

Correct the Following Statement and Rewrite

10. The Infant Mortality Rate of Odisha (25) or Madhya Pradesh (27) is lower than some of the richest regions of the world.

Ans. The Infant Mortality Rate of Odisha (45) or Madhya Pradesh (47) is higher than some of the poorest regions of the world.

Fill in the Blanks

11. In **primary** sector, we produce a good by exploiting natural resources.
12. Economic activities, though are grouped into three different categories, as highly **interdependent**.
13. **Gross domestic product** is the value of all final goods and services produced within a country during a particular year.

Very Short Answer Type Questions

14. What do you mean by the tertiary sector? **(CBSE 2015)**

Ans. The sector in which activities that take place, result in the development of the primary and secondary sectors. Tertiary Sector is also called the service sector.

15. ATM is an example of which sector? **(CBSE 2015)**

Ans. ATM is an example of tertiary sector.

16. Name two activities which are associated with the tertiary sector. **(CBSE 2015)**

Ans. Banking and communication are associated with the tertiary sector.

17. What type of goods are counted for calculation of GDP in India?

Ans. GDP is the sum of the production in the three sectors viz., primary sector, secondary sector and tertiary sector of a country. It is the value of all the final goods and services produced within a country during a particular year.

18. Service sector in India employs two different kinds of people. Who are these people?

Ans. Service sector in India employs two different kinds of people. At one end there are a limited number of services that employ highly skilled and educated workers. At the other end, there are a very large number of workers engaged in services such as small shopkeepers, repair persons, transport persons, etc.

Short Answer Type Questions

19. Do you think all nations follow a specific pattern of development? Substantiate your answer with examples.

Ans. It is correct to say that all nations follow a specific pattern of development. This can be proved by the following discussion. As we have discussed, as well as from the references in history, it has been noted that in the development of any country, primary sector was very important. The methods of farming changed and agriculture became flourishing and produced more food. Some people chose other occupations such as crafting and trading. Besides these, there was an increase in some activities such as buying and selling, transporting, etc. In this way, in primary sector like in agriculture, most of the goods produced were natural products and many people were employed. After this, new methods of manufacturing were introduced, factories came up and expanded. People who worked in farms got employment in these factories in large numbers. Many of them began to use the lesser priced factory-products and, therefore the secondary sector became the most important sector. In the past 100 years, the importance also shifted from secondary sector to tertiary sector in developed countries. The service sector became the most important in terms of total production.

20. Which sector of economy in India bears most of the workforce?

Ans. Primary sector or the agriculture and related sector of economy in India bears most of the workforce. A remarkable fact about India is that while there has been a change in the share of the three sectors in GDP, a similar shift has not taken place in employment. The primary sector continues to be the largest employer even now. It is because not enough jobs were created in the secondary and tertiary sectors. Even though

industrial output or the production of goods went up by more than nine times during the period, employment in the industry went up by around three times. The same applies to the tertiary sector as well. While production in the service sector rose by 14 times, employment in the service sector rose around five times. As a result, more than half of the workers in the country are working in the primary sector, mainly in agriculture, producing only a quarter of the GDP.

21. Suggest at least one measure to increase employment in urban areas.

Ans. In the urban areas, unorganised sector comprises mainly of workers in small-scale industry, casual workers in construction, trade and transport, etc., and those who work as street vendors, head load workers, garment makers, rag pickers, etc. Small-scale industry also needs government's support for procuring raw material and marketing of output. The casual workers in both rural and urban areas need to be protected. So in order to increase employment opportunities in urban areas, the people associated with the unorganised sector need to be protected.

22. Which is the most important sector of economic activity during the initial stages of development?

Ans. Primary sector is the most important sector of economic activity during the initial stages of development. It has been noted that in the development of any country starts from primary sector. The methods of farming changed and agriculture became flourishing and produced more food. Some people chose other occupations such as crafting and trading. Besides these, there was an increase in some activities such as buying and selling, transporting, etc. In this way, in primary sector like in agriculture, most of the goods produced were natural products and many people were employed.

23. Why is the tertiary sector gaining importance in India? Explain any three reasons.

Ans. In India, production in all three sectors has increased over the forty years between 1973-74 and 2013-14. Some of the reasons in the rising importance of mainly the tertiary sector are:

First, basic services such as hospitals, banks, defence, post and telegraph services, transportation, police stations, courts, etc. are required in any developing country. Government has to take responsibility for the provision of these type of services.

Second, the great development of the primary and secondary sectors leads to the development of services like transport, trade, storage, etc.

Third, many people start demanding more services

like tourism, shopping, private hospitals, private schools, etc. due to rise in their income level, especially in big cities.

24. What is meant by disguised unemployment? Give one example each from rural and urban areas.

Ans. When people are working but all are made to work less than their potential, this situation is of underemployment and in disguised unemployment, underemployment is hidden. This is in contrast to a person who does not have a job and is clearly unemployed. For instance, take the case of a small farmer, Laxmi, owning about two hectares of un-irrigated land dependent only on rain and growing crops, like jowar and arhar. All five members of her family work in the plot throughout the year. You will see that everyone is working, none remains idle, but in actual fact, their labour effort gets divided. Each one is doing some work but no one is fully employed. This is the situation of underemployment, where people are apparently working but all of them are made to work less than their potential. This underemployment can also happen in other sectors. For example, there are thousands of casual workers in the service sector in urban areas who search for daily employment. They are employed as painters, plumbers, repair persons and others doing odd jobs. Many of them don't find work every day. Similarly, we see other people of the service sector on the street pushing a cart or selling something where they may spend the whole day but earn very little.

Paragraph Based Questions

25. Read the sources given below and answer the questions that follow:

Source A - Where are Most of the People Employed?

As a result, more than half of the workers in the country are working in the primary sector, mainly in agriculture, producing only a quarter of the GDP. In contrast to this, the secondary and tertiary sectors produce four-fifths of the produce whereas they employ less than half the people.

(a) Why do you think that most of the people are engaged in primary sector?

Source B - How to Create More Employment?

Another way by which we can tackle this problem is to identify, promote and locate industries and services in semi-rural areas where a large number of people may be employed.

(b) Suggest one way to create more employment opportunities.

Source C - Division of Sectors as Organised and Unorganised

Organised sector covers those enterprises or places of work where the terms of employment are regular and therefore, people have assured work. They are registered by the government and have to follow its rules and regulations which are given in various laws such as the Factories Act, Minimum Wages Act, Payment of Gratuity Act, Shops and Establishments Act, etc.

(c) State any one feature of an organised sector.

- Ans.** (a) Most of the people are engaged in primary sector because there is no need of technicality in this sector. More people are engaged in agriculture than is necessary. Production will not be affected if few people lose their job.
- (b) We can create more employment opportunities in different areas. Such as villages near forest can be come up with honey collection centres, mushroom farming can also be done in villages. People can be engaged in local handicrafts, etc.
- (c) Organised sector are registered by the government. Organised sectors have to follow certain rules and regulations given under various laws. They have some formal processes and procedures. In such organisations the terms of employment are regular and people have assured work.

Case Based Questions

26. The secondary sector covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity. It is the next step after primary. The product is not produced by nature but has to be made and therefore some process of manufacturing is essential. This could be in a factory, a workshop or at home. For example, using cotton fibre from the plant, we spin yarn and weave cloth. Using sugarcane as a raw material, we make sugar or *gur*. We convert earth into bricks and use bricks to make houses and buildings. Since this sector gradually became associated with the different kinds of industries that came up, it is also called as industrial sector.

26.1 Industrial sector is another name for sector.

- (a) primary
 (b) secondary
 (c) tertiary
 (d) quaternary

Ans. (b) secondary

26.2 The secondary sector is responsible for

- (a) production of finished products
 (b) production of raw materials
 (c) delivery of final goods and services
 (d) processing of raw material

Ans. (d) processing of raw material

26.3 Where can the activities of secondary sector possibly take place?

- (a) Home (b) Factory
 (c) Workshop (d) All of these

Ans. (d) All of these

26.4 Which of the following is not a raw material for the secondary sector?

- (a) Bricks (b) Cotton fibre
 (c) Sugarcane (d) Houses

Ans. (d) Houses

27. The primary sector continues to be the largest employer even now. It is because not enough jobs were created in the secondary and tertiary sectors. Even though industrial output or the production of goods went up by more than nine times during the period, employment in the industry went up by around three times. The same applies to the tertiary sector as well. While production in the service sector rose by 14 times, employment in the service sector rose around five times. As a result, more than half of the workers in the country are working in the primary sector, mainly in agriculture, producing only about one-sixth of the GDP. In contrast to this, the secondary and tertiary sectors produce the rest of the produce whereas they employ less about half the people. What it means is that there are more people in agriculture than is necessary. So, even if you move a few people out, production will not be affected. In other words, workers in the agricultural sector are underemployed.

27.1 Which is the predominant sector in terms of employment in India?

- (a) Secondary sector
 (b) Industrial sector
 (c) Primary sector
 (d) Service sector

Ans. (c) Primary sector

27.2 How has the secondary sector grown over the years?

- (a) Industrial output went up by more than nine times.
 (b) Production in the service sector rose by 14 times.
 (c) It contributed to only one sixth of the GDP.
 (d) None of these.

Ans. (a) Industrial output went up by more than nine times.

27.3 What percentage of total working population is engaged in the primary sector in India?

- (a) One-third
- (b) More than half
- (c) One-sixth
- (d) Thirty-three per cent

Ans. (b) More than half

27.4 What is the condition of people in the primary sector?

- (a) They are overburdened.
- (b) They are under paid.
- (c) They are underemployed.
- (d) They are unemployed.

Ans. (c) They are underemployed.

Long Answer Type Questions

28. Give a few examples of Public sector activities and explain why the government has taken them up.

Ans. The public sector certainly does contribute to the economic development of a nation. It provides many facilities to the society at low costs. The private sector also provides facilities but at much higher costs. The public sector spends big sums of money on construction of infrastructure projects such as generating electricity, building and repairing railways, bridges, roads, irrigation facilities, dams, etc. These projects are beyond the capacity of the private sector. The public sector also supports farmers and consumers through subsidies and support prices. It also contributes to the social and economic development of the nation by providing education and health facilities to the general public. The Government in India buys wheat and rice from farmers at a 'fair price' and stores in its godowns and sells at a lower price to consumers through ration shops.

29. How would income and employment increase if farmers were provided with irrigation and marketing facilities?

Ans. Irrigation facilities can help a farmer to take a second crop, say wheat, during a rabi season which will help provide employment to more persons and lead to increase in income. Marketing facilities will help the farmers to get good price for their produce and also provide employment in related activities like transport and warehousing, etc.

30. How does the data and pattern of development in India differ from that of the developed countries? Comparing with the data from 1973 to 2014, say what kind of changes between

sectors were desired but did not happen in India?

Ans. In India, production in all three sectors has increased over the forty years between 1973–74 and 2013–14. We see all the sectors growing well, but production has increased most in the tertiary sector, specifically in 2013–14. The percentage share of the three sectors in GDP shows the changing importance of all the sectors over the forty years. In India, there has been an increase of the service sector share in the GDP and a decrease of the primary sector share of GDP. On the other hand, in developed countries, over a period of time there has been a shift from the primary sector to the secondary sector and then eventually to the tertiary sector. A remarkable fact about India is that though there has been a change in the share of the three sectors in GDP, no such shift has taken place in employment. Even now, the primary sector continues to be the largest employer. This is because enough jobs have not been generated in the secondary and tertiary sectors.

31. What is the significance of the secondary sector in the Indian economy? How does it help in the economic development of the country?

Ans. Secondary sector comes after the primary activity. The secondary sector covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity. The product is not produced by nature but has to be made and therefore some process of manufacturing is essential. This could be in a factory, a workshop or at home and in the secondary sector, through industrial process, natural products are changed into many other forms. Secondary sector is also called the industrial sector. For example, using cotton fibre from the plant, we spin yarn and weave cloth. Using sugar cane as a raw material, we make sugar or gur. We convert earth into bricks and use bricks to make houses and buildings. Since this sector gradually became associated with the different kinds of industries that came up, it is clearly associated with the economic development of the country.

32. Read the extract and answer the questions that follow:

Over the forty years between 1973-74 and 2013-14, while production in all the three sectors has increased, it has increased the most in the tertiary sector. As a result, in the year 2013-14, the tertiary sector has emerged as the largest producing sector in India replacing the primary sector. Why is the tertiary sector becoming

so important in India? There could be several reasons. First, in any country several services such as hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defence, transport, banks, insurance companies, etc. are required. These can be considered as basic services. In a developing country the government has to take responsibility for the provision of these services. Second, the development of agriculture and industry leads to the development of services such as transport, trade, storage and the like, as we have already seen. Greater the development of the primary and secondary sectors, more would be the demand for such services. Third, as income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools, professional training etc. You can see this change quite sharply in cities, especially in big cities. Fourth, over the past decade or so, certain new services such as those based on information and communication technology have become important and essential. The production of these services has been rising rapidly.

- (a) In which sector the production has increased most over the forty years between 1973-74 and 2013-14?
- (b) State any three reasons for tertiary sector becoming so important in India.
- (c) Name one of the most important service that is rising rapidly nowadays.

- Ans.** (a) The production has been increased in tertiary sector over the period of forty years.
- (b) The reasons for tertiary sector becoming so important in India are as follows:
- Some basic services like hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defence, transport, banks, insurance companies, etc. are necessary and they are considered as basic services and are important for all.
 - The development of agriculture and industry leads to the development of services such as transport, trade, storage, etc.
 - With the increase in income levels certain sections of people demand many services like eating out, tourism, shopping, private hospitals, private schools, professional training etc.
- (c) Information and communication technology

have become the most important and essential service in recent times.

———— Let's Compete ————

Multiple-Choice Questions

1. Who is the author of the book 'Poverty and Un-British Rule in India'?

- (a) Keynes (b) R C Dutt
(c) Dadabhai Naoroji (d) W C Banerjee

Ans. (c) Dadabhai Naoroji

2. Which of the following statements is correct?

- i. During independence, India's economy was totally dependent on the tertiary sector.
ii. During independence, there was unlimited development in industrial and services sector.

- (a) i only (b) ii only
(c) both (d) none

Ans. (d) none

3. Identify the correct statement/s.

- i. The share of agriculture to the GDP is less than 5% today.
ii. The tertiary sector contributes about 55% of the occupational structure.

- (a) i only (b) ii only
(c) both (d) none

Ans. (b) ii only

4. The term 'Dual economy' refers to

- (a) traditional and modern aspects in the economy.
(b) import and export activities.
(c) bilateral ties.
(d) both (a) and (b).

Ans. (a) traditional and modern aspects in the economy.

5. Mixed economy means an economy where

- (a) there is existence of capitalism.
(b) there is privatisation, liberalisation and globalisation.
(c) there is existence of both public and private sectors.
(d) there is growing of crops along with rearing of animals.

Ans. (c) there is existence of both public and private sectors.

6. Which sector converts raw materials into goods?

- (a) Primary sector (b) Secondary sector
(c) Unorganised sector (d) Organised sector

Ans. (b) Secondary sector

7. According to the World Bank classification, India falls in the category of

- (a) low-income economies
- (b) lower-middle income economies
- (c) upper-middle income economies
- (d) high-income economies

Ans. (b) lower-middle income economies

8. Which sector includes the units providing services?

- (a) Primary sector
- (b) Secondary sector
- (c) Tertiary sector
- (d) None of these

Ans. (c) Tertiary sector

9. In 2000, which sector had the lowest share in the employment?

- (a) Primary sector
- (b) Secondary sector
- (c) Tertiary sector
- (d) None of these

Ans. (b) Secondary sector

10. Who performs economic activities?

- (a) Government
- (b) Firms
- (c) Individuals
- (d) All of these

Ans. (d) All of these

Value-based Questions

(Optional)

1. Is a financially stable economy the only parameter to check the well-being quotient of a nation? What are some things that become as important as economic progress?

Ans. No, a financial stable economy is not the only parameter to check the well-being quotient of a nation. There are some other parameters which are helpful in checking the well-being quotient of a nation like, how the unorganised sector of an economy is controlled, what is the ratio of public and private sector enterprises in a country, agricultural output of a country, irrigation facilities for the farmers, easy loans to the farmers and enterprises, growth of MSME industries, etc.

2. When and how does a nation qualify to become a truly developed country?

Ans. Some of the important criteria for a nation to become a truly developed country are as follows:

- Law should be same for every citizen of a country without any discrimination on the basis of economic status.
- Tolerance needed to be practiced towards minorities, other genders, foreign nationals.
- To create conditions in which the poor can survive easily.
- Food security to every citizen.
- There should be proper balance between work and social life.
- Minimal crime rate.
- Basic education for every citizen.

3

Money and Credit

Milestone

Multiple-Choice Questions

1. Modern currency is not made of
 - (a) gold, iron and copper
 - (b) iron, silver and copper
 - (c) gold, silver and copper
 - (d) silver, copper and brass

Ans. (c) gold, silver and copper

2. Deposits with banks are also known as
 - (a) demand drafts
 - (b) payee drafts
 - (c) demand deposits
 - (d) fixed deposits

Ans. (c) demand deposits

3. What per cent of deposits are retained as cash by Indian banks?
 - (a) 13
 - (b) 15
 - (c) 12
 - (d) 16

Ans. (b) 15

Very Short Answer Type Questions

4. What acts as a medium of exchange?

Ans. Money acts as a medium of exchange.

5. Who issues currency in India?

Ans. Reserve Bank of India issues currency in India.

6. How do banks use the surplus money?

Ans. Banks use the surplus money by giving loans to the people in need.

7. What is the full form of SHG?

Ans. Self Help Groups.

Short Answer Type Questions

8. What is barter system?

Ans. In a barter system, goods are directly exchanged without the use of money. In the barter system, a farmer who wants to sell wheat and buy milk will have to look for another person who wants to

buy wheat and sell milk. This is known as double coincidence of wants. But with the use of money, the need for double coincidence of wants is eliminated. Money acts as an intermediate in the exchange process, and also known as a medium of exchange.

9. Why do lenders ask for collateral?

Ans. The lender may demand collateral or security against the loan. Collateral is an asset that the borrower owns and uses this as a guarantee to a lender until the loan is repaid. If a borrower is unable to repay a loan, it is the right of the lender to sell the collateral to get back his payment. Rate of interest, mode of repayment and collateral are the many terms of credit.

10. Give the various sources of credit income.

Ans. Credit plays a vital role in the daily transactions of a bank. The term credit is used for an agreement in which the lender gives the borrower either money or goods and services. The borrower in return promises to make payment at some time in the future. A small portion of the money deposited in the bank is retained by the banks so that they can manage their cash transactions when the depositors come to withdraw money. Indian banks keep 15 per cent of the deposit as cash. The major portion of the deposited money is used by the banks to extend loans. The banks charge a higher interest rate on loans than what they offer on deposits. The difference between the interest charged to the borrower and the interest paid to the depositor is their main source of income.

11. Name three sources each of formal and informal sector loans.

Ans. The three sources of formal sector loans are banks, farmers cooperatives and weavers

cooperatives, whereas the sources of informal sector loans are moneylenders, traders and employers.

Long Answer Type Questions

12. Why might banks be unwilling to lend to small farmers?

Ans. Banks might be unwilling to lend to small farmers because bank loans require proper documents and collateral as security against loans. But most of the times, small farmers fail in providing such documents and collateral. Besides, at times, they even fail to repay the loan in times because of the uncertainty of the crop.

13. How does money solve the problem of double coincidence of wants? Explain with an example of your own. (CBSE 2014)

Ans. When both the parties have to agree to sell and buy each other's commodities, it is known as double coincidence of wants. For example, a wheat seller wants to sell his wheat and buy cloth for his family. He would have to look for a cloth manufacturer who not only wants to sell his cloth but also wants to buy his wheat in exchange. In modern currency, a person holding money can easily exchange it for any commodity or service. Everyone prefers to receive payments in money as they can then buy goods or services they want.

14. Is there a need of a supervisor to look into the loan activities of informal lenders? Justify your answer with reasons.

Ans. Yes, there is a need of a supervisor to look into the loan activities of informal lenders in order to stop the exploitation of small farmers or poor people in need of money. Like in India we have Reserve Bank of India which supervises the loan activities of banks and the banks are liable to share the details of loans given by them to whom and at what rate of interest. However, in the informal sector the moneylenders, traders, etc., charge a high rate of interest for the amount given as loan like 5% per month which is 60% per annum. The rate of interest charged by the banks in India is just 5–6% per annum which is very low in comparison to the informal sector. So the provision of a supervisor like RBI is also needed to take care of the loan activities of informal lenders.

Self-Assessment

Multiple-Choice Questions

1. Formal sources of credit include
- | | |
|---------------|------------------|
| (a) friends | (b) banks |
| (c) employers | (d) moneylenders |

Ans. (b) banks

2. Who is responsible for the repayment of a loan taken by SHGs?

- | | |
|-----------------|--------------------|
| (a) Individuals | (b) SHG |
| (c) Employers | (d) Family members |

Ans. (b) SHG

3. High interest rate on loans leads to

- | | |
|-----------------|----------------------|
| (a) less income | (b) more expenditure |
| (c) debt trap | (d) none of these |

Ans. (c) debt trap

Assertion-Reason Type Questions

For question numbers 4 to 7, two statements are given as Assertion (A) and Reason (R). Read the statements and choose the correct option from (a), (b), (c) and (d) as given below.

- | |
|--|
| (a) Both A and R are true and R is the correct explanation of A. |
| (b) Both A and R are true but R is not the correct explanation of A. |
| (c) A is true but R is false. |
| (d) A is false but R is true. |

4. **Assertion (A):** Modern forms of money include currency – paper notes and coins.

Reason (R): Modern currency is also made of precious metal such as gold, silver and copper.

Ans. (c) Assertion (A) is correct but Reason (R) is wrong because, modern currency is not made of precious metal such as gold, silver and copper.

5. **Assertion (A):** Banks in India these days hold about 25 per cent of their deposits as cash.

Reason (R): This is kept as provision to pay the depositors who might come to withdraw money from the bank on any given day.

Ans. (d) Assertion (A) is wrong but Reason (R) is correct because, banks in India these days hold about 15 per cent of their deposits as cash.

6. **Assertion (A):** The Reserve Bank of India supervises the functioning of formal sources of loans.

Reason (R): The Reserve Bank of India monitors the banks in actually maintaining cash balance.

Ans. (a) Both A and R are true and R is the correct explanation of A. It is because the RBI sees that the banks give loan not just to profit making businesses but also to small traders.

7. **Assertion (A):** A typical Self-Help Groups has 15-20 members, usually belonging to one neighborhood, who meet and save regularly.

Reason (R): Most of the important decisions regarding the savings and loan activities are taken by the Central Government.

Ans. (c) A is correct but R is wrong because, most of the important decisions regarding the savings and loan activities are taken by the group members.

Match the Following

8. Match the following items given in Column A with those in Column B. Choose the correct answer from the options given below:

Column A (Sources of Credit)	Column B (Percentage of Credit per ₹ 1000)
A Moneylender	1 33 %
B Relatives and Friends	2 8 %
C Commercial Banks	3 25 %
D Landlords	4 1 %

Codes:

	A	B	C	D
(a)	1	2	3	4
(b)	2	4	1	3
(c)	4	1	3	2
(d)	2	3	4	1

Ans. (a)

Find the Incorrect Option

9. (a) In rural areas, the main demand for credit is for electricity supply.
 (b) Crop production involves considerable costs on seeds, fertilisers, pesticides, water, electricity, repair of equipment, etc.
 (c) Credit (loan) refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment.
 (d) Banks charge a higher interest rate on loans than what they offer on deposits.

Ans. (a)

Correct the Following Statement and Rewrite

10. Collateral is an asset that the lender owns (such as land, building, vehicle, livestock, deposits with banks) and uses this as a guarantee to a borrower until the loan is repaid.

Ans. Collateral is an asset that the borrower owns (such as land, building, vehicle, livestock, deposits with banks) and uses this as a guarantee to a lender until the loan is repaid.

Fill in the Blanks

11. Interest rate, collateral, and documentation required, and the mode of repayment together comprise **terms of credit**.

12. **Reserve Bank of India** supervises the functioning of the formal sector of credit in India.

13. **Collateral** is used as a guarantee unless a loan is repaid by the borrower.

Very Short Answer Type Questions

14. What is the meaning of 'collateral'?

Ans. Collateral is an asset that the borrower owns and uses this as a guarantee to a lender until the loan is repaid.

15. What is the medium of exchange in India?

Ans. The medium of exchange in India is rupee.

16. Name the different things that can be used as collateral.

Ans. Land, vehicle, building, livestock and deposits with banks are the things that can be used as collateral.

Short Answer Type Questions

17. What are the different ways in which small farmers can get cheap credit?

Ans. Besides banks, the other major source of cheap credit for small farmers are the cooperative societies. Cooperatives play a major role in rural areas. The cooperatives accumulate small amount of money from its members and then use the same as a collateral to take a loan from the bank. This money can then be lent to its members. The different types of cooperatives include farmers cooperatives, weavers cooperatives and industrial workers cooperatives.

18. According to you, which is the most important term of credit? Why?

Ans. The following are the important terms of credit:

- Every loan agreement specifies an interest rate which the borrower has to pay along with the principal.
- Lenders also demand collateral against the loan.
- There is a procedure of documentation required to be filled for every credit.
- Mode of repayment and duration of loan also form a part in terms of credit.

According to us, Mode of repayment is the most important term of credit as we can repay the loan amount in easy installments.

19. Explain the term debt trap. Why is it found more in rural areas?

Ans. Debt trap is a situation in which a debt is difficult to repay because of high interest payments prevent repayment of the principal amount. Informal sector credit comprises moneylenders,

traders, employers, relatives and friends. There is no supervision on the credit activities of the informal sector and the lenders can lend at whatever interest rate they decide. Generally, in this case, the rate of interest is higher and the cost to the borrower is much higher. This results in increasing debt and debt trap. It is prevalent in rural areas because the poor people seeking money are not able to complete the documentation required by the banks for loan.

Paragraph Based Questions

20. Read the sources given below and answer the questions that follow:

Source A – Loan Activities of Banks

Banks keep only a small proportion of their deposits as cash with themselves. For example, banks in India these days hold about 15 per cent of their deposits as cash. This is kept as provision to pay the depositors who might come to withdraw money from the bank on any given day.

- (a) Why do the banks in India hold about 15 per cent of their deposits as cash?

Source B – Currency

Modern forms of money include currency — paper notes and coins. Unlike the things that were used as money earlier, modern currency is not made of precious metal such as gold, silver and copper. And unlike grain and cattle, they are neither of everyday use. The modern currency is without any use of its own.

- (b) What was earlier currency made of?

Source C – Two Different Credit Situations

Crop production involves considerable costs on seeds, fertilisers, pesticides, water, electricity, repair of equipment, etc. There is a minimum stretch of three to four months between the time when the farmers buy these inputs and when they sell the crop. Farmers usually take crop loans at the beginning of the season and repay the loan after harvest.

- (c) When does the farmer usually take crop loans?

- Ans.** (a) Banks in India hold about 15 per cent of their deposits as cash in order to pay the depositors who might come to withdraw money from the bank on any given day.
 (b) The earlier currency was made of precious metal like gold, silver and copper.
 (c) Farmers usually take crop loans at the beginning of the season and repay the loan after harvest.

Case Based Questions

21. Modern forms of money include currency – paper notes and coins. Unlike the things that were used as money earlier, modern currency is not made of precious metal such as gold, silver and copper. And unlike grain and cattle, they are neither of everyday use. The modern currency is without any use of its own. Then, why is it accepted as a medium of exchange? It is accepted as a medium of exchange because the currency is authorised by the government of the country. In India, the Reserve Bank of India issues currency notes on behalf of the central government. As per Indian law, no other individual or organisation is allowed to issue currency. Moreover, the law legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India. No individual in India can legally refuse a payment made in rupees. Hence, the rupee is widely accepted as a medium of exchange.

- 21.1 Which of the following was not used as currency before the concept of modern currency?

- (a) Cattle and grains
 (b) Gold and silver
 (c) Copper coins
 (d) Paper receipts

Ans. (d) Paper receipts

- 21.2 A government authorised medium of exchange came to be known as

- (a) rupee.
 (b) currency.
 (c) commodity.
 (d) tender.

Ans. (b) currency.

- 21.3 Which of the following authorities does RBI hold?

- (a) Holding all legal stocks
 (b) Regulating transactions
 (c) Establishing a barter system
 (d) Issuing currency notes

Ans. (d) Issuing currency notes

- 21.4 Complete the statement: No individual in India can legally

- (a) disobey the Indian currency.
 (b) refuse a payment made in rupees.
 (c) reject the barter system practice.
 (d) all of these.

Ans. (b) refuse a payment made in rupees.

22. Every loan agreement specifies an interest rate which the borrower must pay to the lender along with the repayment of the principal. In addition,

lenders may demand collateral (security) against loans. Collateral is an asset that the borrower owns (such as land, building, vehicle, livestock, deposits with banks) and uses this as a guarantee to a lender until the loan is repaid. If the borrower fails to repay the loan, the lender has the right to sell the asset or collateral to obtain payment. Property such as land titles, deposits with banks, livestock are some common examples of collateral used for borrowing. Interest rate, collateral and documentation requirement, and the mode of repayment together comprise what is called the terms of credit. The terms of credit vary substantially from one credit arrangement to another. They may vary depending on the nature of the lender and the borrower.

22.1 What are the two components of a loan agreement?

- (a) Collateral and interest rate
- (b) Principal and collateral
- (c) Principal and interest rate
- (d) Asset and principal

Ans. (c) Principal and interest rate

22.2 Which of the following does not qualify as a collateral?

- (a) Land
- (b) Clothing
- (c) Bank deposits
- (d) Livestock

Ans. (b) Clothing

22.3 Non-repayment of loan authorises a bank to

- (a) sell the collateral.
- (b) increase the rate of interest.
- (c) impose penalty equivalent to principal.
- (d) imprison the lender for lifetime.

Ans. (a) sell the collateral.

22.4 The terms of credit vary with

- (a) nature of the lender.
- (b) nature of the borrower.
- (c) nature of the collateral.
- (d) only (a) and (b).

Ans. (d) only (a) and (b).

Long Answer Type Questions

23. Why is it more difficult for poor households to get a loan from a bank than from an informal source? Explain.

Ans. It is more difficult for poor households to get a loan from a bank because they are not able to fulfil the following terms of credit:

- Every loan agreement specifies an interest rate which the borrower has to pay along with the principal.
- Lenders also demand collateral against the loan.
- There is a procedure of documentation required to be filled for every credit.
- Mode of repayment and duration of loan also form a part in terms of credit.

Whereas, it is easier for poor people to get the loans from an informal source because it is not mandatory to fulfil the above mentioned terms and conditions. Taking advantage of it, the moneylenders charge the higher rate of interest on the amount lent.

24. Why do lenders ask for collateral while lending money?

Ans. The lender may demand collateral or security against the loan. Collateral is an asset that the borrower owns and uses this as a guarantee to a lender until the loan is repaid. If a borrower is unable to repay a loan, it is the right of the lender to sell the collateral to get back his payment. For example, a farmer lends money from the moneylender for agricultural equipments and seeds for cultivation. The moneylender in return asks for the title deeds of the land of farmer. In case the farmer fails to repay the amount due to crop failure, the moneylender may sell the farmer's land in order to compensate for the amount lent.

25. Elaborate on the intermediary function of money. Explain with an example.

Ans. In any single day, there are a lot of transactions that are carried out in exchange of money. Hence, money spans a huge part of our everyday life. In some cases, goods are bought and sold with money and in other cases, services are exchanged with money. Earlier, when money was not in use, Indians used cattle and grains as money. In the barter system, a farmer who wants to sell wheat and buy milk will have to look for another person who wants to buy wheat and sell milk. This is known as double coincidence of wants. But with the use of money, the need for double coincidence of wants is eliminated. Money acts as an intermediate in the exchange process, and hence, it is known as a medium of exchange.

26. Read the extract and answer the questions that follow:

The other form in which people hold money is as deposits with banks. At a point of time, people need only some currency for their day-to-day needs. For instance, workers who receive their salaries at the end of each month have extra

cash at the beginning of the month. What do people do with this extra cash? They deposit it with the banks by opening a bank account in their name. Banks accept the deposits and also pay an amount as interest on the deposits. In this way people's money is safe with the banks and it earns an amount as interest. People also have the provision to withdraw the money as and when they require. Since the deposits in the bank accounts can be withdrawn on demand, these deposits are called demand deposits. Demand deposits offer another interesting facility. It is this facility which lends it the essential characteristics of money (that of a medium of exchange). You would have heard of payments being made by cheques instead of cash.

- (a) Why do people open bank account in banks?
 (b) Why do you think money deposited in the bank is safe?

(c) What do you understand by the term Cheque?

- Ans.** (a) People open bank account in their names so that they can deposit their extra cash in banks. Depositors also get interest on the deposited money. They can withdraw the money whenever they require.
 (b) Money deposited in the bank is safe because it earns an amount as interest.
 (c) A cheque is a paper that instruct bank to pay a specific amount from the person's account to the person in whose name the cheque has been issued.

Let's Compete

Multiple-Choice Questions

1. Since money acts as an intermediate in the exchange process, it is called
 (a) exchange value. (b) medium of exchange.
 (c) value for money. (d) none of these.

Ans. (b) medium of exchange.

2. Banks use the major portion of the deposits
 (a) as cash with them. (b) to extend loans.
 (c) both (a) and (b). (d) none of these.

Ans. (b) to extend loans.

3. A 'debt trap' means
 (a) ability to pay credit amount.
 (b) overspending till no money is left.
 (c) inability to repay credit amount.
 (d) none of these.

Ans. (c) inability to repay credit amount.

4. Informal sources of credit do not include
 (a) cooperatives. (b) employers.

- (c) moneylenders. (d) friends.

Ans. (a) cooperatives.

5. What is the name of the success story that met the credit needs of the poor, at reasonable rates, in Bangladesh?

- (a) Grameen Bank (b) State Bank
 (c) Cooperative Bank (d) Reserve Bank

Ans. (a) Grameen Bank

6. What is the main source of income for banks?

- (a) Interest on loans (b) Interest on deposits
 (c) Gold kept in lockers (d) None of these

Ans. (a) Interest on loans

7. Which one of the following is authorised to act as the medium of exchange?

- (a) Central Government (b) Reserve Bank of India
 (c) President of India (d) Self-help Groups

Ans. (b) Reserve Bank of India

8. Which of the following can be considered as the modern forms of money?

- (a) Cheque (b) Currency
 (c) Draft (d) All of these

Ans. (d) All of these

9. Term of credit does not include

- (a) interest rate. (b) collateral.
 (c) cheque. (d) mode of repayment.

Ans. (c) cheque.

10. Formal sector meets only about of the total credit need of the rural people.

- (a) half (b) one-third
 (c) one-fourth (d) whole

Ans. (a) half

Value-based Questions

(Optional)

1. Credit can either be a great financial tool or the bane of our life. Do you agree? Elaborate your answer.

Ans. Yes, it is true to say that credit can either be a great financial tool or the bane of our life. It varies from case to case. Suppose a businessman, gets a big order from a foreign firm in which he is required to supply huge quantity of readymade garments within a time of one month. But he does not have enough funds to meet the basic requirements like raw material, payments to be made to the labour, etc. However, in the mean time he asks the supplier of raw material to supply him the material required now and promises to pay him later. Secondly, he manages to obtain a loan in cash from the concerned foreign firm with a promise to deliver the finished garments within one month.

Now let us consider a case of small farmer who takes a loan from the village moneylender in order to meet the expenses of cultivation with a hope to repay the loan. However, the crop is hit due to drought and the crop fails. Due to crop failure the small farmer is unable to pay the loan and as a result the farmer is forced to sell a small piece of land to the moneylender.

2. Why is cheap and affordable credit crucial for a farmer?

Ans. A cheap and affordable credit plays a very crucial role for a farmer.

- The yield from agriculture is unpredictable and depends on the vagaries of the monsoon. Therefore, a farmer is not in position to afford credit at high rate of interest from banks.
- The majority of farmers own small parcels of land whose yield is very low. Therefore farmers require cheap and affordable credit.
- Agriculture in India is mostly of subsistence type. It is not done commercially.

4

Globalisation and the Indian Economy

Milestone

Multiple-Choice Questions

1. Integrating economies across the countries is known as
 - (a) privatisation.
 - (b) liberalisation.
 - (c) globalisation.
 - (d) none of these.

Ans. (c) globalisation.

2. Which of the following organisations aims at liberalising international trade?
 - (a) FDI
 - (b) WTO
 - (c) RBI
 - (d) None of these

Ans. (b) WTO

Very Short Answer Type Questions

3. Name the year in which the Indian government decided to remove trade barriers on foreign investment and foreign trade.

Ans. The Indian government decided to remove trade barriers on foreign investment and foreign trade in the year 1991.

4. Name the institution which lays emphasis on liberalisation of foreign trade and foreign investment in developing countries.

Ans. World Trade Organisation (WTO) is the institution which lays emphasis on liberalisation of foreign trade and foreign investment in developing countries.

5. What is the meaning of foreign investment?

Ans. Foreign investment is the investment made by Multinational Corporations (MNCs).

Short Answer Type Questions

6. How do multinational corporations succeed in keeping the cost of production of their goods low?

Ans. Towards the end of the twentieth century, large companies called Multinational Corporations (MNCs) emerged. MNCs are companies that have their offices or units of manufacturing in more than one nation. These companies set up manufacturing units and offices mainly in regions where labour and raw material are cheap and easily available. This cuts their cost of production and increases their profit margins. For example, a large MNC, producing industrial equipment, designs its products in research centres in the United States, and then has the components manufactured in China. These are then shipped to Mexico and Eastern Europe where the products are assembled and the finished products are sold all over the world. Meanwhile, the company's customer care is carried out through call centres located in India.

7. What is the meaning of the term trade barrier? How can governments use trade barriers to their advantage?

Ans. Trade barrier is the term used for any tax that is imposed on the import of goods into a country. The term is used for any other form of trade restriction. Trade barriers are imposed by governments for protecting the local producers from foreign competition. Governments use trade barriers to regulate (increase or decrease) foreign trade and decide what kind of goods and how much should be allowed to come in that country. After independence, India has imposed trade barriers many times and allowed import of only essential commodities so as to protect the fledgling industries. Liberalisation of trade and businesses were allowed to make decisions freely about the goods they want to import or export with fewer restrictions than before.

Long Answer Type Questions

8. Why is there a need to make globalisation fair? Explain.

Ans. Globalisation also has posed challenges for the small producers as they are facing stiff competition from MNCs. Trade policies have allowed import of electronics goods at very cheap rates. This way, small traders have been negatively impacted. In order to compete in the world market, producers cut labour costs. So, the workers are denied their fair share of benefits. The jobs of the workers are not secure. Many of them lose their jobs due to globalisation.

9. What can be done by the government so that workers can get a fair share of the benefits brought by globalisation?

Ans. We have studied that globalisation has both positive and negative effects. So, the governments have to bring about a balance for a fair globalisation. Government has to make sure that the fruits of globalisation should reach the educated, skilled as well as to uneducated and less skilled people. It can be done by negotiating with the WTO for fairer rules. Government should support small producers till the time they improve their performance and get strong enough to compete. Other than government, massive campaigns and representations by people's organisations have influenced the important decisions relating to trade and investment at WTO. It demonstrates that people can also play an important role for fair globalisation.

10. Why is it that MNCs are interested in setting up their manufacturing units in developing countries?

Ans. MNCs adopt different strategies depending on the products to be manufactured. For example, in case of products (garment and footwear) which involve extensive labour, MNCs place huge orders in developing countries to small producers. Then the MNCs sell these products under their own brand names to the customers, making a huge profit. Mostly, the strategy adopted by the MNCs is to first buy a local company and then expand the production. Thus, we can see that MNCs are exerting a strong influence on production at different locations. As a result, production in these widely dispersed locations is getting interlinked. For example, let us talk about the automobile industry in India. Many of the big MNCs, such as, Ford Motors and Suzuki have collaborated with local Indian manufacturers. These MNCs have invested in India to set up production units to manufacture automobiles as India is a big market for small family cars. Also, the manufacturing cost here in India is very low. This way, these

MNCs have cashed in on the opportunity to earn big profits. The vehicles manufactured here are exported to other countries also.

Self-Assessment

Multiple-Choice Questions

- Which of the following is not a criterion for a MNC to set up a unit in another country?
 - Cheap labour
 - Market available nearby
 - No raw material available
 - None of these

Ans. (c) No raw material available

- Which of the following is not a positive impact of globalisation?

- Expansion of markets in a country
- Some of the workers lose their jobs
- Introduction of new technology
- None of these

Ans. (b) Some of the workers lose their jobs

- The most common mode for investment by an MNCs in any country is

- by forming partnerships with small producers in that country.
- buying existing local production unit.
- setting up their own production unit.
- none of these.

Ans. (b) buying existing local production unit.

Assertion-Reason Type Questions

For question numbers 4 to 7, two statements are given as Assertion (A) and Reason (R). Read the statements and choose the correct option from (a), (b), (c) and (d) as given below.

- Both A and R are true and R is the correct explanation of A.
- Both A and R are true but R is not the correct explanation of A.
- A is true but R is false.
- A is false but R is true.

- Assertion (A):** A MNC is a company that owns or controls production only in one country.

Reason (R): MNCs set up offices and factories for production in regions where they can get cheap labour and other resources.

Ans. (d) Assertion (A) is wrong because an MNC is a company that owns or controls production in more than one nation.

- Assertion (A):** India has highly skilled engineers who can understand the technical aspects of production.

Reason (R): It also has educated English speaking youth who can provide customer care services.

Ans. (b) Both A and R are true but R is not the correct explanation of A.

6. Assertion (A): The money that is spent to buy assets such as land, building, machines and other equipment is called investment.

Reason (R): Investment made by MNCs are called indigenous investment.

Ans. (c) A is correct but R is wrong because, investment made by MNCs is called foreign investment.

7. Assertion (A): Tax on imports is an example of trade barrier.

Reason (R): It is called a barrier because some restrictions have been set up.

Ans. (a) Both A and R are true and R is the correct explanation of A.

Find the Incorrect Option

- 8.** (a) Globalisation has also created new opportunities for companies providing services, particularly those involving defence sector.
- (b) Globalisation has enabled some large Indian companies to emerge as multinationals themselves. For example, Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners.
- (c) MNCs have increased their investments in India over the past 20 years.
- (d) WTO establishes rules regarding international trade, and sees that these rules are obeyed.

Ans. (a)

- 9.** (a) A large part of the foreign trade is also controlled by MNCs.
- (b) Foreign trade reduces an opportunity for the producers to reach beyond the domestic markets.
- (c) Garments, footwear, sports items are examples of industries where production is carried out by a large number of small producers around the world.
- (d) MNCs set up production jointly with some of the local companies of these countries.

Ans. (b)

Correct the Following Statement and Rewrite

- 10.** Globalisation is the process of disintegration between countries. MNCs are playing a major role in the globalisation process.
- Ans.** Globalisation is this process of rapid integration

or interconnection between countries. MNCs are playing a major role in the globalisation process.

Fill in the Blanks

- 11.** Investment made by MNCs is called **foreign** investment.
- 12.** **Globalisation** is the process of rapid integration or interconnection between countries.
- 13.** Removing barriers or restrictions set up by the government is known as **liberalisation**
- 14.** At present **164** countries of the world are members of the WTO.

Very Short Answer Type Questions

- 15.** What is the most common route for investments by MNCs in countries around the world?

Ans. The most common route for investments by MNCs in countries around the world is by buying existing local companies.

- 16.** How many countries are currently members of the WTO?

Ans. Till July 2016, WTO had 164 members.

Short Answer Type Questions

- 17.** In recent years, how have our markets been transformed? Explain with examples. **(CBSE 2015)**

Ans. Production of goods was largely done within countries until the middle of the twentieth century. Only foodstuff and finished products were exported to other countries. Just like India, other countries which were colonies, exported raw material and foodstuff and imported finished goods. Trade was the only medium connecting most of the distant countries. Towards the end of the twentieth century, large companies called Multinational Corporations (MNCs) emerged. MNCs are companies that have their offices or units of manufacturing in more than one nation. These companies set up manufacturing units and offices mainly in regions where labour and raw material are cheap and easily available. This cuts their cost of production and increases their profit margins.

- 18.** What is a multinational corporation? **(CBSE 2016)**

Ans. MNCs are companies that have their offices or units of manufacturing in more than one nation. These companies set up manufacturing units and offices mainly in regions where labour and raw material are cheap and easily available. MNCs set up factories and offices for production. The money that is spent to buy assets such as land, building, machines and other equipment is called investment. Investment made by MNCs is called foreign investment. But the most common route for MNC investments is to buy up local companies

and then to expand production. MNCs with huge wealth can quite easily do so.

19. How is production getting linked through MNCs?
(CBSE 2016)

Ans. Some of the major criteria, which an MNC looks for, before setting up a production unit are availability of skilled and unskilled labour at low cost. The company or the factory should be closer to the market for finished products. Availability of other factors, such as, infrastructure (for production) should be assured. Other than the above mentioned factors, Government policy of the country should look after the interests of the MNC setting up its office or production unit. When the conditions are according to their satisfaction, MNCs set up production jointly with the local companies of that country. Then the benefit of such joint production is two-fold.

- First, MNCs provide money for additional investments.
- Second, MNCs bring latest technology for production.

20. How do MNCs help in the growth of the local companies?
(CBSE 2016)

Ans. At times, MNCs set up production units jointly with some of the local companies of the country. Local companies benefit in two ways from this joint venture. MNCs provide money for buying new machines so that the process of production speeds up. MNCs, at times, introduce latest technology for production. To take an example, Cargill Foods, a very large American MNC, has bought over smaller Indian companies such as Parakh Foods. Parakh Foods had built a large marketing network in various parts of India, where its brand was well-reputed. Also, Parakh Foods had four oil refineries, whose control has now shifted to Cargill. Cargill is now the largest producer of edible oil in India, with a capacity to make 5 million pouches daily.

Paragraph Based Questions

21. Read the sources given below and answer the questions that follow:

Source A – Interlinking Production Across Countries

Having assured themselves of these conditions, MNCs set up factories and offices for production. The money that is spent to buy assets such as land, building, machines and other equipment is called investment. Investment made by MNCs is called foreign investment. Any investment is made with the hope that these assets will earn profits.

(a) Why do MNCs set up production units in different countries?

Source B – Production Across Countries

A MNC is a company that owns or controls production in more than one nation. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources. This is done so that the cost of production is low and the MNCs can earn greater profits.

(b) State any two features of MNCs.

Source C – What is Globalisation?

The result of greater foreign investment and greater foreign trade has been greater integration of production and markets across countries. Globalisation is this process of rapid integration or interconnection between countries. MNCs are playing a major role in the globalisation process.

(c) Define globalisation.

Ans. (a) MNCs are being set up in other countries so that they can get resources easily at lower costs, cost of production is also very low which leads to the maximum profits.

(b) The two features of Multinational Companies are as follows:

- The Multinational companies controls production in more than one nation.
- They set up offices in regions where they can get cheap labour.

(c) Globalisation is the process of rapid integration or interconnection between countries.

Case Based Questions

22. Until the middle of the twentieth century, production was largely organised within countries. What crossed the boundaries of these countries were raw material, food stuff and finished products. Colonies such as India exported raw materials and food stuff and imported finished goods. Trade was the main channel connecting distant countries. This was before large companies called multinational corporations (MNCs) emerged on the scene. A MNC is a company that owns or controls production in more than one nation. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources. This is done so that the cost of production is low and the MNCs can earn greater profits. MNC not only sells its finished products globally, but more importantly, the goods and services are produced globally. As a result, production is organised in increasingly complex

ways. The production process is divided into small parts and spread out across the globe.

- 22.1** Until 1950 which of the following was not exported?
- (a) Raw materials (b) Food material
(c) Finished goods (d) Technical services

Ans. (d) Technical services

- 22.2** How was connection between distant countries established?
- (a) Through trade
(b) Through cultural exchange
(c) Through settlements
(d) Through legal contracts

Ans. (a) Through trade

- 22.3** How is an MNC defined?
- (a) A company that extends its goods and services to different countries.
(b) A company that deals in a variety of goods and services.
(c) A company that owns or controls production in more than one nation.
(d) A company that deals exclusively in foreign goods.

Ans. (c) A company that owns or controls production in more than one nation.

- 22.4** What does an MNC do to reduce the cost of production?
- (a) It sets up factories locally for production.
(b) It exports only raw materials.
(c) It indulges in mass production.
(d) It employs labour from poor nations.

Ans. (a) It sets up factories locally for production.

23. In the past two to three decades, more and more MNCs have been looking for locations around the world which would be cheap for their production. Foreign investment by MNCs in these countries has been rising. At the same time, foreign trade between countries has been rising rapidly. A large part of the foreign trade is also controlled by MNCs. For instance, the car manufacturing plant of Ford Motors in India not only produces cars for the Indian markets, it also exports cars to other developing countries and exports car components for its many factories around the world. Likewise, activities of most MNCs involve substantial trade in goods and also services. The result of greater foreign investment and greater foreign trade has been greater integration of production and markets across countries. Globalisation is this process of rapid integration or interconnection between countries. MNCs are playing a major

role in the globalisation process. More and more goods and services, investments and technology are moving between countries. Most regions of the world are in closer contact with each other than a few decades back.

- 23.1** Foreign trades are majorly controlled by
- (a) multinational companies.
(b) central governments.
(c) production sector unions.
(d) non-government organisations.

Ans. (a) multinational companies.

- 23.2** What do MNCs trade in?
- (a) Only goods
(b) Regional tenders
(c) Both goods and services
(d) Foreign currencies

Ans. (c) Both goods and services

- 23.3** How is globalisation defined?
- (a) It is the rapid growth of an MNC in a country.
(b) It is the process of rapid integration or interconnection between countries.
(c) It is the rapid growth of number of imports in a country.
(d) It is the rapid growth of number of exports from a country.

Ans. (b) It is the process of rapid integration or interconnection between countries.

- 23.4** What is the sole purpose of globalisation?
- (a) To monitor the impact of industrial activities across the globe.
(b) To form international trade unions.
(c) To increase the demand of foreign goods and services.
(d) To bring nations closer.

Ans. (d) To bring nations closer.

Long Answer Type Questions

24. How has technology stimulated the globalisation process? Explain with examples. **(CBSE 2013)**

Ans. Indeed the development in the field of information and communication technology has been very remarkable. Information and communication technology has facilitated the spread of production of services across the globe. Telecommunication facilities like telephone, mobile phones and fax are used to contact one another around the world, to access information instantly and to communicate from remote areas. It is globalisation, which has created new opportunities for companies providing services, especially that

involving information technology. Call centres across the country are an example. Not only that, a number of other services like data entry, accounting and other administrative tasks is now being done cheaply in India and are exported to the developed countries.

25. How has liberalisation and foreign direct investment brought quantum jump in automobile industry in India? Explain. (CBSE 2016)

Ans. Liberalisation of trade and investment policies have made foreign trade and investment easier. Earlier, several developing countries had placed barriers and restrictions on imports and investments from abroad to protect domestic production. However, to improve the quality of domestic goods, these countries have removed the barriers. Two decades back in India, only fiat and Ambassador were seen on the roads, however, after the adopting the policy of liberalisation in 1991, cars of almost every top brand in the world is common in India. Ford Motors came to India in 1995 and spent ₹ 1700 crore to set up a large plant near Chennai. This was done in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks. By the year 2017, Ford Motors was selling 88,000 cars in the Indian markets, while another 1,81,000 cars were exported from India to South Africa, Mexico, Brazil and United States of America.

26. Read the extract and answer the questions that follow:

Governments can use trade barriers to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each, should come into the country. The Indian government, after Independence, had put barriers to foreign trade and foreign investment. This was considered necessary to protect the producers within the country from foreign competition. Industries were just coming up in the 1950s and 1960s, and competition from imports at that stage would not have allowed these industries to come up. Thus, India allowed imports of only essential items such as machinery, fertilisers, petroleum, etc. Note that all developed countries, during the early stages of development, have given protection to domestic producers through a variety of means. Starting around 1991, some far-reaching changes in policy were made in India.

- (a) What is meant by trade barrier?
 (b) What was the objective of putting barriers on foreign trade and investment?

- (c) Name the items that were allowed to be imported during that time.

Ans. (a) Trade barriers are the restrictions that have been set up by the government to increase or decrease foreign trade. Tax on imports is an example of trade barriers.
 (b) The main objective of the barriers on foreign trade and investment is to protect the producers within the country from foreign competition.
 (c) The government of India allowed imports of essential items such as machinery, fertilisers, petroleum, etc.

Let's Compete

Multiple-Choice Questions

1. Fair globalisation means that there are assured ensuring benefits to
 (a) consumers. (b) producers.
 (c) labourers. (d) all of these.

Ans. (d) all of these.

2. A result of globalisation is
 (a) greater competition among the producers.
 (b) lesser competition among the producers.
 (c) no change in competition among the producers.
 (d) all of these.

Ans. (a) greater competition among the producers.

3. Name the organisation that was established in the year 1995.
 (a) IMF (b) WTO
 (c) UNO (d) None of these

Ans. (b) WTO

4. Globalisation leads to rapid movement of the following between the countries.
 (a) Goods and services (b) Investments
 (c) People (d) All of these

Ans. (d) All of these

5. Which of the following has played a big role in spreading globalisation?
 (a) Information technology (IT)
 (b) Improved transport facilities
 (c) Both (a) and (b)
 (d) None of these

Ans. (c) Both (a) and (b)

6. What is the main reason that MNCs are making investments in India?
 (a) It is the largest democracy

- (b) It is easy to export goods from here
- (c) Labour cost is comparatively low
- (d) None of these

Ans. (c) Labour cost is comparatively low

7. Which of the following has benefited by globalisation?

- (a) MNCs
- (b) Customers
- (c) Both (a) and (b)
- (d) None of these

Ans. (c) Both (a) and (b)

8. Liberalisation of Indian economy was done in the year

- (a) 1985.
- (b) 1995.
- (c) 1991.
- (d) none of these.

Ans. (c) 1991.

9. What do cheaper imports and an inadequate investment in infrastructure lead to?

- (a) Slowdown in the industrial sector
- (b) Slowdown in the agriculture sector
- (c) Both (a) and (b)
- (d) None of these

Ans. (a) Slowdown in the industrial sector

10. Which of the following factors has not helped globalisation?

- (a) Nationalisation of banks
- (b) Technology
- (c) WTO
- (d) Liberalisation of trade

Ans. (a) Nationalisation of banks

Value-based Questions

(Optional)

1. MNCs need to be socially responsible and show corporate social responsibility. Discuss.

Ans. Corporate social responsibility(CSR) means the ethical values which all the companies are supposed to follow in order to benefit the society. It helps in creating sustainable development of the business. The primary objective of CSR in business is to address the legal, ethical and commercial expectations of society. Some of the important objectives are as follows:

- Ensuring safe and hygienic working conditions.
- To support local community initiatives by participating in various events for the upliftment of the society.
- Minimum environmental degradation.
- Customer care and satisfaction.
- To share maximum profit with the shareholders.

2. Globalisation can be a process that benefits all nations equally if companies exhibit a sense of social justice, respect for other communities, responsible behavior and ethical economic practices. Discuss.

Ans. Yes, it is true to say that Globalisation can be a process that benefits all nations equally if companies exhibit a sense of social justice, respect for other communities, responsible behavior and ethical economic practices. If the companies give equal employment opportunities to both the male and female workforce without any discrimination on the basis of caste, religion, etc., then it will be great help in ensuring the social justice, respect for other communities. The companies are also expected to avoid the production practices which are detrimental for the environment and should act in a responsible manner. They are also expected to follow ethical economic practices like paying the corporate tax and other taxes as per government rules and regulations.

5

Consumer Rights

Milestone

Multiple-Choice Questions

1. Which quasi-judicial machinery was set-up for redressal of consumer disputes under COPRA?
(a) Two-tier (b) Three-tier
(c) Four-tier (d) Five-tier

Ans. (b) Three-tier

2. For whom are rules and regulations required in the market?
(a) Sellers (b) Owners
(c) Suppliers (d) Consumers

Ans. (a) Sellers

Very Short Answer Type Questions

3. What is meant by consumer right? (CBSE 2016)

Ans. The customers right to be safe, informed, choose, and give input to the producers of the goods and services they use.

4. Which are the cases dealt by a district consumer forum? (CBSE 2016)

Ans. District consumer forum deals with cases involving claims up to ₹ 20 lakhs.

5. On which products is the ISI mark used? (CBSE 2016)

Ans. Some products that affect the health and safety of consumers or of products of mass consumption like LPG cylinders, food colours and additives, cement, packaged drinking water, it is mandatory on the part of the producers to get certified by ISI.

6. Which right provides a person the right to approach the consumer court to get compensation against damage done by the trader or shopkeeper? (CBSE 2016)

Ans. Consumers have the right to seek redressal against unfair trade practices and exploitation.

Short Answer Type Questions

7. Enumerate any three duties of the consumers.

Ans. The term 'consumer' is used for a person who buys goods from the market and uses them. The three duties of the consumers are as follows:

- (i) To ensure that she/he gets a cash memo for the good/s purchased.
- (ii) To ensure that she/he is not charged more than the MRP given on the item. It is the duty of the consumer to make sure that she/he is not cheated and is not deprived of a fair deal.
- (iii) The consumer should check the products being purchased. The expiry date and quality of the items should be examined carefully.

8. Elucidate the legal measures taken by the Indian government to empower the consumers.

Ans. The government of India has passed an act called the Consumer Protection Act 1986 to ensure that there are agencies in place for Consumer Disputes Redressal at the District, State and National levels. The agencies are mandated to dispose off every complaint within a period of three months. At the district level, this agency is called the 'District forum'; at the state level, the agency is called the 'State Forum' and at the national level, it is called the 'National Consumer Commission', which is the apex court under the Act.

9. Explain why rules and regulations are necessary for the 'protection of consumers interest'.

Ans. Rules and regulations are necessary to ensure protection for consumers as they help in bringing pressure on business firms as well as government to correct business conduct which may be against and unfair. Some rights also provided to the customers for the protection of their interest:

Right to Choice: Any consumer has the right to choose any service she/he receives or after that

she/he has a right to continue to receive that service or not.

Right to Information: A consumer has the right to be informed about the particulars of goods and services that she/he purchases. If any product proves to be defective in any way, she/he can claim for the compensation.

Right to Redressal: If any consumer faces exploitation and unfair trade practices, she/he has the right to seek redressal and if any damage is done to her/him, consumer has the right to get compensation. The compensation depends on the degree of damage.

10. Give two examples to explain how duplicate articles and adulteration may cause a heavy loss to the consumers.

Ans. When the quality of a food item is lowered by the addition of another substance, it is called adulteration. Sometimes gullible consumers are sold duplicate products. Suppose a customer goes to the market and purchases an expensive cosmetic cream in order to protect her from the UV rays, but the product turns out to be a duplicate one and by using this duplicate cosmetic cream the customer suffers from skin disorder. Adulteration is common in food items and medicines also. Suppose a customer goes to the chemist and purchases a medicine for fever, but the chemist sells the adulterated medicine to the customer due to which the condition of the consumer gets deteriorated and sometimes the adulterated medicines may also result in death.

11. State the reason behind the enactment of Consumer Protection Act, 1986 by the government.

Ans. Consumer Protection Act was introduced by the Indian Government in 1986 due to the consumer movement in India and the reasons which led to the birth of the consumer movement in India were

- food shortage
- adulteration of food
- hoarding
- black marketing.

Consumer Protection Act, popularly known as COPRA, led to the setting up of a separate department of consumer affairs in Central and State Governments. The aims of the act is to protect and promote the interest of consumers.

Long Answer Type Questions

12. What are the different forms of consumer exploitation? (CBSE 2016)

Ans. Exploitation in the marketplace happens in various ways. Need for rules and regulations

occurs to prevent exploitation of the consumer because markets do not work in a fair manner. Producers are few but are more powerful than the consumers who purchase in mostly small amounts. For a long time, there was no legal system in place which consumers could tap, in case of exploitation by a manufacturer/trader. The consumer was supposed to be held responsible for buying any faulty or defective product. For example, sometimes traders indulge in unfair trade practices such as when shopkeepers weigh less than what they should or when traders add charges that were not mentioned before, or when adulterated/defective goods are sold.

13. How can a consumer be an aware customer? Why is it important for the consumer to protect himself against market exploitation?

Ans. Media plays a vital role in spreading awareness among the consumers through campaigns like 'Jago Grahak Jago'. There are many NGOs in the country which are constantly fighting for the consumer rights and spreading awareness among consumers through street plays and theatres. If consumers are active, then companies will also be on their guard and as a result they will offer better products and services. While purchasing any product the consumers must check the ingredients, MRP, manufacturing date, etc. on the packed product. In addition to this the consumers must also be aware of the legal measures to protect themselves. The Government of India has made it mandatory to impose certification marks such as ISI mark for industrial products, AGMARK for agricultural products, etc. in order to ensure the quality of products for consumers.

14. Which factors gave rise to the consumer movement in an organised form in the 1960s?

(CBSE 2016)

Ans. Consumer movement in India started when the importance of protecting and promoting the interest of consumers against unethical and unfair trade practices of the producer became evident. In the 1960s, main reasons for originating the movement in an organised form were rampant food shortage, black marketing, adulteration of food and hoarding, etc. and till 1970, these organisations were engaged in a large number for writing the articles and exhibitions. Consumer movement or 'social force' can be effective only when consumers themselves get involved in it and realise the need for protecting their interests.

15. State the values associated with the origin of the consumer movement as a 'social force' to protect and promote the interest of the consumers in India. (CBSE 2016)

Ans. Consumer movement was the outcome of the increasing discontentment among the consumers around the world. Lack of effective legal provisions further frustrated the consumers. The sellers presumed that the consumer would not buy a product with which they are not satisfied. They further presumed that consumer would be cautious enough while purchasing any product. There was a general belief that the manufacturer would not compromise with the quality of the product that would impact its sale. However, with the spreading of awareness, increase in corrupt practices in the system, shortage of essential goods and services, hoarding, black marketing, etc. there was a need to have an organisation that would look after the interests of the consumers and would protect them in case of any wrong product or services delivered to them.

16. Argue in favour of the statement: 'Consumer movement can be effective only with the active involvement of the consumers.'

Ans. Consumer movement can be effective only with the active involvement of the consumers because it is difficult for a single customer to press charges against a company for selling degraded product. On the other hand it would be easy for a group of customers to bargain and also search for other harassed customers. If the customers are active, then the companies will also be on their guard and offer better services and products. Active participation of consumers also leads to transparency. If the consumers are actively involved then everyone in the manufacturing chain from workers to consumers will be protected.

17. 'Consumer awareness in India has faced many obstacles and has not been an easy growth.' Explain. **(CBSE 2013)**

Ans. Some of the obstacles faced by consumer awareness in India are as follows:

- The Consumer Redressal Process is expensive, time consuming and cumbersome.
- Consumers very often have to engage the services of lawyers. Once a case is filed, it requires time for attending the court proceedings, etc.
- Very often there is no cash memo for the purchase and evidence becomes weak.
- Most purchases are small retail ones.
- The enforcement of laws that protect workers, in the unorganised sectors, is not proper.
- Market rules and regulations are often not followed.

Self-Assessment

Multiple-Choice Questions

1. On which date, World Consumers' Rights Day is celebrated?

- | | |
|--------------|--------------|
| (a) Jan 15 | (b) Feb 15 |
| (c) March 01 | (d) March 15 |

Ans. (d) March 15

2. Which organisation sets standards of products at the International level?

- | | |
|------------|---------|
| (a) COPRA | (b) ISO |
| (c) Agmark | (d) BIS |

Ans. (b) ISO

Assertion-Reason Type Questions

For question numbers 3 to 6, two statements are given as Assertion (A) and Reason (R).

Read the statements and choose the correct option from (a), (b), (c) and (d) as given below.

- (a) Both A and R are true and R is the correct explanation of A.
 (b) Both A and R are true but R is not the correct explanation of A.
 (c) A is true but R is false.
 (d) A is false but R is true.

3. **Assertion (A):** Exploitation in the market place happens in various ways.

Reason (R): Sometimes traders indulge in unfair trade practices such as when shopkeepers weigh less than what they should or when traders add charges that were not mentioned before, or when adulterated/defective goods are sold.

Ans. (a) Reason (R) is the correct explanation of Assertion (A) because, when shopkeepers weigh less or when traders add charges that were not mentioned before are examples of exploitation in the market place.

4. **Assertion (A):** Rampant food shortages, hoarding, black marketing, adulteration of food and edible oil gave birth to the consumer movement in an organised form in the 1980s.

Reason (R): Till the 1970s, consumer organisations were largely engaged in writing articles and holding exhibitions.

Ans. (d) Assertion (A) is wrong because, rampant food shortages, hoarding, black marketing, adulteration of food and edible oil gave birth to the consumer movement in an organised form in the 1960s.

5. **Assertion (A):** Today, Consumers International has become an umbrella body to over 220 member organisations from over 115 countries.

Reason (R): In 1977 United Nations adopted the UN Guidelines for Consumer Protection.

Ans. (c) Assertion (A) is correct but R is wrong because, in 1985 United Nations adopted the UN Guidelines for Consumer Protection.

6. Assertion (A): A major step taken in 1986 by the Indian government was the enactment of the Consumer Protection Act 1986.

Reason (R): It was popularly known as COPRA.

Ans. (b) Both A and R are true but R is not the correct explanation of A.

Match the Following

7. Match the following items given in Column A with those in Column B. Choose the correct answer from the options given below:

Column A	Column B
A Consumer Forum	1 Consumer Protection Act 1986
B Agmark	2 Against unfair trade practices and exploitation
C Right to seek redressal	3 Help consumers get assured of quality of goods and services
D COPRA	4 Guide consumers on how to file cases in consumer courts

Codes:

	A	B	C	D
(a)	4	3	2	1
(b)	2	4	1	3
(c)	4	1	3	2
(d)	2	3	4	1

Ans. (a)

Find the Incorrect Option

- 8.** (a) In September 2003, the Government of India enacted a law, popularly known as RTI (Right to Information) Act.
 (b) RTI Act ensures its citizens all the information about the functions of government departments.
 (c) Consumers can bargain with the seller to sell at less than the MRP.
 (d) The consumer can file a complaint before the appropriate consumer forum on his/her own with or without the services of lawyers.

Ans. (a)

Correct the Following Statement and Rewrite

- 9.** Under COPRA, a two-tier quasi-judicial machinery at the state and national levels was set up for redressal of consumer disputes.

Ans. Under COPRA, a three-tier quasi-judicial machinery at the district, state and national levels was set up for redressal of consumer disputes.

Very Short Answer Type Questions

- 10.** Which act of Indian democracy empowers the people and works as a watchdog?
Ans. The Right to Information Act 2005 empowers the people and works as a watchdog.
- 11.** How is the retail price printed on packets beneficial for consumers?
Ans. A consumer can protest and complain if someone sells a good at more than the printed price on the packet. In fact consumers can bargain with the seller to sell at less than the MRP.
- 12.** Which is the consumer court at the national level?
Ans. The National Consumer Commission is the consumer court at the national level.
- 13.** The district court deals with claims upto which level?
Ans. The district level court called District Forum take up claims upto ₹ 20 lakhs.

Short Answer Type Questions

- 14.** How is the consumer redressal process an expensive, time consuming one? Give four reasons and what can be done to make it more consumer friendly?
Ans. Four reasons for the consumer Redressal process is expensive and time consuming are as follows:
- Consumers very often have to engage the services of lawyers. Once a case is filed, it requires time for attending the court proceedings, etc.
 - Very often there is no cash memo for the purchase and evidence becomes weak.
 - Most purchases are small retail ones.
 - The enforcement of laws that protect workers, in the unorganised sectors, is not proper.
- In order to make it more consumer friendly, the consumer should be allowed to plead her/his case in the consumer forum.
- 15.** How are consumers exploited in the marketplace? Explain.
Ans. Producers are few but are more powerful than the consumers who purchase in mostly small amounts. For a long time, there was no legal system in place which consumers could tap, in case of exploitation by a manufacturer/trader. The consumer was supposed to be held responsible for buying any faulty or defective product. Exploitation in the marketplace happens in various ways. For example, sometimes traders indulge in unfair trade practices such as when shopkeepers

weigh less than what they should or when traders add charges that were not mentioned before, or when adulterated/defective goods are sold.

16. How do large companies manipulate the market and exploit the consumer?

Ans. Large companies often manipulate the market and, at times, they even pass false information through the media in the form of advertisements to attract consumers. Advertisements promising more to customers than what the product actually delivers are a common malpractice. Media is manipulated to pass on false information. In India, the consumer movement became an organised force in the 1960s after food shortages, hoarding, black marketing, adulteration of food, etc. took place.

17. Explain the 'Right to Choose' with two examples.

Ans. Right to Choose: This right gives consumers the freedom to choose from the plethora of goods and services available at competitive prices to them. This implies that the marketers should offer a wide variety of products in terms of quality, brand, prices, size, etc. Suppose a customer goes to the market to purchase a new Television set and after market survey he decides that a particular brand is offering the product with same features at a lower price in comparison to the others. Let's take another example, a person wants to purchase an SUV for himself, and after surveying the price and features of all top brands, he finds that an SUV of a particular brand is more reasonable in price and features are almost similar to the top brands in the market.

Paragraph Based Questions

18. Read the sources given below and answer the questions that follow:

Source A – Where Should Consumers Go To Get Justice?

The district-level court called District Forum deals with the cases involving claims upto ₹ 20 lakh, the state level court called State Commission between ₹ 20 lakh and ₹ 1 crore and the national-level court – National Commission – deals with cases involving claims exceeding ₹ 1 crore.

(a) What is the jurisdiction of State Commission?

Source B – Learning to Become Well Informed Consumers

The enactment of COPRA has led to the setting up of separate departments of Consumer Affairs in central and state governments. The posters that you have seen are one example through which government spread information about legal process which people can use.

(b) What was the main outcome of the enactment of COPRA?

Source C – Information About Goods and Services

In recent times, the right to information has been expanded to cover various services provided by the Government. In October 2005, the Government of India enacted a law, popularly known as RTI (Right to Information) Act, which ensures its citizens all the information about the functions of government departments.

(c) When was the RTI Act enacted by the Government of India?

- Ans.** (a) The state level court called State Commission deals with the cases involving claims between Rs 20 lakh and Rs 1 crore.
- (b) The enactment of COPRA led to the setting up of separate departments of Consumer Affairs in the Central and State Governments.
- (c) The Government of India enacted the RTI Act in October 2005.

Long Answer Type Questions

19. How does the right to be informed benefit the consumer?

Ans. Right to be Informed: This right ensures that the consumer does not become a victim to seller's pressure tactics. It gives the consumer the right to be informed about the good or product before taking a decision. The Right to Information Act 2005 enacted by the Government of India is a bold move in this direction. This Act has given the right to consumers to enquire about each and every detail of any product or services he purchases from the manufacturer. Prior to this legislation there was no such provision available through which the consumer can ask the details from the manufacturer due to which they were exploited.

20. Consumers are exploited when there is limited information and limited competition. Do you agree? Give reasons.

Ans. Markets do not operate fairly when producers are few and powerful whereas consumers purchase in small amounts and are scattered. This happens when large companies are involved in the production of these goods. Companies with huge wealth, power and reach can easily manipulate the market in various ways. Sometimes false information is passed on through the media in order to attract the consumers. For example, a company sold powder milk for babies for many years across the world as the most scientific product and claimed it to be better than mother's milk. It took years of struggle before the company

was forced to accept that it had been making false claims. Similarly, a long legal battle was fought to make cigarette manufacturing companies accept that their product could cause cancer.

21. How can consumers express solidarity with each other?

Ans. Consumers can express their solidarity with each other by consumer movement. They can constitute consumer organisations or groups, which are locally known as consumer forums or consumer protection councils. They guide consumers on how to file cases in the consumer court. On many occasions, they also represent individual consumers in consumer courts. These voluntary organisations also receive financial support from the government for creating awareness among people. You must have noticed boards of Residents' Welfare Associations. If there is any unfair trade practice meted out to their members, they take up the case on their behalf.

22. What legal measures has the Indian government undertaken to strengthen consumers in India?

Ans. The government of India has passed an act called the Consumer Protection Act 1986 to ensure that there are agencies in place for Consumer Disputes Redressal at the District, State and National levels. The agencies are mandated to dispose off every complaint within a period of three months. At the district level, this agency is called the 'District Forum'; at the state level, the agency is called the 'State Forum' and at the national level, it is called the 'National Consumer Commission', which is the apex court under the Act.

23. How do we participate in the market as producers and consumers?

Ans. In any market there are primarily two players, that is consumer and the producer. We can participate in a market by being both consumer as well as producer. Now let us first take the producer, one may enter the market as a producer by producing a product or any service. If a person has at its disposal the required land, labour and capital, one can easily enter in the market without any barrier and produce the required output. Now consider our role as a consumer, one becomes a part of the market by consuming the output that is produced in the market.

24. Read the extract and answer the questions that follow:

India is one of the countries that have exclusive courts for consumer redressal. The consumer movement in India has made some progress in terms of numbers of organised groups and their activities. There are today more than 700 consumer groups in the country of which only

about 20-25 are well organised and recognised for their work. However, the consumer redressal process is becoming cumbersome, expensive and time consuming. Many a time, consumers are required to engage lawyers. These cases require time for filing and attending the court proceedings etc. In most purchases cash memos are not issued hence evidence is not easy to gather. Moreover most purchases in the market are small retail sales. The existing laws also are not very clear on the issue of compensation to consumers injured by defective products. After more than 25 years of the enactment of COPRA, consumer awareness in India is spreading but slowly.

(a) Which day is observed as the National Consumers' day in India

(b) Define COPRA.

(c) Why is the redressal process time consuming in India?

Ans. (a) Every year 24th December is observed as the Nation Consumers' Day in India.

(b) COPRA stands for Consumer Protection Act, it was introduced by the government of India in the year 1986. This was enacted due to the consumer movement in India. It ensures certain rights in favour of consumers. Some of these are right to choose, right to be informed, right to seek redressal, right to represent, right to safety and right to consumer education.

(c) Redressal process is time consuming in India because the cases require time for filing and attending the court proceedings etc. In most purchases cash memos are not issued hence evidence is not easy to gather. Moreover most purchases in the market are small retail sales.

Let's Compete

Multiple-Choice Questions

1. On which date is 'National Consumer Day' celebrated every year in India?

- (a) December 22 (b) December 23
(c) December 24 (d) December 25

Ans. (c) December 24

2. Consumers International was created by

- (a) UN (b) UNESCO
(c) ILO (d) World Bank

Ans. (a) UN

3. The year in which the Consumer Protection Act (COPRA) was passed

- (a) 1986 (b) 1987
(c) 1988 (d) 1989

Ans. (a) 1986

4. What is the full form of MRP?

- (a) Maximum Renewal Price
- (b) Maximum Retail Price
- (c) Micro Rated Price
- (d) None of these

Ans. (b) Maximum Retail Price

5. What is the date for the enactment of Right to Information (RTI) Act by the Government of India?

- (a) April 2005
- (b) December 2005
- (c) January 2005
- (d) October 2005

Ans. (d) October 2005

6. District level consumer courts can settle claims to the limit of

- (a) ₹ 10 lakhs
- (b) ₹ 20 lakhs
- (c) ₹ 50 lakhs
- (d) ₹ 80 lakhs

Ans. (b) ₹ 20 lakhs

7. Which part of India is not covered under the Consumer Protection Act, 1986?

- (a) Jammu and Kashmir
- (b) Delhi
- (c) Daman and Diu
- (d) All of these

Ans. (a) Jammu and Kashmir

8. Under which right is the consumer protected from goods and services sold which pose a danger to life?

- (a) Right to be Informed
- (b) Right to be Protected
- (c) Right to seek Redressal
- (d) Right to be Assured

Ans. (b) Right to be Protected

9. Which logo or mark should one look for on a packet of biscuit?

- (a) ISI mark
- (b) ISO mark
- (c) Hallmark
- (d) Agmark

Ans. (d) Agmark

10. Under which Act have consumer courts been established?

- (a) National Consumer Commission Act
- (b) State Consumer Commission

(c) Consumer Protection Act

(d) All of these

Ans. (c) Consumer Protection Act

Value-based Questions

(Optional)

1. Any movement is a success if the people it is meant for become an active part of the movement. The responsibility has to be shouldered as much by the consumers as by the government. Comment on the statement.

Ans. The above given statement is true because if the people or consumers for whom a particular law is made are not active then the particular legislation is useless. In order to take the benefit of a particular legislation the consumers are expected to be aware of their rights. In case of any wrong done to them by the manufacturer, it is the duty of the consumer to approach the competent authority within a given time-frame. They need to actively pursue their case in front of the authority assigned to deal with their matter. The job of the government is to frame proper legislations whereas it is the active responsibility of the people to use that law in case of any wrong done to them.

2. Negligence on the part of a vendor or manufacturer reflects not only on her/his financial bankruptcy but also on ethical and moral bankruptcy. Discuss.

Ans. Negligence on the part of a manufacturer or vendor is not acceptable because it has a negative impact on the whole society and sometimes it becomes life threatening. There is another aspect to it negligence on the part of a manufacturer also reflects ethical and moral bankruptcy. Suppose a manufacturer deals in the production of medicines and there is a grave negligence in the production process which becomes life threatening for the consumer, so it is an ethical and moral bankruptcy for the manufacturer.