

**ICSE BOARD PAPER - 2025**  
**ECONOMICS**  
**Class-10<sup>th</sup>**  
**(Solved)**

Maximum Marks: 80

Time Allotted: Two Hours

**Instructions to Candidates:**

1. Answers to this Paper must be written on the paper provided separately.
2. You will **not** be allowed to write during the first 15 minutes.
3. This time is to be spent in reading the question paper.
4. The time given at the head of this Paper is the time allowed for writing the answers.
5. Attempt all questions from Section A and any four questions from Section B.
6. The intended marks for questions or parts of questions are given in brackets [].

**SECTION A (40 Marks)**

(Attempt all questions from this Section.)

**Question 1**

[16]

Choose the correct answers to the questions from the given options.

(Do not copy the question, write the correct answers only.)

- (i) In economics, what does the *capital* earn as income?
- (a) Wages (b) Rent  
(c) Profit (d) Interest
- (ii) Which of the following are examples of *substitute* goods?
- (a) Coke and Coffee (b) Pencil and Eraser  
(c) Tea and Sugar (d) Apple iPhones and Samsung Smart Phones
- (iii) **Assertion (A):** Mr. Gupta earns a fixed income every month, but he tends to get adversely affected during inflation.
- Reason (R):** The prices of goods, services and the cost of living, does not rise in the same proportion as income, during inflation.
- (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) Both (A) and (R) are false.  
(d) (A) is false and (R) is true.
- (iv) Amit buys 1 kg of mangoes at ₹120 per kg. Other things remaining constant, when the price of mangoes falls to ₹90 per kg, he buys 2 kg of mangoes. Amit's choice in the given situation shows which concept?
- (a) Demand schedule (b) Market demand  
(c) Contraction of demand (d) Expansion of demand
- (v) The *rate of tax*, which is *uniform* for all the taxpayers, is termed as:
- (a) Progressive (b) Proportional  
(c) Regressive (d) Direct
- (vi) Which factor will be responsible for 'product diversification' through *innovation*?
- (a) Labour (b) Entrepreneur  
(c) Capital (d) Landowner
- (vii) **Statement 1:** The *primary function* of money is to act as a 'store of value'.  
**Statement 2:** Money helps in *monetary expression* of the market value of the commodity.
- (a) Both Statement 1 and Statement 2 are true. (b) Both Statement 1 and Statement 2 are false.  
(c) Statement 1 is true and Statement 2 is false. (d) Statement 1 is false and Statement 2 is true.
- (viii) BIS stands for:
- (a) Bureau of Indian States (b) Bureau of Indian Standards  
(c) Bureau of Indian System (d) Bureau of Indian Solutions

(ix) Study the table and *examine* the relation between price and quantity supplied:

Price (₹)	Quantity supplied (kg)
10	5
12	7
14	9

- (a) Positive (b) Negative  
 (c) Indirect (d) Proportional
- (x) Which market structure has the *least* number of sellers?  
 (a) Oligopoly (b) Monopolistic competition  
 (c) Monopsony (d) Perfect competition
- (xi) Direct taxes are *regressive* in nature.  
 (a) True (b) False



The above image depicts stages of \_\_\_\_\_

- (a) Capital formation (b) Capital returns  
 (c) Capital movement (d) Investment of savings
- (xiii) Radhika cannot postpone her demand for woollen clothes during winter season but at the same time *can* postpone her demand for a car. This is because her demand for woollen clothes is:  
 (a) Elastic (b) Inelastic  
 (c) Highly Elastic (d) Unit Elastic
- (xiv) Study the relationship in the first pair of words and complete the second pair.  
 1. Revenue earned by the government through railway fares: Commercial revenue  
 2. Revenue earned through Special Assessment: \_\_\_\_\_  
 (a) Direct tax (b) Indirect tax  
 (c) Administrative (d) Commercial
- (xv) Efficiency of labour shows the *productive capacity* of a labourer, whereas *division of labour* shows \_\_\_\_\_ of labour.  
 (a) Specialisation (b) Utilisation  
 (c) Quantity (d) Perishability
- (xvi) Identify the *type of debt* raised by the government for organising relief camps during natural disasters.  
 (a) Productive (b) Unproductive  
 (c) Gross (d) Funded

### Question 2

- (i) Explain *capital* as a factor of production. [2]  
 (ii) There is a *positive correlation* between *entrepreneurship and economic development*. [2]  
 Justify the statement with two suitable reasons.  
 (iii) What is *extension of supply*? [2]  
 (iv) [2]

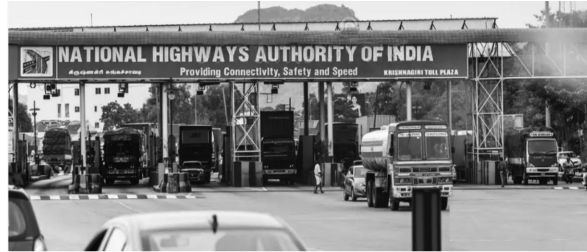


Identify and explain the *type of division of labour* shown in the above images.

### Question 3

- (i) How was *Standard of Deferred payment* a problem for Barter System of Exchange? [2]

- (ii) The following image shows, *Tolls as a source of revenue for State as well as Central government.* [2]  
Identify and explain the type of *revenue* mentioned in the above statement.



- (iii) State one difference between *Cash Reserve Ratio (CRR)* and *Statutory Liquidity Ratio (SLR).* [2]  
(iv) Explain the term *revenue expenditure?* [2]

#### Question 4

- (i) '*Mobile phone and laptop are examples of composite demand.*' Justify the statement with a suitable reason. [2]  
(ii) Why is capital considered to be '*result of past savings*'? [2]  
(iii) What is the implication of '*restricted entry of new firms*' in a monopoly market? [2]  
(iv) A shopkeeper adds *brick powder to chilli powder and he colours different vegetables with harmful dyes to make them look bright and fresh.* [2]  
Identify the concept expressed in the above statement and *mention* the consumer right which has been violated.

#### SECTION B (40 Marks)

(Attempt *any four* questions from this Section.)

#### Question 5

- (i) (a) Define *Inflation.*  
(b) Write *any three causes* of '*Cost Push Inflation.*' [5]  
(ii) State and explain *any five merits* of Indirect taxes. [5]

#### Question 6

- (i) The following table represents *increase in demand*, answer the following questions: [5]

Price (₹)	Quantity supplied (kg)
10	5
10	7

- (a) Give a *diagrammatic representation* based on the above data.  
(b) Explain *any two factors* that affect increase in demand.  
(iii) (a) Mention *any two features* of COPRA 2019. [5]  
(b) State and explain *any three reasons* why consumers are exploited by retailers or producers.

#### Question 7

- (i) RBI's latest demonetisation measure was declared on 19 May 2023. As per RBI's '*clean note*' policy, it withdrew all ₹2,000 notes from circulation. [5]

In context of the above statement answer the following questions:

- (a) What is *demonetisation?*  
(b) State *any three objectives* of demonetisation.  
(ii) [5]



- (a) Identify and define the market structure depicted in the above image.  
(b) Give *three differences* between Perfect Competition Market and Oligopoly market.

**Question 8**

- (i) (a) Explain the term *supply*. [5]  
(b) Give a *diagrammatic representation* of Relatively Elastic Supply.
- (ii) Explain *any five characteristics* of land. [5]

**Question 9**

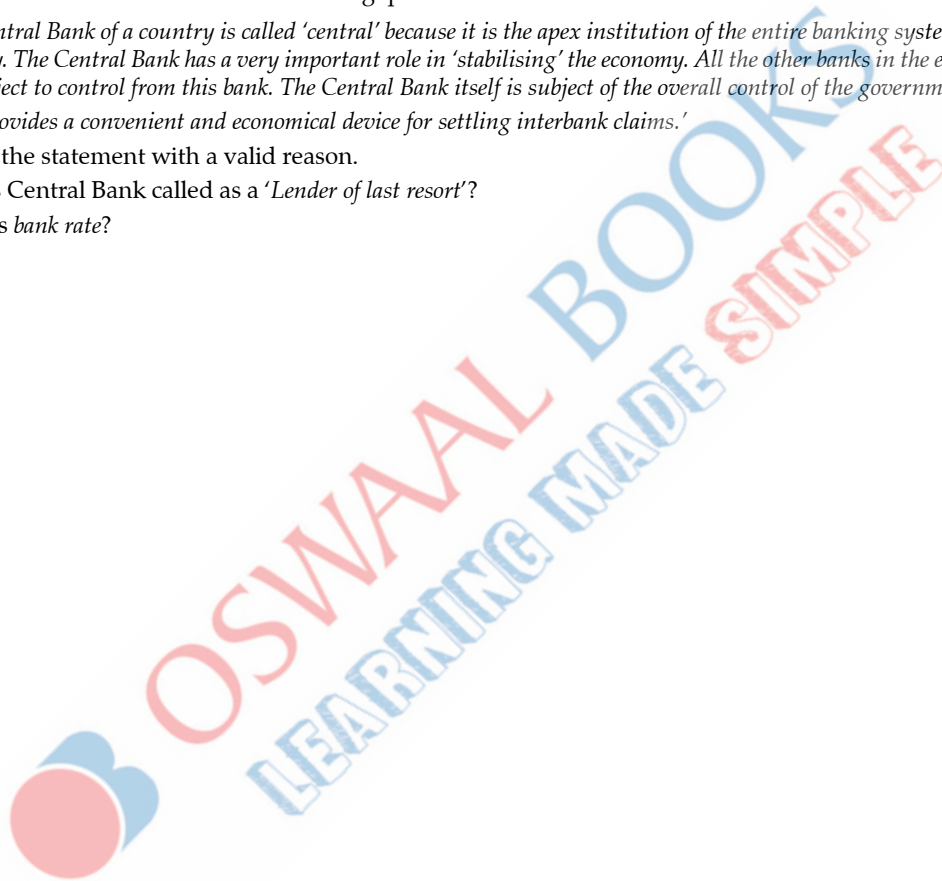
- (i) (a) Explain the *overdraft facility* given by a commercial bank. [5]  
(b) State *any three differences* between Demand deposits and Fixed deposits.
- (ii) Explain *any five determinants* affecting demand for goods. [5]

**Question 10**

- (i) What factors contribute to the *lower efficiency* of labour in India as compared to the developed nations? [5]
- (ii) Read the extract and answer the following questions. [5]

*The Central Bank of a country is called 'central' because it is the apex institution of the entire banking system of the country. The Central Bank has a very important role in 'stabilising' the economy. All the other banks in the economy are subject to control from this bank. The Central Bank itself is subject of the overall control of the government.*

- (a) '*RBI provides a convenient and economical device for settling interbank claims.*'  
Justify the statement with a valid reason.
- (b) Why is Central Bank called as a '*Lender of last resort*'?
- (c) What is *bank rate*?



# Answers

## SECTION A

### Answer 1.

**(i) Option (d) is correct.**

*Explanation:* The income earned from capital is called interest, as it represents the return on invested financial resources. Wages are earned by labour, rent is earned by land and profit is earned by an entrepreneur.

**(ii) Option (d) is correct.**

*Explanation:* Substitute goods are products that can be used in place of one other to satisfy a particular demand. Apple iPhones and Samsung smartphones are substitutes because consumers can choose between them and they will satisfy the same want of the consumer.

**(iii) Option (a) is correct.**

*Explanation:* Mr. Gupta earns a fixed income, meaning his salary or earnings do not increase with inflation. When inflation occurs, the purchasing power of his income decreases, making it harder for him to afford goods and services. This means he is adversely affected during inflation, making (A) true. Inflation leads to a rise in the prices of goods, services and the cost of living, but incomes (especially fixed incomes) do not increase at the same rate. This results in a decline in real income, meaning that people with fixed incomes struggle to maintain their standard of living. This correctly explains why Mr. Gupta is affected during inflation, making (R) true and the correct explanation of (A).

**(iv) Option (d) is correct.**

*Explanation:* Expansion of demand occurs when the quantity demanded increases due to a fall in price, while all other factors remain constant. In this case, Amit initially buys 1 kg of mangoes at ₹120 per kg. When the price falls to ₹90 per kg, he purchases 2 kg. This shows an expansion of demand.

**(v) Option (b) is correct.**

*Explanation:* A proportional tax is a tax system in which the tax rate remains the same (uniform) for all taxpayers, regardless of their income level. This means that everyone pays the same percentage of their income as tax. For example, if the tax rate is 10%, both a person earning ₹50,000 and another earning ₹5,00,000 will pay 10% of their respective incomes as tax.

**(vi) Option (b) is correct.**

*Explanation:* Product diversification through innovation involves introducing new or modified products to expand market reach or improve competitiveness. The entrepreneur is responsible for innovation, risk-taking and decision-making in business. They identify opportunities, allocate resources and implement new product ideas to enhance market growth.

**(vii) Option (d) is correct.**

*Explanation:* Statement I is false as the primary function of money is to act as a medium of exchange. Store of value is also a key function of money but is considered secondary function of money. Statement II is true because money acts as a unit of account allowing goods and services to be priced and compared in monetary terms.

**(viii) Option (b) is correct.**

*Explanation:* BIS stands for the Bureau of Indian Standards, which is the national standards body of India under the Ministry of Consumer Affairs, Food & Public Distribution. It is responsible for formulating, implementing and certifying standards for various products and systems in India to ensure quality and safety.

**(ix) Option (a) is correct.**

*Explanation:* The table shows that as the price increases, the quantity supplied also increases (from 5 kg at ₹10 to 9 kg at ₹14). This indicates a positive relationship between price and quantity supplied, which aligns with the Law of Supply, which states that, other factors remaining constant, an increase in price leads to rise in quantity supplied and a fall in the price leads to a fall in the quantity supplied of a commodity.

**(x) Option (a) is correct.**

*Explanation:* Even though monopoly has the least number of sellers, that is one, but from among the given options, oligopoly is the only market structure which has few sellers selling homogeneous or differentiated products to a large number of sellers. Rest monopolistic competition market, monopsony and perfect competition market, all have large number of sellers.

**(xi) Option (b) is correct.**

*Explanation:* Direct taxes, such as income tax, are progressive in nature, meaning that higher-income individuals pay a higher percentage of their income in taxes. In contrast, regressive taxes place a greater burden on lower-income groups, as they take a larger proportion of their income (e.g., sales tax, GST). Therefore, the statement that "Direct taxes are regressive in nature" is incorrect.

**(xii) Option (a) is correct.**

*Explanation:* Capital formation refers to the process of increasing a country's stock of capital. First people save, which is mobilised by the banks and thereafter it is invested in forming the capital. Thus, the diagram represents the stages of capital formation in an economy.

**(xiii) Option (b) is correct.**

*Explanation:* Demand for woollen clothes during winter's is inelastic because it is a necessity and cannot be postponed. Inelastic demand means that

even if the price changes, the quantity demanded remains relatively stable because consumers need the product.

(xiv) **Option (c) is correct.**

**Explanation:** Revenue earned through special assessment is classified as administrative revenue, as it is a charge levied by the government on property owners who benefit from public infrastructure improvements, such as roads or drainage systems. This type of revenue does not fall under taxation but is a form of compulsory contribution for specific public benefits.

(xv) **Option (a) is correct.**

**Explanation:** Efficiency of labour refers to the productive capacity of an individual worker, indicating how effectively they perform tasks. Division of labour refers to the breakdown of production into smaller, specialised tasks assigned to different workers. It enhances efficiency by allowing workers to become experts in specific tasks, leading to increased productivity. Thus, division of labour primarily represents specialisation of labour.

(xvi) **Option (b) is correct.**

**Explanation:** The government raises debt to fund various activities. When debt is used for relief camps during natural disasters, it does not generate any direct economic returns. Instead, it serves a welfare purpose, meaning it is classified as unproductive debt.

**Answer 2.**

(i) Capital refers to man-made resources used in the production process, such as machinery, tools, buildings and equipment. Capital is essential because it enhances productivity and efficiency in production. Unlike land and labour, capital is a result of past savings and investments.

(ii) **Role of entrepreneur in economic development:**

1. An entrepreneur unites all factors of production to produce various goods and services which lead to growth and development of an economy.
2. An entrepreneur utilises the labour force to its maximum and fullest capacity and motivates them to perform better.
3. By coming up with new ideas and products, an entrepreneur generates employment opportunities for various sections of the society.
4. High production results in increase in exports. As a result, foreign exchange is generated and results in economic growth.
5. Entrepreneurs locate and exploit opportunities. They convert the latent and idle resources like land, labour and capital into national income and wealth in the form of goods and services. They help increase Net National Product and Per Capita Income in the country. **(Any two)**

(iii) Extension of supply refers to an increase in the quantity supplied of a commodity due to a rise in its price while other factors remain constant. It is represented by an upward movement along the supply curve.

(iv) The type of division of labour shown in the images is Process-based Division of Labour (also known as Division of Labour by Process). In this type of division, labour is divided into different stages of production within the same industry. Like as in the cotton textile industry the production of textiles involves multiple steps such as spinning, weaving, dyeing and finishing. Likewise in Sugarcane Industry the production of sugar from sugarcane involves processes like cultivation, harvesting, crushing, juice extraction, refining, and packaging.

**Answer 3.**

(i) In the Barter System of Exchange, the absence of a Standard of Deferred Payment was a significant problem because,

- (a) There was no universally accepted standard to determine the value of goods over time, making future payments uncertain.
- (b) Many goods used in barter, such as food and livestock, could deteriorate over time, making them unsuitable for deferred payments.
- (c) The value of goods could fluctuate, leading to disputes between parties regarding the actual worth of a payment agreed upon earlier.
- (d) Without a common unit of account, enforcing contracts and loans was challenging, as there were no fixed standards for repayment.

(ii) The type of revenue mentioned in the statement is Commercial Non-Tax Revenue.

**Explanation:** Toll charges collected on highways are a form of Non-Tax Revenue for the government. This revenue is generated from public services and assets rather than direct taxation and is used to maintain the public infrastructure. So, is a commercial revenue as well.

(iii) One difference between **Cash Reserve Ratio (CRR)** and **Statutory Liquidity Ratio (SLR)** is:

Cash Reserve Ratio (CRR)	Statutory Liquidity Ratio (SLR)
<b>CRR:</b> It is the percentage of a bank's total deposits that must be kept as reserves with the Reserve Bank of India (RBI) in cash form.	<b>SLR:</b> It is the percentage of a bank's total deposits that must be maintained in the form of liquid assets such as cash, gold, or approved securities within the bank itself.

(iv) **Revenue Expenditure** refers to the expenses incurred by the government or a business for the day-to-day functioning and maintenance of existing

assets. These expenditures do not create any new assets or reduce liabilities. They are recurring in nature.

For the government, revenue expenditure includes expenses such as salaries of employees, interest payments on debt, subsidies and administrative costs.

**Answer 4.**

(i) The statement is correct because composite demand refers to the demand for a good or service that can be used for multiple purposes.

Mobile phones and laptops are examples of composite demand as they can be used for communication, entertainment, work, education and online transactions. The demand for these devices arises from various needs, making them classic examples of goods with composite demand.

(ii) Capital is considered the "result of past savings" because it is accumulated through the process of saving a portion of income. When individuals, businesses, or governments set aside savings, these funds can be invested in machinery, infrastructure, or other productive assets, which then contribute to further economic growth. Without prior savings, there would be no financial resources available for capital formation, making savings the foundation for creating capital.

(iii) The implication of "restricted entry of new firms" in a monopoly market is that a single firm remains the sole producer and seller of a particular product or service. This lack of competition allows the monopolist to set prices without the pressure of rival firms, leading to higher prices and lower output than in competitive markets. Additionally, the firm may enjoy abnormal profits in the long run as no new firm will enter the market to bring the profits down to the normal level.

(iv) The concept expressed in the statement is "Adulteration."

Consumer right that has been violated is the right to safety.

**SECTION B**

**Answer 5.**

(i) (a) Inflation is the sustained increase in the general price level of goods and services in an economy over a period of time, leading to a decrease in the purchasing power of money.

(b) 1. **Increase in Wages:** Higher wages increase production costs, which businesses pass on to consumers through higher prices.

2. **Rising Prices of Raw Materials:** An increase in the cost of essential inputs like oil, metals, or agricultural products, raises overall production costs.

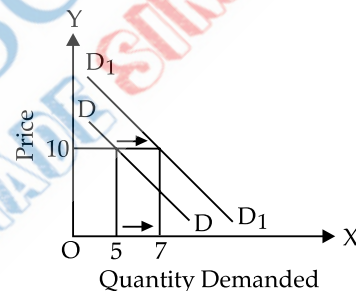
3. **Higher Taxes and Import Duties:** Increased taxation on goods and services or higher import tariffs raise costs, leading to inflation.

**(ii) Five Merits of Indirect Taxes:**

1. **Convenience:** Indirect taxes are included in the price of goods and services, making them easy to pay as consumers do not have to make separate tax payments.
2. **Wider Coverage:** These taxes are paid by all individuals who purchase goods and services, ensuring a broader tax base compared to direct taxes.
3. **Equity in Taxation:** Since people who consume luxury goods pay higher taxes, indirect taxes ensure that those with higher incomes contribute more to the government's revenue.
4. **Revenue Generation:** Indirect taxes provide a continuous source of income to the government, helping finance public services and development projects.
5. **Control Over Consumption:** The government can discourage the consumption of harmful products like cigarettes and alcohol by imposing higher indirect taxes on them.

**Answer 6.**

(i) (a)



**(b) Two Factors Affecting Increase in Demand:**

1. **Increase in Consumer Income:** When people's income rises, they can afford to buy more goods, leading to an increase in demand.
2. **Rise in the Price of Substitutes:** When the price of the substitutes rises, the goods become relatively cheaper leading the consumers to shift to the goods. Thus, this increases the demand for the goods at current prices.
3. **Fall in the Price of Complementary Goods:** When the price of the complementary goods falls, the goods become relatively cheaper leading the consumer to increase their demand at the prevailing prices.
4. **Change in Consumer Preferences:** If goods become more popular due to trends, advertisements, or improved quality, demand for the product rises. [Any 2]

**(ii) (a) Two Features of COPRA 2019 (Consumer Protection Act, 2019):**

1. **E-commerce Regulations:** The Act extends consumer protection to online transactions, ensuring fair trade practices in digital markets.
2. **Consumer Dispute Redressal Commissions:** The Act strengthens the grievance redressal mechanism by establishing a three-tier structure—District, State and National Commissions—with enhanced powers and pecuniary jurisdiction.

**(b) Three reasons why consumers are exploited by retailers or producers:**

- (i) **Lack of Knowledge:** Several consumers do not have the knowledge about the price, quality and service-related commodities. Therefore, consumers simply trust the facts told to them by the sellers and purchase goods, thus become trapped and are exploited.
- (ii) **Illiteracy:** When consumers are uneducated, the seller cheats them very easily. The shopkeeper tells the resembling words as of branded and sells the goods of poor quality.
- (iii) **Malpractice of Businessmen:** Fraudulent, unethical and monopolistic trade practices on the part of businessmen lead to exploitation of consumer. Consumers often get defective, inferior and sub-standard goods and poor services.
- (iv) **Unorganised Consumers:** In India, consumers are widely dispersed and are not united. They are at the mercy of businessmen. On the other hand, producers and traders are organised and powerful. **(Any Two)**

**Answer 7.**

- (i) (a) Demonetisation is the process by which a government declares certain currency notes invalid as legal tender. It is usually implemented to curb

black money, reduce corruption and promote digital transactions.

**(b) Objectives of demonetisation:**

1. **Curbing Black Money:** It aims to eliminate unaccounted cash and reduce tax evasion.
2. **Reducing Corruption:** By restricting the use of high-denomination currency, it helps in reducing bribery and illegal transactions.
3. **Promoting Digital Transactions:** Encourages people to adopt cashless payment methods such as online banking and mobile wallets.

- (ii) (a) The image shows multiple well-known fast-food brands such as McDonald's, Taco Bell, Subway, and Red Lobster. This represents an oligopoly market structure, where a few large firms dominate the industry and compete primarily through branding, advertising, and product differentiation.

An *oligopoly* is a market structure characterised by a small number of large firms that have significant market control. These firms engage in non-price competition, and their decisions are interdependent, meaning the actions of one firm can influence the strategies of others.

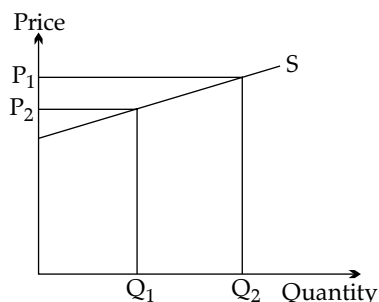
- (b) The difference between Perfect Competition Market and Oligopoly Market are

Sl. No.	Basis of Distinction	Perfect Competition Market	Oligopoly Market
1.	Number of Sellers	Large number of small firms	Few dominant firms
2.	Product Differentiation	Homogeneous (identical) products	Differentiated or homogeneous products
3.	Price Control	No control over price (price takers)	Some control over price
4.	Demand Curve	The demand curve is horizontal	The demand curve is indeterminant
5.	Selling Cost	No selling cost is incurred	Selling cost is incurred

[Any 3]

**Answer 8.**

- (i) (a) **Supply** refers to the quantity of goods or services that producers are willing and able to offer for sale at different prices over a given period.
- (b) **Relatively Elastic Supply:** Supply of a commodity will be said to be elastic, if the percentage change in quantity supplied exceeds the percentage change in price. The supply curve in such a case starts from the y-axis or appears to start from the y-axis



As can be seen in the above figure the change in the quantity supplied is more than the change in the

price of the commodity, leading to a flatter supply curve which starts from the y-axis. The value of price elasticity of supply is greater than unity that is  $e_s > 1$ .

**(ii) The characteristics of land are:**

1. **Free Gift of Nature:** Land is a natural resource that is not created by human effort. It exists independently and is available for use in various economic activities.
2. **Limited Supply:** The total quantity of land is fixed and cannot be increased. While its utility can be enhanced through improvements, the physical availability remains unchanged.
3. **Immobility:** Land is geographically immobile, meaning it cannot be transported from one place to another. However, its usage can be changed (e.g., from agriculture to industrial purposes).
4. **Heterogeneous in Nature:** Land differs in terms of fertility, location, climate and topography, making some areas more productive or valuable than others.
5. **Passive Factor of Production:** Land itself does not produce anything unless combined with



other factors like labour and capital. It requires human intervention to generate economic output.

**Answer 9.**

**(i) (a) Overdraft Facility by a Commercial Bank:**

The overdraft facility is a credit service provided by commercial banks, allowing account holders

to withdraw more money than their account balance up to a predetermined limit. This facility is primarily offered to current account holders and is subject to interest charges on the overdrawn amount. It provides short-term financial assistance to businesses and individuals facing temporary cash flow shortages.

**(b) Differences Between Demand Deposits and Fixed Deposits:**

Basis of Difference	Demand Deposits	Fixed Deposits
Withdrawal	Can be withdrawn anytime without prior notice	Cannot be withdrawn before maturity without a penalty
Interest Rate	Offers lower interest rates	Offers higher interest rates
Purpose	Mainly used for daily transactions	Used for savings and long-term investments

**(ii) The five key determinants of demand are:**

**(a) Price of the given Commodity:** It is the most important factor affecting demand for the given commodity. Generally, there exists an inverse relationship between price and quantity demanded. It means, as price increases, quantity demanded falls and when the price decreases, quantity demanded rises.

**(b) Price of Related Goods:** Demand for the given commodity is also affected by change in prices of the related goods. Related goods are of two types :

**(1) Substitute Goods:** Substitute goods are those goods which can be used in place of one another for satisfaction of a particular want, like tea and coffee. An increase in the price of substitute leads to an increase in the demand for given commodity and vice-versa. For example, if price of a substitute good (say, coffee) increases, then demand for given commodity (say, tea) will rise as tea will become relatively cheaper in comparison to coffee. So, demand for a given commodity is directly affected by change in price of substitute goods.

**(2) Complementary Goods:** Complementary goods are those goods which are used together to satisfy a particular want, like tea and sugar. An increase in the price of complementary good leads to a decrease in the demand for given commodity and vice-versa. For example, if price of a complementary good (say, sugar) increases, then demand for given commodity (say, tea) will fall as it will be relatively costlier to use both the goods together. So, demand for a given commodity is inversely affected by change in price of complementary goods.

**(c) Income of the Consumer:** Demand for a commodity is also affected by income of the consumer. However, the effect of change in income on demand depends on the nature of the commodity under consideration.

**(1) Normal Goods:** There is a direct relation between the quantity demanded and the income of the consumer in case of Normal goods. If the given commodity is a normal good, then an increase in income leads to rise in its demand, while a decrease in income reduces the demand.

**(2) Inferior Goods:** There is an inverse relation between the quantity demanded and the income of the consumer in case of Inferior goods. If the given commodity is an inferior good, then an increase in income reduces the demand, while a decrease in income leads to rise in demand. For example, maize, jowar, bajra, etc.

**(3) Necessities:** In the case of necessities, the quantity demanded initially increases with the increase in Income but after a point it remains constant and is not affected by any change in the income of the consumer. For example: salt, matchbox etc.

**(d) Tastes and Preferences:** Tastes and preferences of the consumer directly influence the demand for a commodity. They include changes in fashion, customs, habits, etc. If a commodity is in fashion or is preferred by the consumers, then demand for such a commodity rises. On the other hand, demand for a commodity falls, if the consumers have no taste for that commodity.

**(e) Expectation of Change in the Price in Future:** If the price of a certain commodity is expected to increase in near future, then people will buy more of that commodity than what they normally buy. There exists a direct relationship between expectation of change in the prices in future and change in demand in the current period. For example, if the price of petrol is expected to rise in future, its present demand will increase.

**Answer 10.**

**(i) The lower efficiency of labour in India compared to developed nations is influenced by several factors:**

**(a) Unfavourable Climate:** Our country falls in the north temperate type of climate where the climate is hot. The workers feel fatigue and tired and they cannot work for longer period. At present scientific methods are being adopted to provide workers better working condition like air condition room, freeze cold water to drink , but they are not as per requirements.

**(b) More hours of work and less leisure:** Indian labourers are exploited. More than required and

fixed hours work is taken with less leisure hours. In foreign countries like Japan and America, a worker has to work for five days in a week. They are allowed two days holiday to look after their own health and welfare of the family members.

- (c) **Place of work:** Place where workers are working, are not up to the mark, these places are not safe and healthy for the workers. Factories are not well-ventilated. Insufficient space is provided for movement between machine and provision for fresh water, refreshment and rest between work is not found.
- (d) **Lack of education and training:** There is a dearth of educated and trained labours in India. Untrained and uneducated labourers do not understand the nature and detail of his job in a better way.
- (e) **Low wages:** The wages received by a worker are low and do not even meet the necessities of life. Sufficiently low wage ensures inadequate standard of living with less efficiency. Therefore, it is essential that workers must be paid fair wage so that they may improve their standard of living.
- (ii) (a) The Reserve Bank of India (RBI) acts as a

central clearing agency, facilitating smooth and cost-effective settlement of interbank transactions. It provides mechanisms like the Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) systems, ensuring efficient fund transfers and reducing risks in interbank settlements.

- (b) The Central Bank acts as a lender of last resort which means that if a commercial bank fails to get financial accommodation from anywhere, it approaches the Central Bank as the last resort. Central Bank advances loan to such a bank against approved securities. By offering loans to the commercial banks in situation of emergency, the Central Bank ensures that the banking system of the country does not suffer any setback and that the money market remains stable.
- (c) Bank rate is the rate at which the Central Bank lends money to commercial banks without any collateral as a lender of last resort. It influences overall interest rates in the economy and is used as a tool for monetary policy control.

