

Indian Economy UPSC Civil Services Exam Questions (2015)

1. There has been a persistent deficit budget year after year. Which of the following actions can be taken by the government to reduce the deficit?

1. Reducing revenue expenditure
2. Introducing new welfare schemes
3. Rationalizing subsidies
4. Expanding industries

Select the correct answer using the code given below.

- (a) 1 and 3 only
- (b) 2 and 3 only
- (c) 1 only
- (d) 1, 2, 3 and 4

Answer: Option A

Explanation:

Budget deficit occurs when there is shortage of tax revenues which helps in funding government spending in shape of government bonds.

Statement 1 is correct.

Budget deficit results in shortage of funds so the government of the day will prefer **reduction of revenue expenditure. So, Budget deficit will be contained or reduced.**

Statement 2 and 4 are incorrect

Introduction of new welfare schemes will result in increase in expenditure and with this the **budget deficit will also increase.**

This is the same in case of **statement 4: Expanding industries needs more infrastructural investment. It will results in increase of budget deficit.**

Statement 3 is correct

Rationalizing subsidies will results in cut down of unnecessary expenditures. So, the budget deficit will reduce.

So, statements 1 and 3 are correct.

2. The problem of international liquidity is related to the non-availability of

- (a) goods and services
- (b) gold and silver
- (c) dollars and other hard currencies
- (d) exportable surplus

Answer: Option C

Explanation: International Liquidity relates to international reserves of particular country who participates in world monetary and trading system. International liquidity is linked with international payments which appears from international trade.

Since, Dollar being the leader of international currency dominating across the world in foreign exchange.

So problems related with international liquidity concerns with non-availability of dollar and other related hard currencies. (Hard currencies are currencies which are relatively stable currencies and they are less-volatile in nature).

This description shows that **option C is correct.**

3. Convertibility of rupee implies

- (a) being able to convert rupee notes into gold
- (b) allowing the value of rupee to be fixed by market forces
- (c) freely permitting the conversion of rupee to other currencies and vice versa
- (d) developing an international market for currencies.

Answer: Option C

Explanation:

Rupee convertibility system allows amount of rupee which gets converted to different currency with a view of foreign exchange. It means that you can convert foreign exchange such as US dollars, Pound, Sterling's etc. into Indian rupees and vice-versa at market determined rate of exchange.

Above description confirms that **option C is correct.**

Options A is incorrect

Convertibility of rupees is not applicable on assets like gold.

Option B is incorrect

It denotes about the economic value of rupee value in the market

Option D is also incorrect

Convertibility of rupee is not related to building relations for currencies in market.

4. Which reference to inflation in India, which of the following statements is correct?

- A. Controlling the inflation in India is the responsibility of the Government of India only
- B. The Reserve Bank of India has no role in controlling the inflation
- C. Decreased money circulation helps in controlling the inflation
- D. Increased money circulation helps in controlling the inflation

Answer: Option C

Explanation:

Inflation in India is due to coming up of surplus requirement of goods and services in relation to output at existing prices. It is an alteration in percentage value of Wholesale Price Index on year and year basis which are used to find the prices of excess goods and services on year and year basis.

Lowering of money circulation will stop money to be invested by people for purchasing of goods. When the demand is lower, then the goods price will fall which basically helps in reducing inflation.

This explanation clearly describes that option C is correct

Option A is incorrect

It is not only the role of Government alone in controlling the inflations, but at the same time the duty of manufacturer to take care of inflation rates. RBI has also a role in controlling inflation in terms of monetary policy.

Option B is incorrect

Fiscal Policy is controlled by the government. Reserve Bank of India decides for the percentage of banks demand and liabilities in form of Cash Reserve Ratio without interest as payment of interest attenuates its effectiveness in terms of **monetary policy**.

Option D is incorrect

Inflation can be controlled **only if the money circulations are lower. If the money circulation is greater, it will result in greater investment and better purchasing capacity of people leading to further inflation.**

5. With reference to Indian economy, consider the following:

- 1) Bank rate
- 2) Open market operations
- 3) Public debt
- 4) Public revenue

Which of the above is/are component/components of Monetary Policy?

- A.1 only
- B.2, 3 and 4
- C.1 and 2
- D.1, 3 and 4

Answer: Option C

Explanation:

Monetary policy is a credit control taken by **Reserve Bank of India** which serves as methodology through which monetary authority of nation handles supply of money in order to meet inflation rate or interest rate for proper supply of money, rate of interest and availability of money for achieving particular objective.

The components of Monetary policy **includes bank rate variations, open market operations, Repo rate, Reverse repo rate and changing reserve requirements(SLR AND CRR).**

So, **options 1 and 2 are correct, hence option C is correct.**

Public debt and Public revenue are related to Fiscal policy as these are taxes and expenditures used by government.

So, options 3 and 4 are incorrect. It eliminates options B and D.

6. With reference to India economy, consider the following statements:

- 1) The rate of growth of real Gross Domestic Product has steadily increased in the last decade.
- 2) The Gross Domestic Product at market prices (in rupees) has steadily increased in the last decade.

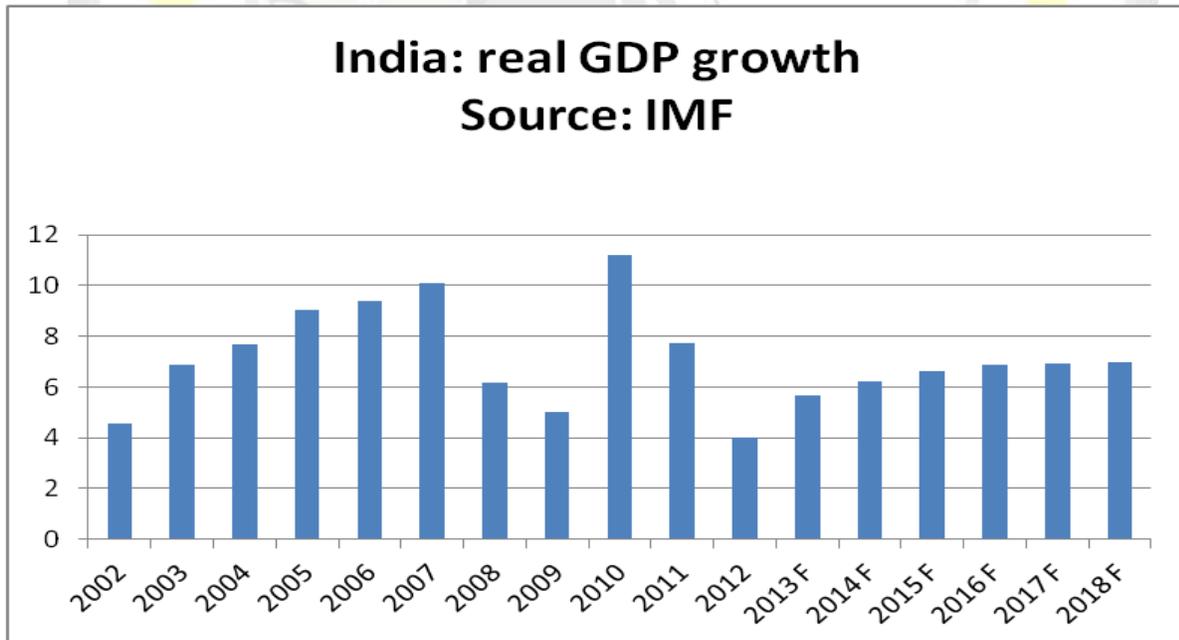
Which of the statement given above is/are correct?

- A. 1 only
- B. 2 only
- C. Both 1 and 2
- D. Neither 1 nor 2

Answer: Option B

Explanation:

Statement 1 is incorrect.



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Real GDP growth or Gross Domestic Product growth is the quantitative measure of nation full economic activity that shows monetary value of goods/services produced in borders over particular time.

During the period of 2008-2009 **there was a slowdown in economic growth.**

So, the usage of the term “steadily increased” makes the statement wrong.

Statement 2 is correct.



SOURCE: TRADINGECONOMICS.COM | WORLD BANK

There was no negative growth rate in the last decade. The Gross Domestic Product at market prices (in rupees) has steadily increased in the last decade.

7. Which of the following brings out the ‘Consumer Price Index Number for the Industrial Workers’?

- A. The Reserve Bank of India
- B. The Department of Economic Affairs
- C. The Labour Bureau
- D. The department of Personnel and Training

Answer: Option C

Explanation: Factual Question

Consumer Price Index Numbers for Industrial workers measure price change with time of fixed basket of goods and services **that are utilized by Labourer.**

This Consumer Price Index Number releases on the last working day of the month by the **Labour bureau under Ministry of Labour and employment.**

8. Which one of the following issues the “Global Economic Prospects” report periodically?

- A. The Asian Development Bank
- B. The European Bank for Reconstruction and Development
- C. The US Federal Reserve Bank
- D. The World Bank

Answer: Option D

Explanation: Factual Question

World Bank reports Global Economic Prospects report that examines **global economic** developments and **prospects**, with a special focus on emerging market and **developing economies**. It is issued twice a year, in January and June.

Other reports of World Bank:

1. **World Development Report**
2. **Ease of doing business**

9. The Fair and Remunerative Price of Sugarcane is approved by the

- A. Cabinet Committee on Economic Affairs
- B. Commission for Agricultural Costs and Prices
- C. Directorate of Marketing and Inspection, Ministry of Agriculture
- D. Agricultural Produce Marketing Committee

Answer: option A

Explanation:

In Indian Political System, Cabinet acts a highest decision making body in executive part. **Cabinet Committee on approval from Economic Affairs approves Fair and Remunerative price of sugarcane that**

needs to be paid by sugar mills during particular sugar season which is fixed for 1 quintal. Once the approval is received their result in guaranteed price for cane growers.

So, option A is correct.

Option B is incorrect

Commission for Agricultural Costs and Prices (CACP) will **only recommend** fair and remunerative prices as per inter-crop price parity, inflation and return for farmers, so it is incorrect.

Option C is incorrect

Directorate of Marketing and Inspection will cater all agricultural and allied produce marketing activities in the country which will save the interest of producers, sellers and consumers.

Option D is incorrect

Agricultural produce market committee save farmers from money lenders to sell their produce at required rates and further monitor's food produce to be sold through market yard and not directly to money lenders.

10. In the Index of Eight Core Industries, which one of the following is given the highest weight?

- A. Coal Production
- B. Electricity generation
- C. Fertilizer Production
- D. Steel Production

Answer: Option B

Explanation:

There are Eight Core Industries such as Coal, Crude oil, Natural gas, Refinery Products, Fertilizers, Steel, Cement and Electricity.

Consider the percentage weighted index of Eight Core Industries from the table:

- Cement (weight: 5.37%).
- Coal (weight: 10.33%)
- Crude oil (weight: 8.98%)
- Steel production (weight: 17.92%)

- Natural gas (weight: 6.88%)
- Fertilizers (weight: 2.63%)
- **Electricity (weight: 19.85%)**
- Petroleum refinery products (weight: 28.04%)

Among the given options n above question, Electricity has the most weightage in core sector.

11. When the Reserve Bank of India reduces the Statutory Liquidity by 50 basis points, which of the following is likely to happen?

- A. India's GDP growth rate increases drastically
- B. Foreign Institutional Investors may bring more capital into our country
- C. Scheduled Commercial Banks may cut their lending rates
- D. It may drastically reduce the liquidity to the banking system.

Answer: Option C

Explanation:

In order to have more liquidity to banking system, Reserve Bank of India sometimes reduces Statutory Liquidity Ratio to certain required basis points. Lowering of SLR allows banks to park less money with RBI through securities cash etc and **can lend extra money for the people and business companies, so option C is correct.**

Option A is incorrect.

The idea of GDP is to keep India growing financially by creating various jobs and having good standard of living. It is not in relation with lowering SLR by Reserve Bank of India.

Option D is incorrect.

Lowering of SLR with 50 basis points made by RBI is concern with lending rates and increases liquidity in banking (not reduces).

Option B is incorrect.

Lowering of SLR with 50 basis points made by RBI is concern with lending rates. **It has no relevance with foreign Institutional Investors** bringing more capital into our country.

12. With Reference to the Fourteenth Finance Commission, which of the following statements is/are correct?

- 1). It has increased the share of States in the central divisible pool from 32 percent to 42 percent
- 2). It has made recommendations concerning sector-specific grants.

Select the correct answer using the code given below.

- A.1 only
- B.2 only
- C. Both 1 and 2
- D. Neither 1 nor 2

Answer: Option A

Explanation:

Statement 1 is correct.

The major breakthrough comes out in the terms of reference of 14th Finance Commission. It has increased the **share of States in the central divisible pool from 32 percent to 42 percent for the financial period 2015-16 to 2019-20.**

Statement 2 is incorrect.

It is not relevance to any recommendation for sector specific grant.

13. Basel III Accord' or simply 'Basel III', often seen in the news, seeks to

- A. develop national strategies for the conservation and sustainable use of biological diversity
- B. improve banking sector's ability to deal with financial and economic stress and improve risk management
- C. reduce the greenhouse gas emissions but places a heavier burden on developed countries
- D. transfer technology from developed Countries to poor countries to enable them to replace the use of chlorofluorocarbons in refrigeration with harmless chemicals

Answer: Option B

Basel III Accord is global, voluntary regulatory framework have certain reform measures that are developed by Basel Committee in 2010–11 with an idea to supervise Banking sector

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in terms of improving risk management, strengthen banks' transparency and disclosures and capabilities to digest shocks appeared from financial and economic stress.

This description confirms that option B is correct.



Indian Economy UPSC Civil Services Exam Questions (2016)

1. Which of the following is/are included in the capital budget of the Government of India?

1. Expenditure on acquisition of assets like roads, buildings, machinery, etc.
2. Loans received from foreign governments
3. Loans and advances granted to the States and Union Territories

Select the correct answer using the code given below.

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Answer: Option D

Explanation:

Capital Budget consists of capital receipts and payments. It also incorporates transactions in the Public Account.

Statement 1 is correct.

Capital payments consist of capital **expenditure on acquisition of assets like land, buildings, machinery, and equipment**, as also investments in shares, loans and advances granted by the Central government to state and Union Territory governments, government companies, corporations and other parties.

Statement 2 and 3 is correct.

Capital receipts are **loans raised by the government from the public (which are called market loans)**, borrowings by the government from the Reserve Bank and other parties through sale of treasury bills, loans received from foreign bodies and governments, and **recoveries of loans granted by the Central government to state and Union Territory governments** and other parties.

Hence, all options are correct.

2. What is/are the purpose/purposes of the 'Marginal Cost of Funds based Lending Rate (MCLR)' announced by RBI?

1. These guidelines help improve the transparency in the methodology followed by banks for determining the interest rates on advances.

2. These guidelines help ensure availability of bank credit at interest rates which are fair to the borrowers as well as the banks.

Select the correct answer using the code given below.

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Answer: Option C

Explanation:

The marginal cost of funds based lending rate (MCLR) refers to the minimum interest rate of a bank below which it cannot lend, except in some cases allowed by the RBI. It is an internal benchmark or reference rate for the bank.

MCLR describes the method by which the minimum interest rate for loans is determined by a bank. MCLR aims:

- 1. To improve the transmission of policy rates into the lending rates of banks.
- 2. **To bring transparency in the methodology followed by banks for determining interest rates on advances.**
- 3. **To ensure availability of bank credit at interest rates which are fair to borrowers as well as banks.**
- 4. To enable banks to become more competitive and enhance their long run value and contribution to economic growth.

Hence both statements are correct.

3. The establishment of 'Payment Banks' is being allowed in India to promote financial inclusion.

Which of the following statements is/are correct in this context?

- 1. Mobile telephone companies and supermarket chains that are owned and controlled by residents are eligible to be promoters of Payment Banks.
- 2. Payment Banks can issue both credit cards and debit cards.
- 3. Payment Banks cannot undertake lending activities.

Select the correct answer using the code given below.

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 only
- (d) 1, 2 and 3

Answer: Option B

Explanation:

Payments Banks are a new set of banks licensed by the Reserve Bank of India to further financial inclusion by enabling them to provide

- (i) small savings/ current accounts below Rs. 1 lakh
- (ii) distribution of mutual funds, insurance products on a non-risk sharing basis and
- (iii) Payments / remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users through high volume-low value transactions in deposits and payments / remittance services using a secured technology-driven environment including issuance of prepaid cards etc.

Statement 1 is correct.

As per RBI notification, the existing non-bank Pre-paid Payment Instruments Issuers (PPI issuers) authorised under the Payment and Settlement Systems Act, 2007 (PSS Act) and other entities such as Non-Banking Finance Companies (NBFCs), corporate Banking Correspondents (BCs), **mobile telephone companies, super-market chains, companies**, real sector cooperatives and public sector entities may apply to set up a Payments Bank.

Statement 2 is incorrect.

They can issue debit cards and ATM cards usable on ATM networks of all banks. However, **they can't issue credit cards**. They can transfer money directly to bank accounts at nearly no cost being a part of the gateway that connects banks.

Statement 3 is correct.

Payment Banks are not allowed to undertake lending activities. These banks **cannot issue loans and credit cards**.

Statement 1 and 3 is correct.

4. The term 'Core Banking Solutions' is sometimes seen in the news. Which of the following statements best describes/describe this term?

1. It is a networking of a bank's branches which enables customers to operate their accounts from any branch of the bank on its network regardless of where they open their accounts.
2. It is an effort to increase RBI's control over commercial banks through computerization.
3. It is a detailed procedure by which a bank with huge non-performing assets is taken over by another bank.

Select the correct answer using the code given below.

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Answer: Option A

Explanation:

Statement 1 is correct.

1. Core Banking Solution refers to networking of a bank's branches which enables customers to operate their accounts from any branch of the bank on its network regardless of where they open their accounts.

2. **e-Kuber** is the Core Banking Solution of Reserve Bank of India. E-Kuber provides the provision of a single current account for each bank across the country, with decentralised access to this account from anywhere-anytime using portal based services in a safe manner

Statement 3 is incorrect.

This deals with provisions of merging of banks. **It is not related to core-banking solutions.**

So, it eliminates option B, C and D.

5. The term 'Base Erosion and Profit Shifting' is sometimes seen in the news in the context of

- (a) mining operation by multinational companies in resource-rich but backward areas
- (b) curbing of the tax evasion by multinational companies
- (c) exploitation of genetic resources of a country by multinational companies
- (d) lack of consideration of environmental costs in the planning and implementation of developmental projects

Answer: Option B

Explanation:

Base erosion and profit shifting (BEPS) refers to tax planning strategies used by multinational companies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity.

The Organisation for Economic Co-operation and Development (OECD) define BEPS strategies as also "exploiting gaps and mismatches in tax rules.

6. With reference to ‘Bitcoins’, sometimes seen in the news, which of the following statements is/are correct?

1. Bitcoins are tracked by the Central Banks of the countries.
2. Anyone with a Bitcoin address can send and receive Bitcoins from anyone else with a Bitcoin address.
3. Online payments can be sent without either side knowing the identity of the other.

Select the correct answer using the code given below.

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 3 only
- (d) 1, 2 and 3

Answer: Option B

Explanation:

Statement 1 is incorrect.

Bitcoin is a crypto currency. It is the first decentralized digital currency, as the system works **without a central bank or single administrator**. They are **outside the ambit of monetary authority**.

So, it eliminates option A and D.

Statement 2 and 3 is correct.

- (i) The network is **peer-to-peer and transactions take place between users directly, without an intermediary**.
- (ii) Bitcoins can be sent without either side knowing the identity of the other. Transactions are anonymous in nature.

7. What is/are the purpose/purposes of Government's 'Sovereign Gold Bond Scheme' and 'Gold Monetization Scheme'?

1. To bring the idle gold lying with Indian households into the economy
2. To promote FDI in the gold and jewellery sector
3. To reduce India's dependence on gold imports

Select the correct answer using the code given below.

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Answer: Option C

Explanation:

Statement 1 and 3 is correct.

The main objective of Government's 'Sovereign Gold Bond Scheme' and 'Gold Monetization Scheme' are to **reduce India's gold imports and bring all the gold lying idle with individuals and households in India into the economy.**

● The Gold Monetisation Scheme (GMS), 2015 offers option to resident Indians to deposit their precious metal and earn an interest of up to 2.5 per cent; while under the Sovereign Gold Bonds Scheme, investors can earn an interest rate of 2.75 per cent per annum by buying paper bonds.

Statement 2 is incorrect.

The main objective is **to reduce gold imports, not to promote FDI** in the gold and jewellery sector.

8. Pradhan Mantri MUDRA Yojana is aimed at

- (a) bringing the small entrepreneurs into formal financial system
- (b) providing loans to poor farmers for cultivating particular crops
- (c) providing pensions to old and destitute persons
- (d) funding the voluntary organizations involved in the promotion of skill development and employment generation.

Answer: Option A

Explanation:

Pradhan Mantri MUDRA Yojana provides loans up to 10 lakh to the **non-corporate, non-farm small/micro enterprises (MSMEs)**.

These loans are classified as MUDRA loans under PMMY.

These loans are given by Commercial Banks, RRBs, Small Finance Banks, Cooperative Banks, MFIs and NBFCs.

Under the aegis of PMMY, MUDRA has created three products namely '**Shishu**', '**Kishore**' and '**Tarun**' to signify the stage of growth / development and funding needs of the beneficiary micro unit.

9. With reference to 'IFC Masala Bonds', sometimes seen in the news, which of the statements given below is/are correct?

1. The International Finance Corporation, which offers these bonds, is an arm of the World Bank.
2. They are the rupee-denominated bonds and are a source of debt financing for the public and private sector.

Select the correct answer using the code given below.

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Answer: Option C

Explanation:

Statement 1 is correct.

The International Finance Corporation (IFC) is an international financial institution that offers investment, advisory, and asset-management services to encourage private-sector development in developing countries. **The IFC is a member of the World Bank Group** and is headquartered in Washington, D.C.

- Bonds are instruments of debt -typically used by corporates to raise money from investors.
- Masala Bonds are rupee-denominated bonds issued to overseas buyers. The first Masala bond was issued by the World Bank backed International Finance Corporation in November 2014.

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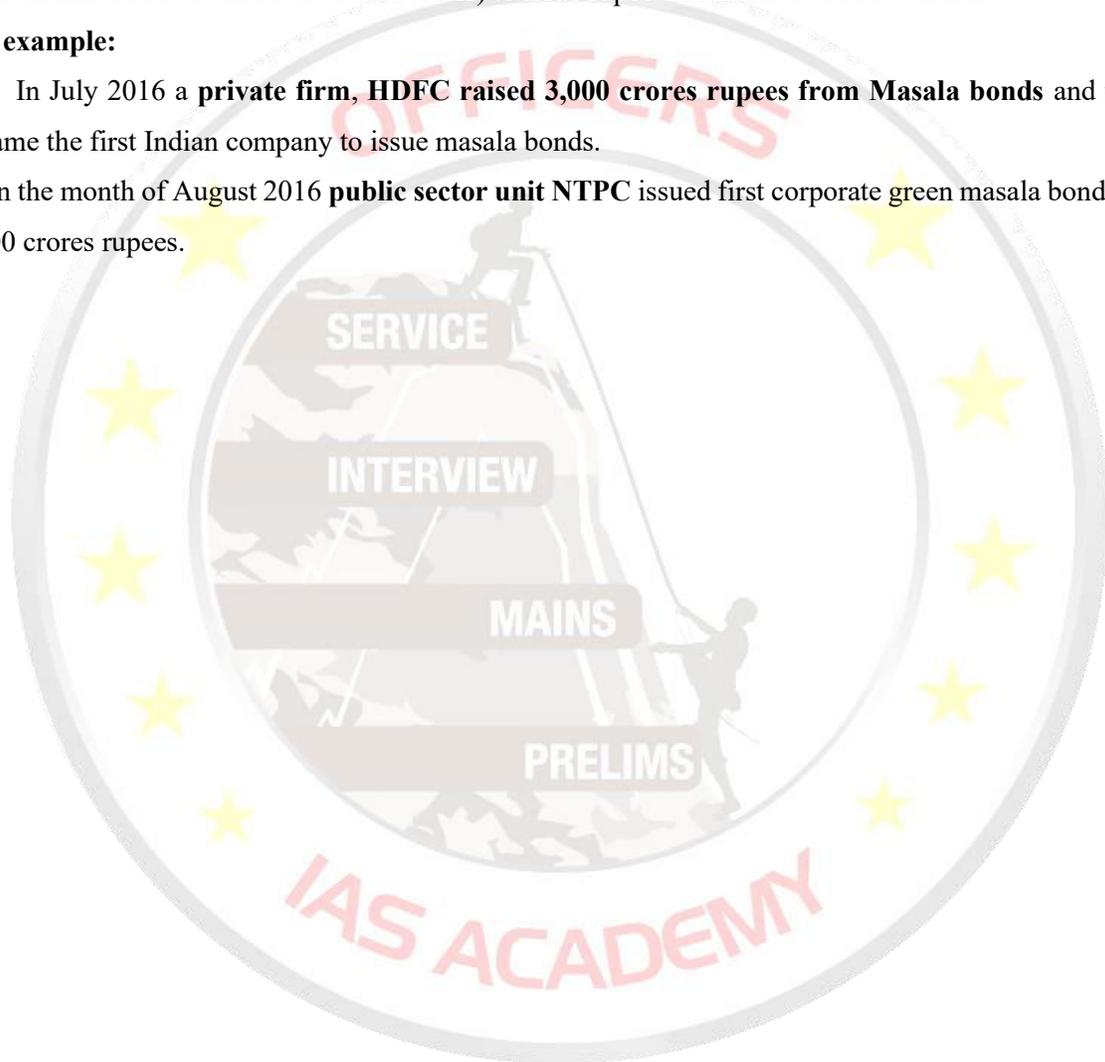
Statement 2 is also correct.

- The Reserve Bank of India has issued guidelines allowing **Indian companies(both public and private)**, non-banking finance companies (**HDFC**, India Bulls Housing Finance are examples of such companies) and infrastructure investment trusts and investment vehicles that pool money from various investors and invest in infrastructure and real estate sectors) to issue rupee-denominated bond overseas.

For example:

In July 2016 a **private firm, HDFC raised 3,000 crores rupees from Masala bonds** and thereby became the first Indian company to issue masala bonds.

In the month of August 2016 **public sector unit NTPC** issued first corporate green masala bonds worth 2,000 crores rupees.



Indian Economy UPSC Civil Services Exam Questions (2017)

1. Which of the following statements is/are correct regarding the Monetary Policy Committee (MPC)?

1. It decides the RBI's benchmark interest rates.
2. It is a 12-member body including the Governor of RBI and is reconstituted every year.
3. It functions under the chairmanship of the Union Finance Minister.

Select the correct answer using the code given below:

- A.1 only
- B.1 and 2 only
- C.3 only
- D.2 and 3 only

Answer: Option A

Explanation:

Statement 1 is correct.

The Monetary Policy Committee is entrusted with the task of **fixing the benchmark policy rate** (repo rate) required to **contain inflation** within the specified target level.

Statements 2 and 3 are incorrect

1. The Monetary Policy Committee **consists of 6 members**. Out of the 6 Members of Monetary Policy Committee, three Members are from the RBI and the other three Members of MPC are appointed by the Central Government.
2. The Monetary Policy Committee is **headed by RBI Governor**.

2. What is the purpose of setting up of Small Finance Banks (SFBs) in India?

1. To supply credit to small business units
2. To supply credit to small and marginal farmers
3. To encourage young entrepreneurs to set up business particularly in rural areas

Select the correct answer using the code given below:

- A.1 and 2 only
- B.2 and 3 only

C.1 and 3 only

D.1, 2 and 3

Answer: Option A

Explanation:

Statements 1 and 2 are correct.

Small finance banks can provide basic banking service of acceptance of deposits and lending.

The aim of these banks is to **provide financial inclusion to sections** of the economy not being served by other banks, such as **small business units, small and marginal farmers**, micro and small industries and unorganized sector entities.

Statement 3 is incorrect.

To encourage young entrepreneurs to set up business particularly in rural areas **is not the objective of Small Finance Banks.**

3. With reference to 'National Investment and Infrastructure Fund', which of the following statements is/are correct?

1. It is an organ of NITI Aayog.

2. It has a corpus of 4,00,000 crores at present.

Select the correct answer using the code given below:

A.1 only

B.2 only

C. Both 1 and 2

D. Neither 1 nor 2

Answer: Option D

Explanation:

Statements 1 and 2 are incorrect.

National Investment and Infrastructure Fund (NIIF) has been set up as a fund of funds and is registered with Securities and Exchange Board of India ("SEBI") as a Category II Alternate Investment Fund ("AIF") under the **SEBI** (Alternative Investments Funds) Regulations, 2012 ("AIF Regulations").

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1. The aim of the Fund is to pool commitments from sophisticated long term investors such as Multilateral Institutions, Sovereign Wealth Funds, Pension Funds, Insurance Funds, Endowments and other long term funds based outside India

2. **Total corpus of the fund is Rs. 40,000 Crores (not 4 lakh crores).**

So, Statement 2 also goes wrong.

4. Which of the following has/have occurred in India after its liberalization of economic policies in 1991?

1. Share of agriculture in GDP increased enormously.
2. Share of India's exports in world trade increased.
3. FDI inflows increased.
4. India's foreign exchange reserves increased enormously.

Select the correct answer using the codes given below:

A.1 and 4 only

B.2, 3 and 4 only

C.2 and 3 only

D.1, 2, 3 and 4

Answer: Option B

Statement 1 is incorrect.

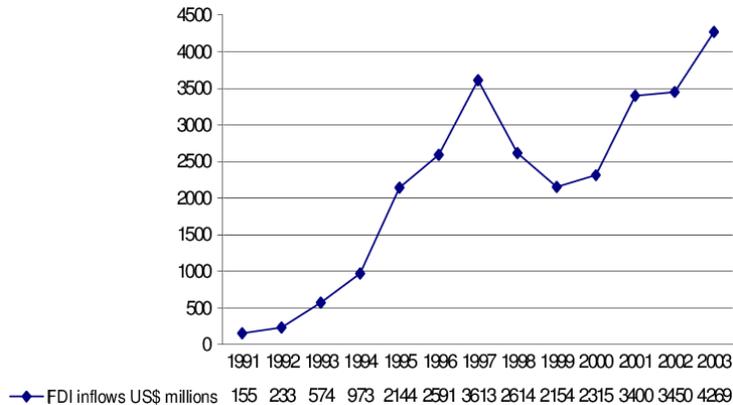
	Agriculture and allied	Industry	Services
1950-51	55.9	14.9	29.2
1970-71	45.2	21.7	33.1
1980-81	38.1	25.9	36.0
1990-91	33.2	25.2	41.6
2006-07	20.5	24.7	54.8
2007-08	19.4	24.9	55.7

Benefits of liberalization of economic policies in 1991 bypassed the agriculture and share of agriculture in GDP in fact declined.

Statements 2, 3 and 4 are correct.

Liberalization of economic policies abolished the licence raj which freed the Indian industries and it became easier to start business in the country. This increased the production.

Increase in production leads to increase in exports. Increased exports helped to earn foreign exchange reserves. Further, the rules were simplified which attracted FDI.



As result of easing of FDI rules, FDI increased enormously.

5. What is/are the most likely advantages of implementing 'Goods and Services Tax (GST)'?

1. It will replace multiple taxes collected by multiple authorities and will thus create a single market in India.
2. It will drastically reduce the 'Current Account Deficit' of India and will enable it to increase its foreign exchange reserves.
3. It will enormously increase the growth and size of economy of India and will enable it to overtake China in the near future.

Select the correct answer using the code given below:

- A.1 only
- B.2 and 3 only
- C.1 and 3 only
- D.1, 2 and 3

Answer: Option A

Explanation:

Statement 1 is correct.

The primary objective of GST is to replace multiple taxes collected by multiple authorities and creating a single market in India.

Statement 2 and 3 are incorrect.

Usage of terms like “Drastically,” “enormously” makes these statements go beyond the actual reality. GST implementation will help in achieving better economic growth, tax compliance and better supply-chain management.

India versus China

China’s GDP is at around 12 trillion whereas India’s GDP is at 2.7 trillion. It takes few decades to overcome China (not on near future).

6. Consider the following statements:

1. Tax revenue as a percent of GDP of India has steadily increased in the last decade
2. Fiscal deficit as a percent of GDP of India has steadily increased in the last decade.

Which of the statements given above is/are correct?

- A. 1 only
- B. 2 only
- C. Both 1 and 2
- D. Neither 1 nor 2

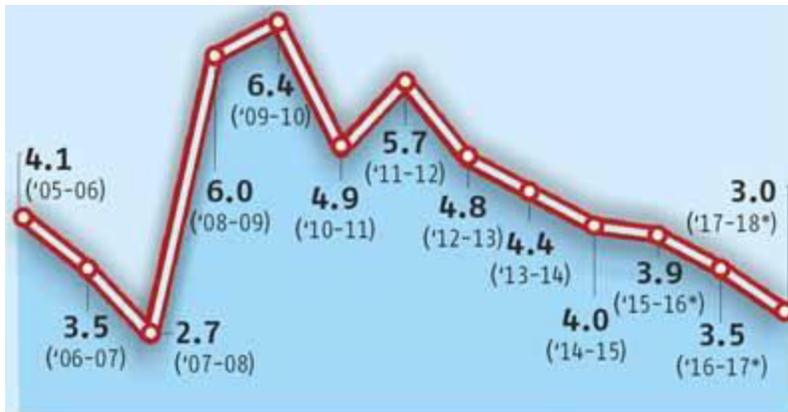
Answer: Option D

Statement 1 is incorrect

Tax revenue as a percent of GDP of India had fallen after sub-prime crisis (2007-2010). There has been ups and downs in collection of tax revenue.

Statement 2 is incorrect

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Figures: Fiscal deficit as % of GDP. Note: 2015-16 is the Budget Estimate, and 2016-17 and 2017-18 are targets given in medium term fiscal policy statement

Fiscal deficit as a percent of GDP of India has been declining from 2011 to 2016.

There has been also ups and downs in the trend.

7. Which of the following is a most likely consequence of implementing the 'Unified Payments Interface (UPI)'?

- A. Mobile wallets will not be necessary for online payments.
- B. Digital currency will totally replace the physical currency in about two decades.
- C. FDI inflows will drastically increase.
- D. Direct transfer of subsidies to poor people will become very effective.

Answer: Option A

Explanation:

UPI is a payment system that allows money transfer between any two bank accounts by using a smartphone.

- UPI allows a customer to pay directly from a bank account to different merchants, both online and offline, without typing credit card details, IFSC code, or net banking/wallet passwords.

Among all other options, this seems “most likely consequence”.

8. Consider the following statements:

1. National Payments Corporation of India (NPCI) helps in promoting the financial inclusion in the country.
2. NPCI has launched RuPay, a card payment scheme.

Which of the statements given above is/are correct?

- A.1 only
- B.2 only
- C. Both 1 and 2
- D. Neither 1 nor 2

Answer: Option C

Explanation:

Both Statements are correct.

1. National Payments Corporation of India is the umbrella organisation for all retail payment systems in India which aims to allow all Indian citizens to have **unrestricted access to e-payment services**. Thus **it helps in promoting financial inclusion**.
2. National Payments Corporation of India has launched the domestic card payment network called **RuPay**, reducing the dependency on international card schemes.

9. Which of the following statements best describes the term 'Scheme for Sustainable Structuring of Stressed Assets (S4A)', recently seen in the news?

- A. It is a procedure for considering ecological costs of developmental schemes formulated by the Government.
- B. It is a scheme of RBI for reworking the financial structure of big corporate entities facing genuine difficulties.
- C. It is a disinvestment plan of the Government regarding Central Public Sector Undertakings.
- D. It is an important provision in 'The Insolvency and Bankruptcy Code' recently implemented by the Government.

Answer: Option B

Explanation:

The S4A Scheme aims at deep financial restructuring of big stressed projects by allowing lender (bank) to acquire equity of the stressed project.

It was brought out by **RBI in order to strengthen the lenders' ability to deal with stressed assets; Reserve Bank of India has been issuing, from time to time, guidelines and prudential norms on stressed assets resolution by regulated lenders.**

10. Which of the following best describes the term 'import cover', sometimes seen in the news?

- (a) It is the ratio of value of imports to the Gross Domestic Product of a country.
- (b) It is the total value of imports of a country in a year
- (c) It is the ratio between the value of exports and that of imports between two countries
- (d) It is the number of months of imports that could be paid for by a country's international reserves

Answer: Option D

Explanation:

Import Cover term frequently seen in news is related to **the number of months of imports that could be paid for by a country's international reserves.**



Indian Economy UPSC Civil Services Exam Questions (2018)

1. Which one of the following best describes the term "Merchant Discount Rate" sometimes seen in news?

- A. The incentive given by a bank to a merchant for accepting payments through debit cards pertaining to that bank.
- B. The amount paid back by banks to their customers when they use debit cards for financial transactions for purchasing goods or services.
- C. The charge to a merchant by a bank for accepting payments from his customers through the bank's debit cards.
- D. The incentive given by the Government, to merchants for promoting digital payments by their customers through Point of Sale (PoS) machines and debit cards.

Answer: Option C

Explanation:

The merchant discount rate is the rate charged to a merchant for **payment processing services on debit and credit card transactions.**

- The merchant must set up this service and agree to the rate prior to accepting debit and credit cards as payment.
- The merchant discount rate is a fee that merchants must consider when managing the overall costs of their business.

2. With reference to India's decision to levy an equalization tax of 6% on online advertisement services offered by non-resident entities, which of the following statements is/are correct?

- 1) It is introduced as a part of the Income Tax Act.
- 2) Non-resident entities that offer advertisement services in India can claim a tax credit in their home country under the "Double Taxation Avoidance Agreements".

Select the correct answer using the code given below:

- A.1 only
- B.2 only
- C. Both 1 and 2

D. Neither 1 nor 2

Answer: Option D

Explanation:

Statement 1 is incorrect.

The levy was introduced in the **Budget as part of the finance bill** and not as a part of Income Tax Act.

Statement 2 is also incorrect.

The term income tax is defined in double tax avoidance agreements to be mean 'Indian income tax'. As the levy is not in the nature of income tax, and this levy is currently imposed under domestic tax laws and hence no credit is available under tax avoidance treaties.

So, because of this the companies **would not be able to take the benefit** of tax treaties to avoid double taxation in their home countries.

So, none of the statements are correct.

3. Consider the following statements

- 1) The Fiscal Responsibility and Budget Management (FRBM) Review Committee Report has recommended a debt to GDP ratio of 60% for the general (combined) government by 2023, comprising 40% for the Central Government and 20% for the State Governments.
- 2) The Central Government has domestic liabilities of 21% of GDP as compared to that of 49% of GDP of the State Governments.
- 3) As per the Constitution of India, it is mandatory for a State to take the Central Government's consent for raising any loan if the former owes any outstanding liabilities to the latter.

Which of the statements given above is/are correct?

- A.1 only
- B.2 and 3 only
- C.1 and 3 only
- D. 1, 2 and 3

Answer: Option C

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Explanation:

Statement 1 is correct.

The Fiscal Responsibility and Budget Management Committee headed by N.K. Singh submitted its report to Finance Minister in January 2017.

- The Fiscal Responsibility and Budget Management (FRBM) Review Committee Report has recommended a debt to GDP ratio of 60% for the general (combined) government by 2023, comprising **40% for the Central Government and 20% for the State Governments.**

Statement 2 is incorrect.

The statement is in reverse. The Central Government has domestic liabilities of 49% of GDP as compared to that of 21% of GDP of the State Governments.

Statement 3 is correct.

As per the Constitution of India, **it is mandatory for a State to take the Central Government's consent for raising any loan if the former owes any outstanding liabilities to the latter. (Article-293 Clause (iii)).**

So, Statements 1 and 3 are correct.

4. Consider the following statements

- 1) The quantity of imported edible oils is more than the domestic production of edible oils in the last five years.
- 2) The Government does not impose any customs duty on all the imported edible oils a special case.

Which of the statements given above is/are correct-?

- A.1 only
- B.2 only
- C. Both 1 and 2
- D. Neither 1 nor 2

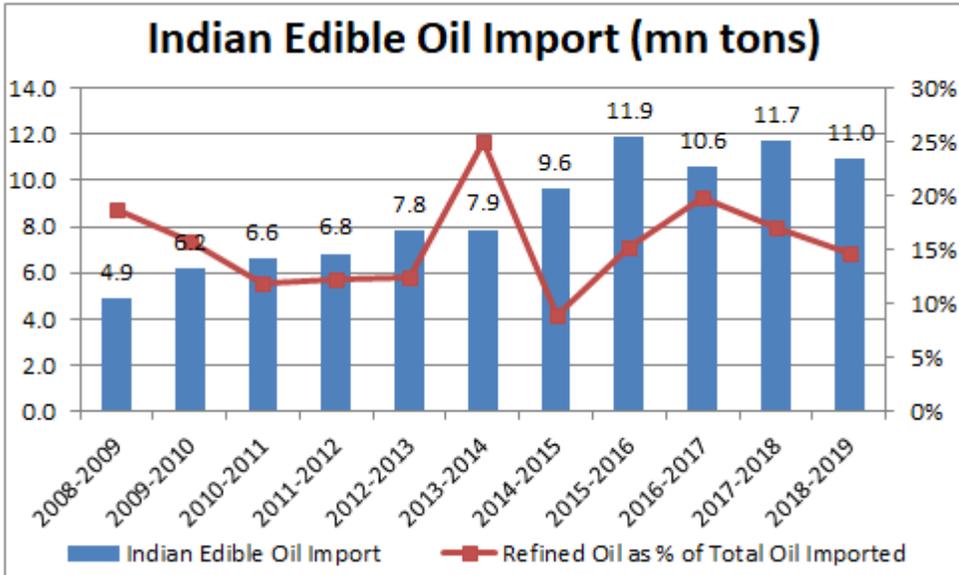
Answer: Option A

Explanation:

Statement 1 is correct.

The quantity of the imported oil is almost 60% of total oil consumption in India.

Imports are more than the domestic production of edible oils in last 5 years.



Statement 2 is incorrect.

Government imposes customs duty on several edible oils like palm oil, sunflower oil.

The duties vary from 25% to 40% based on criteria of crude and refined palm oil.

5. Which one of the following links all the ATMs in India?

- A. Indian banks' Association
- B. National Securities Depository Limited
- C. National Payments Corporation of India
- D. Reserve Bank of India

Answer: Option C

Explanation:

National Payments Corporation of India links all the ATMs in India.

FUNCTIONS of NPCL:

1. National Payments Corporation of India is the **umbrella organization** for all retail payment systems in India which aims to allow all Indian citizens to have unrestricted access to e-payment services
2. The organization is owned by a consortium of major banks, and has been promoted by the country's central bank, the Reserve Bank of India.

3. It aims at developing Unified Payments Interface aims to move India to a cashless society with only digital transactions.

6. Which one of the following statements correctly describes the meaning of legal tender money?

- A. The money which is tendered in courts of law to defray the fee of legal cases.
- B. The money which a creditor is under compulsion to accept in settlement of his claims.
- C. The bank money in the form of cheques, drafts, bills of exchange, etc.
- D. The metallic money in circulation in a country.

Answer: Option B

Explanation:

Legal tender money is the money which a creditor is under compulsion to accept in settlement of his claims.

● **Legal tender is legal status given to an instrument like currency note that it can be used as medium of payment.**

Example: Indian Rupee Notes.

7. If a commodity is provided free to the public by the Government, then

- A. The opportunity cost is zero.
- B. The opportunity cost is ignored.
- C. The opportunity cost is transferred from the consumers of the product to the tax-paying public.
- D. The opportunity cost is transferred from the consumers of the product to the Government.

Answer: Option C

Explanation:

Opportunity cost is the cost of choosing one alternative over another and missing the benefit offered by the forgone opportunity, investing or otherwise.

Opportunity cost refers to a benefit that a person could have received, but gave up, to take another course of action.

For example: If a person named Aravinth who gives up his job worth for **8.5 lakhs Per Annum for pursuing civil services.**

In this scenario he has chosen one alternative of studying UPSC at cost of salary paid by the company.

His opportunity cost is 8.5 lakhs per annum.

8. Increase in absolute and per capita real GNP do not connote a higher level of economic development, if

- A. Industrial output fails to keep pace with agricultural output.
- B. Agricultural output fails to keep pace with industrial output.
- C. Poverty and unemployment increase.
- D. Imports grow faster than exports.

Answer: Option C

Explanation:

Increase in absolute and per capita real GNP does not connote a higher level of economic development, **if Poverty and unemployment increase.**

- GNI per capita is calculated by dividing the GNI with the **population.**
- **It does not account inequality present between the population.**
- Economic development is the process by which a nation **improves the economic, political, and social well-being of its people.**

9. Consider the following statements:

Human capital formation as a concept is better explained in terms of a process, which enables

- 1) Individuals of a country to accumulate more capital.
- 2) Increasing the knowledge, skill levels and capacities of the people of the country.
- 3) Accumulation of tangible wealth.
4. Accumulation of intangible wealth.

Which of the statements given above is/are correct?

- A.1 and 2
- B. 2 only
- C.2 and 4
- D. 1, 3 and 4

Answer: Option C

Explanation:

Statement 2 and 4 are correct.

Human capital formation as a concept is better explained in terms of a process, which enables **increasing the knowledge, skill levels and capacities of the people of the country.**

- Tangible wealth are material, seen (visible) and **easily quantified. So, Statement 3 goes wrong.**
- On the other hand, things that are intangible are immaterial, unseen, and not easily quantified like **intellectual capacity, skills. So it is also related to human capital formation.**

10. Despite being a high saving economy, capital formation may not result in significant increase in output due to

- A. Weak administrative machinery
- B. Illiteracy
- C. high population density.
- D. high capital-output ratio

Answer: Option D

Explanation:

The Incremental Capital-Output Ratio (**ICOR**) is the ratio of investment to growth which is equal to the reciprocal of the marginal product of capital. The higher the **ICOR**, the lower the productivity of capital or the marginal efficiency of capital.

Capital-output ratio (**COR**) basically indicates the **amount of capital required to produce one unit of output.**

- If **COR** is high, despite saving high and generating enough capital, our output may not grow significantly because the **COR** is high. This may be a result of **poor technology or poor management.**

11. Consider the following statements:

- 1) The Reserve Bank of India manages and services Government of India Securities but not any State Government Securities. 2)
- Treasury bills are issued by the Government of India and there are no treasury bills issued by the State Governments.
- 3) Treasury bills offer are issued at a discount from the par value.

Which of the statements given above is/are correct?

- A.1 and 2 only
- B. 3 Only
- C.2 and 3 only
- D. 1, 2 and 3

Answer: Option C

Statement 1 is incorrect.

A Government Security (G-Sec) is a tradable instrument issued by the Central Government or the State Governments.

●G-Secs are issued through auctions conducted by RBI. As per the Reserve Bank of India Act, 1934, the RBI may, by agreement with **any State Government undertake the management of the public debt of that State.**

So, the statement 1 goes wrong.

Statement 2 is correct.

In India, the Central Government issues both, treasury bills and bonds or dated securities **while the State Governments issue only bonds or dated securities**, which are called the State Development Loans (SDLs).

Statement 3 is correct

Treasury bills are zero coupon securities and pay no interest. They are **issued at a discount and redeemed at the face value at maturity.**

Thus, statements 2 and 3 are correct.

12. Consider the following statements:

- 1) Capital Adequacy Ratio (CAR) is the amount that banks have to maintain in the form of their own funds to offset any loss that banks incur if the account-holders fail to repay dues.
- 2) CAR is decided by each individual bank.

Which of the statements given above is/are correct?

- A.1 only
- B.2 only
- C. Both 1 and 2

D. Neither 1 nor 2

Answer: Option A

Explanation:

Statement 1 is correct.

Capital Adequacy Ratio (CAR) is the ratio of a bank's capital in relation to its risk weighted assets and current liabilities.

It is the amount that banks **have to maintain in the form of their own funds to offset any loss that banks incur if the account-holders fail to repay dues.**

Statement 2 is incorrect.

It is decided by **central banks and bank regulators (not by individual banks)** to prevent commercial banks from taking excess leverage and becoming insolvent in the process.

13. With reference to digital payments, consider the following statements:

- 1) BHIM app allows the user to transfer money to anyone with a UPI-enabled bank account.
- 2) While a chip-pin debit card has four factors of authentication, BHIM app has only two factors of authentication.

Which of the statements given above is/are correct?

- A.1 only
- B.2 only
- C. Both 1 and 2
- D. Neither 1 nor 2

Answer: Option A

Explanation:

Statement 1 is correct.

BHIM app is powered by UPI and integrates the Payments platform as the official app of the government of India. It allows the user to transfer money to anyone with a UPI-enabled bank account.

Statement 2 is incorrect.

Both parts of the statement are wrong. Debit card **does not have four factor authorizations** (only two factors) and **BHIM app has three factor authorizations.**

14. Consider the following:

- 1) Areca nut
- 2) Barley
- 3) Coffee
- 4) Finger millet
- 5) Groundnut
- 6) Sesamum
- 7) Turmeric

The Cabinet Committee on Economic Affairs, has announced the Minimum Support Price for which of the above?

- A. 1, 2, 3 and 7 only
- B. 2, 4, 5 and 6 only
- C. 1, 3, 4, 5 and 6 only
- D. 1, 2, 3, 4, 5, 6 and 7

Answer: Option B

The MSP is fixed on the recommendations of the Commission for Agricultural Costs and Prices (CACP). The CACP is a statutory body and submits separate reports recommending prices for Kharif and Rabi seasons.

- Initially, MSP covered paddy, rice, wheat, jowar, bajra, maize, ragi (Finger Millet), barley, gram, sugarcane, groundnut, soybean, sunflower seed, rapeseed and mustard, cotton, jute and tobacco.
- From 1994-95 onwards, Nigerseed and Sesame were included under MSP Scheme of CACP, in addition to the edible oilseeds already covered by the Commission
- Similarly, during 2001-2002, the government enhanced the terms of reference of the Commission by including lentil (masur).

Eliminating Coffee will result in elimination of Option A, C and D.

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15. With reference to the governance of public sector banking in India, consider the following statements

1) Capital infusion into public sector banks by the Government of India has steadily increased in the last decade.

2) To put the public sector banks in order, the merger of associate banks with the parent State Bank of India has been affected.

Which of the statements given above is/are correct?

A.1 only

B.2 only

C. Both 1 and 2

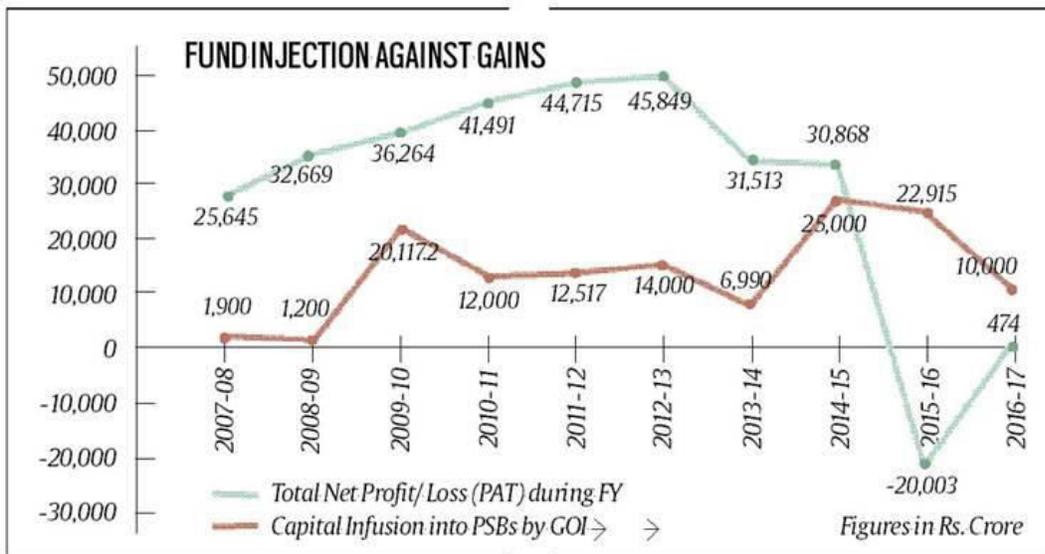
D. Neither 1 nor 2

Answer: Option B

Explanation:

Statement 1 is incorrect.

Capital infusion into public sector banks by the Government of India **has not steadily increased in the last decade.**



Source: RBI, Finance Ministry, Stock Exchanges

There have been ups and downs in capital infusion.

Statement 2 is correct.

The merger of SBI associated banks under Section 35 of the State Bank of India Act, 1955 resulted in the creation of a stronger merged entity.

This will minimize vulnerability to any geographic concentration risks faced by subsidiary banks. It will create improved operational efficiency and economies of scale. It will also result in improved risk management and unified treasury operations.

16. Consider the following items:

- 1) Cereal grains hulled
- 2) Chicken eggs cooked
- 3) Fish processed and canned
- 4) Newspapers containing advertising material.

Which of the above items is/are exempted under GST (Goods and Services Tax)?

- A.1 only
- B.2 and 3 only
- C.1, 2 and 4 only
- D. 1, 2, 3 and 4

Answer: Option C (Confirmed as per official UPSC key)

Explanation:

Earlier GST council imposed 5% rate of GST on hulled grains. However, later June 2017, the rate of GST applicable on hulled grains is 0%. (Nil rate) falls under GST HSN code number 1104.

Chicken eggs cooked: 0% GST rate.

Fish processed and canned: 5% GST rate .So, **Statement 2 goes wrong.**

Newspapers containing advertising material: 0% GST rate Source

However, ads attract 5% GST, not the newspapers publishing them.

So, the statements 1, 3 and 4 are correct.

Indian Economy UPSC Civil Services Exam Questions (2019)

1. What was the purpose of Inter-Creditor Agreement signed by Indian banks and financial institutions recently?

- (A) To lessen the Government of India's perennial burden of fiscal deficit and current account deficit
- (B) To support the infrastructure projects of Central and State Governments
- (C) To act as independent regulator in case of applications for loans of Rs. 50 crores or more
- (D) To aim at faster resolution of stressed assets of Rs. 50 crores or more which are under consortium lending.

Answer: Option D.

Explanation:

Indian banks and financial institutions signed an Inter-Creditor Agreement (ICA) on July 2018 to fast-track **the resolution of stressed assets** of Rs 50 crores or above that are under consortium lending.

The ICA, a part of **Project Sashakt**, was signed by 22 public sector banks including SBI, India Post Payments Bank; 19 private sector banks; and 32 foreign banks.

2. The Chairmen of public sector banks are selected by the

- (A) Banks Board Bureau
- (B) Reserve Bank of India
- (C) Union Ministry of Finance
- (D) Management of concerned bank

Answer: option A

Explanation:

The appointment of the Chairman of public sector bank follows the **recommendations of the Banks Board Bureau (BBB)**, an autonomous body of Government that works to improve governance of Public Sector Banks, recommends selection of bank chiefs and helps banks in developing strategies.

Bank Board Bureau selects the set of names for selection of

The Chairman of PSB is **appointed** by the **ministry of finance**.

3. The economic cost of food grains to the Food Corporation of India is Minimum Support Price and bonus (if any) paid to the farmers plus

- (A) Transportation cost only
- (B) Interest cost only
- (C) Procurement incidentals and distribution cost
- (D) Procurement incidentals and charges for godowns.

Answer: Option C

Explanation:

The economic cost of food grains procured by the Food Corporation of India (FCI) is a total of Minimum Support Price and bonus (if any) paid to **the farmers plus the procurement incidentals and distribution cost.**

The economic cost has three main components - procurement cost, procurement price, and distribution cost.

The **procurement incidentals** are the initial costs incurred during procurement of food grains. The FCI buys food grains from the farmers at the pre-announced Minimum Support Price.

The **distribution costs include** freight, handling charges, storage charges, losses during transit and establishment cost.

4. In the context of any country, which one of the following would be considered as part of its social capital?

- (A) The proportion of literates in the population
- (B) The stock of its buildings, other infrastructure and machines
- (C) The size of population in the working age group
- (D) The level of mutual trust and harmony in the society

Answer: Option D

Explanation:

Social capital is a **positive product of human interaction.** The positive outcome may be tangible or intangible and may include useful information, innovative ideas, and future opportunities.

In business terms, social capital is the contribution to an organization's success that can be attributed to personal relationships and networks, both within the organization and outside of it.

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The social capital of any country is measured through the **level of trust and harmony among the people**.
So, Option D is the correct answer.

5. The Service Area Approach was implemented under the purview of

- (A) Integrated Rural Programmae
- (B) Lead Bank Scheme
- (C) Mahatma Gandhi National Rural Employment Guarantee Scheme
- (D) National Skill Development Mission

Answer: Option B

Explanation:

The Service Area Approach (SAA), a part of the Lead Bank Scheme, was introduced by the Reserve Bank of India (RBI) in April 1989 for the planned and orderly development of rural and semi-urban areas.

The approach was applicable to all scheduled commercial banks including the Regional Rural Banks (RRBs). Under the SAA, each bank branch in rural and semi-urban area needed to serve 15 to 25 villages.

6. Consider the following statements:

1. Most of India's external debt is owed by governmental entities.
2. All of India's external debt is denominated in US dollars.

Which of the statements given above is / are correct?

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2
- (D) Neither 1 nor 2

Answer: Option D

Explanation:

Statement 1 is incorrect.

As per June 2018 report, **78.8% of the total external debt (\$404.5 billion) was owed by non-governmental entities like private companies**. Remaining debts owed by government entities.

The size of external commercial borrowings and foreign currency convertible bonds, which represents Indian companies' foreign borrowings, has risen from ₹99,490 crores at the end of December 2015 to ₹1,72,872 crores at the end of December 2017.

Statement 2 is incorrect.

India's external debt is held in **several currencies (not only US dollar), the largest share is of the US dollar.**

None of the Statements are correct.

7. Which of the following is not included in the assets of a commercial bank in India?

- (A) Advances
- (B) Deposits
- (C) Investments
- (D) Money at call and short notice

Answer: Option B

Explanation:

The assets of the commercial bank in India are **Cash in hand, Investments, Loans, Advances, Bills discounted and purchased**, while the liabilities are **Capital and Reserves, Deposits, Borrowings, and other liabilities.**

Deposits are part of liabilities for bank. It is not an asset for bank.

8. In the context of India, which of the following factors is/are contributor/ contributors to reducing the risk of a currency crisis?

1. The foreign currency earnings of India's IT sector
2. Increasing the government expenditure
3. Remittances from Indians abroad

Select the correct answer using the code given below.

- (A) 1 only
- (B) 1 and 3 only
- (C) 2 only
- (D) 1, 2 and 3

Answer: Option B

Explanation:

Decline in the value of a country's currency is known as Currency Crisis that negatively affects the economy by creating instabilities in currency exchange rates.

Statements 1 and 3 are correct.

The foreign currency earnings of India's Information Technology (IT) sector and remittances from Indians abroad together may bring more foreign currency into foreign exchange. This can reduce the risk of a currency crisis in India.

Statement 2 is incorrect.

Increase of government expenditure will result in expansionary policy. It will result in greater money supply in economy. Greater money supply will reduce the value of the Indian rupee compared to the foreign currency.

9. Which of the following is issued by registered foreign portfolio investors to overseas investors who want to be part of the Indian stock market without registering themselves directly?

- (A) Certificate of Deposit
- (B) Commercial Paper
- (C) Promissory Note
- (D) Participatory Note

Answer: Option D

Explanation:

Participatory Notes (P-Notes) are instruments issued by registered foreign institutional investors to overseas investors, who wish to invest in Indian markets without registering themselves directly in India to save on time.

1. Participatory notes allow non-registered investors to invest in the Indian market.
2. Participatory notes, referred to as P-Notes or PNs, are derivative instruments of underlying Indian assets.
3. Participatory notes are popular investments due to the investor remaining anonymous.

10. With reference to India's Five-Year Plans, which of the following statements is/are correct?

1. From the Second Five-Year Plan, there was a determined thrust towards substitution of basic and capital good industries.
2. The Fourth Five-Year Plan adopted the objective of correcting the earlier trend of increased concentration of wealth and economic power.
3. In the Fifth Five-Year Plan, for the first time, the financial sector was included as an integral part of the Plan.

Select the correct answer using the code given below.

- (A) 1 and 2 only
- (B) 2 only
- (C) 3 only
- (D) 1, 2 and 3

Answer: Option B

Explanation:

Statement 1 is incorrect.

With first five year plan launched in 1951, India now has a total of 12 such plans.

The Second Plan focused on the industrial development of the country and stressed capital goods industries. The 2nd FYP was influenced by the Nehru-Mahalanobis plan leaning towards heavy industries. So, **there was no substitution (rather focus/emphasis) of capital goods and basic industries.**

Statement 2 is correct.

The Fourth Plan was focused on growth with stability and progressive achievement of self-reliance. **The plan aims at securing social justice with reducing concentration of wealth.**

Statement 3 is incorrect.

The Fifth Plan gave top priority to agriculture, employment, and **poverty alleviation.**

So only, Statement 2 is correct.

11. Consider the following statements

1. Purchasing Power Parity (PPP) exchange rates are calculated by comparing the prices of the same basket of goods and services in different countries.
2. In terms of PPP dollars, India is the sixth largest economy in the world.

Which of the statements given above is / are correct?

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2
- (D) Neither 1 nor 2

Answer: Option A

Explanation:

Statement 1 is correct.

The 'Purchasing Power Parity' is the exchange rate that **allows one to buy the same amount of goods and services in every country**. It is a theoretical rate as it is used by no country and is only used by the Government agencies to compare the output of countries that use different exchange rates.

It basically describes what would a thing cost, if it was sold in the US Dollars. The World Bank calculates the PPP for each country. The report shows a comparison between the economic productivity and standards of living between all the countries.

Statement 2 is incorrect.

On the PPP basis, China is the world's largest economy in 2018, followed by United States at 2nd and **India at 3rd position**.(not 6th position)

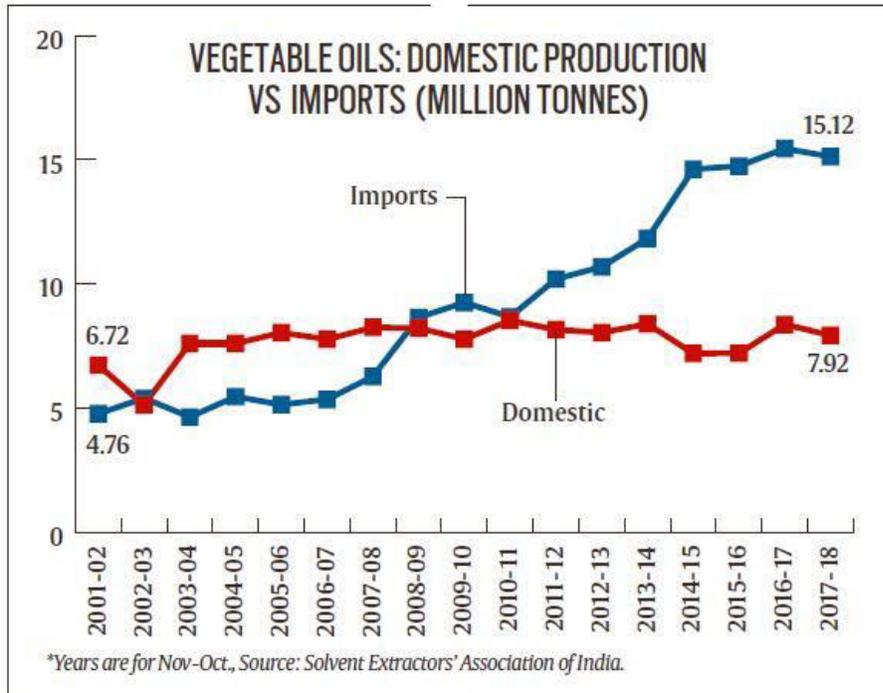
12. Among the agricultural commodities imported by India, which one of the following accounts for the highest imports in terms of value in the last five years?

- (A) Spices
- (B) Fresh fruits
- (C) Pulses
- (D) Vegetable oils

Answer: Option D

Explanation:

The imports of the **vegetable oils has grown to a larger amount** since 2010-11. It has among the **highest imports compared to Spices, Fresh Fruits and Pulses**.



13. Which one of the following is not the most likely measure the Government/RBI takes to stop the slide of Indian rupee?

- (A) Curbing imports of non-essential goods-and promoting exports
- (B) Encouraging Indian borrowers to issue rupee denominated Masala Bonds
- (C) Easing conditions relating to external commercial borrowing
- (D) Following an expansionary monetary policy

Answer: Option D

Explanation:

Question is not the most likely measure. Slide of Indian rupee denotes the depreciation of Indian Rupee.

Expansionary monetary policy will lead to increase in money supply in the economy. It further leads to depreciation of Indian rupee. Greater money supply will reduce the value of the Indian rupee compared to the foreign currency.

14. The money multiplier in an economy increases with which one of the following?

- (A) Increase in the cash reserve ratio
- (B) Increase in the banking habit of the population
- (C) Increase in the statutory liquidity ratio
- (D) Increase in the population of the country

Answer: Option B

Explanation:

Money multiplier denotes about the velocity of money circulation in the economy. It is calculated using formula of **Broad money / Reserve money**.

Reserve money = Currency in circulation + Bankers' Deposits with RBI + Others deposit with RBI.

Broad Money = Currency with public + Demand Deposits in all Banks + Time Deposits in Bank + Post office savings + Others deposit with RBI.

In other words, when Reserve money increases, Broad money will also increase. **(Direct correlation).**

If the money multiplier increases it shows greater money circulation between financial institutions and people. **So, it shows increase in the banking habit of the population.**

15. In a given year in India, official poverty lines are higher in some States than in others because

- (A) Poverty rates vary from State to State
- (B) Price levels vary from State to State
- (C) Gross State Product varies from State to State
- (D) Quality of public distribution varies from State to State

Answer: Option B

Explanation:

The **official poverty line** is the national average expenditure per person incurred to obtain the goods in the **Poverty Line Baskets (PLB)**. Baskets contain set of essential goods.

Since 1973-74, prices for goods in the **Poverty Line Baskets** have been periodically adjusted over time and across states to deduce the official poverty line.

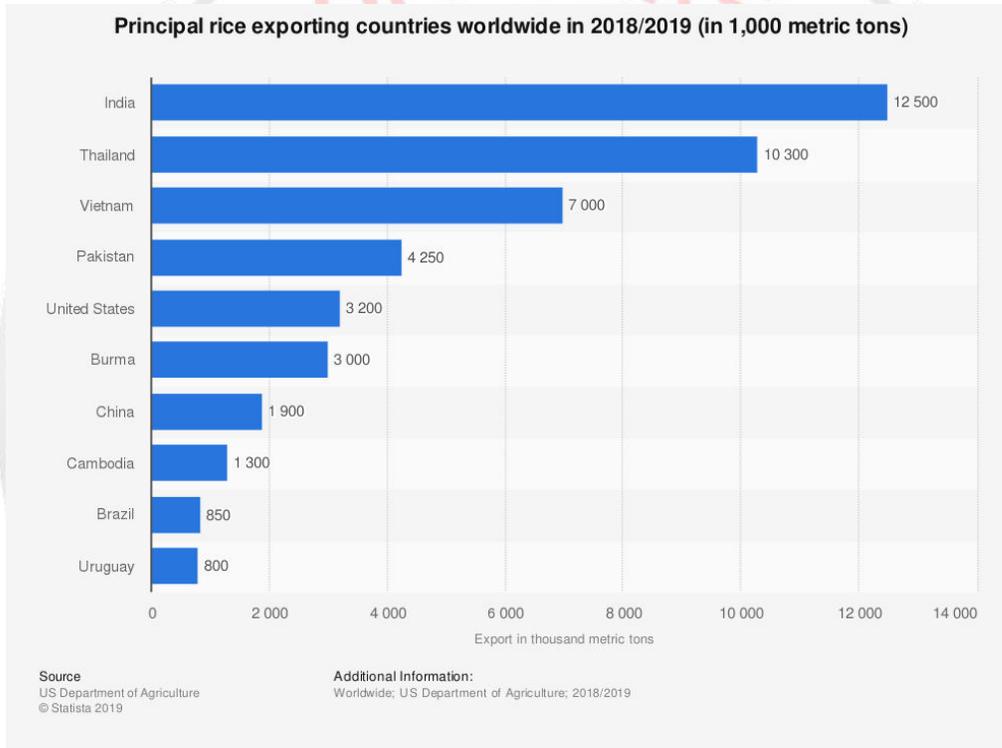
Since, the line is based on the expenditure of a person so the **price level varies from State to State**. As a result **official poverty line also varies from state to state**.

16. Among the following, which one is the largest exporter of rice in the world in the last five years?

- (A) China
- (B) India
- (C) Myanmar
- (D) Vietnam

Answer: Option B

Explanation:



India has been top exporter of rice followed by Thailand, Vietnam and Pakistan.