

| Q.NO. | Answers   | Marks<br>(with split up) |
|-------|---|--------------------------|
| 1.    | B   | 1                        |
| 2.    | The interest rate at which central bank gives long term loans to commercial bank.   | 1                        |
| 3.    | OMO is the buying and selling of government securities by the central bank from/to the public and banks. The sale of government securities to the banks will have the effect of reducing the fund with commercial bank. This directly reduces the bank's ability to give credit and therefore decreases the money supply in the economy. When the central bank buys securities from the commercial bank, the fund with commercial bank increases. This directly increases the bank's ability to give credit and thus increases the money supply.  | 3                        |
| 4.    | Control tax evasion and increase revenue  | 1                        |
| 5.    | B   | 1                        |
| 6.    | The Industrial Policy Resolution (IPR) 1956 was adopted in order to achieve the aim of a socialist state with government controlling the major strategic industries of the economy. <b>The government kept an indirect control on the industries in the private sector through the policy of industrial licensing.</b>  | 3                        |
| 7.    | Foreign trade was characterized by what is commonly called an inward looking trade strategy. Technically, this strategy is called import substitution, which aimed at replacing or substituting imports with domestic production.<br>Protection of domestic industries from foreign competition<br>In import substitution policy the government protected the domestic industries from foreign competition.<br>Reason for protection from foreign competition<br>Industries of developing countries are not in a position to compete against the goods produced by more developed economies.<br>Our planners also feared the possibility of foreign exchange being spent on import of luxury goods if no restrictions were placed on imports. | 3                        |
| 8.    | <ul style="list-style-type: none"> <li>• Liberalization of foreign trade sector was initiated to increase international competitiveness of industrial production.</li> <li>• In order to increase the inflow of foreign exchange, foreign exchange was restructured. The Foreign Exchange Management Act is replaced by Foreign Exchange Regulation Act.</li> <li>• The trade policy is reformed by abolishing quantitative restrictions on imports and exports, reducing the tariff rates and by removing licensing procedure for imports.</li> <li>• Import licensing was abolished except for environmentally sensitive</li> </ul>   | 3                        |

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|    | <p>industries and export duties have been removed in order to ensure free trade mechanism.</p> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> <li>● The role of RBI changed from regulator to the facilitator.</li> <li>● The reform measures led to the establishment of private sector banks both Indian and Foreign.</li> <li>● Foreign investment limit in banking sector raised up to 50%.</li> <li>● New branches of bank are allowed to be set up without the approval of RBI, if they fulfill certain conditions.</li> <li>● Foreign Industrial Investors like mutual funds and pensions are allowed to invest in Indian financial market.</li> <li>● Deregulation of various interest rates such as bank rate, repo rate and reverse repo rate.</li> </ul>   |   |
| 9. | <p>Increase in marketed surplus: A good proportion of the rice and wheat produced during the green revolution period was sold by the farmers and income of the farmers increased.</p> <p>Decrease in price of food grains: The price of food grains declined relative to other items of consumption. The low income groups benefited from this decline in relative prices.</p> <p>Buffer stock: The spread of green revolution technology enabled the government to procure sufficient amount of food grains to build buffer stock which could be used in times of food shortage.</p> <p>Self-reliance: Indian agricultural productivity increased sufficiently to enable the country to be self- sufficient in food grains. We no longer had to be at the mercy of America, or any other nation, for meeting our nation's food requirements.</p> <p style="text-align: center;">OR</p> <p>Growth<br/>Modernization<br/>Self-reliance<br/>Equity</p> <p style="text-align: right;">with adequate explanation.</p> | 4 |