

# OFFICERS IAS ACADEMY

IAS ACADEMY RUN BY FORMER CIVIL SERVANTS

Daily MCQs: 23-07-2024

**1. The primary function of the United Nations Economic and Social Council (ECOSOC)?**

- A. Maintaining international peace and security
- B. Promoting higher standards of living, full employment, and economic and social progress
- C. Overseeing disarmament activities
- D. Administering the International Court of Justice

**2. Which of the following sectors are eligible for Priority Sector Lending (PSL)?**

- 1. Education
- 2. Renewable Energy
- 3. Export Credit
- 4. Agriculture

Select the correct answer using the codes given below:

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

**3. Consider the following statements about Futures and Options**

- 1) Futures and options (F&O) are derivative products in the stock market.
- 2) They are agreements to buy and sell assets in future at certain prices and in certain conditions.

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

**4. Which of the following is/are components of India's foreign exchange reserves?**

- 1) Foreign Currency Assets
- 2) Gold Stock of RBI
- 3) Special Drawing Rights holdings
- 4) Reserve Tranche

Select the correct answer using the codes given below

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

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### 5. The Sagarmala Project is related to

- A. Making all national highways free of various railway crossings.
- B. Improving road connectivity particularly on economic corridors, border areas and far flung areas.
- C. To promote, develop and harness the potential of tourism in India.
- D. To promote port-led direct and indirect development and to provide infrastructure to transport goods to and from ports quickly, efficiently and cost-effectively.

### Solutions:

#### 1. Answer: B

#### Explanation

- The United Nations Economic and Social Council (ECOSOC) is **one of the six principal organs of the United Nations**.
- It is responsible for the **direction and coordination of the economic, social, humanitarian, and cultural activities carried out by the UN**.
- ECOSOC was established by the **UN Charter (1945)**, which was amended in 1965 and 1974 to increase the **number of members** from 18 to **54**. ECOSOC membership is based on **geographic representation**.
- ECOSOC is responsible for promoting higher standards of living, full employment, and economic and social progress; identifying solutions to international economic, social and health problems; facilitating international cultural and educational cooperation; and encouraging universal respect for human rights and fundamental freedoms.
- Members of ECOSOC have a **3 year term**. Elected by the **United Nations General Assembly** with 2/3rd majority.

#### Why in News?

- A High-Level Political Forum (HLPF) on Sustainable Development was held at the United Nations headquarters in New York under the auspices of the U.N. Economic and Social Council (ECOSOC).
- The solutions offered by indigenous tribal communities in Rajasthan to global challenges, and their role in the execution of policies were highlighted at the forum.
- They have made collective efforts to **save the vital elements of water, forest, land and seed**, which are crucial for their survival.
- The best practices of tribals highlighted at the forum included the production of local seeds, water conservation at source, use of animals in agriculture, checking soil erosion through mixed cropping, and the use of uncultivated food for nutritional security.
- These practices have helped tribal communities reduce their dependence on the market and survive during the difficult phases, including the COVID-19 pandemic in 2020-21.

#### 2. Answer: D

#### Explanation

- Priority Sector means those sectors which the Government of India and Reserve Bank of India consider as important for the development of the basic needs of the country and are to be

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given priority over other sectors. The banks are mandated to encourage the growth of such sectors with adequate and timely credit.

- Priority Sector includes the following categories:
  - **Agriculture**
  - **Micro, Small and Medium Enterprises**
  - **Export Credit**
  - **Education**
  - **Housing**
  - **Social Infrastructure**
  - **Renewable Energy**
  - **Others**
- Targets Under the Priority Sector Lending
  - **Domestic scheduled commercial banks** (excluding Regional Rural Banks and Small Finance Banks) and **Foreign banks with 20 branches and above**: 40 per cent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.
  - **Regional Rural Banks & Small finance banks**: 75 per cent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.
  - **Foreign banks with less than 20 branches**: 40 per cent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, to be achieved in a phased manner by 2020.
  - **Sub-targets** are specified for certain sectors like **18% to agriculture with 8% to small and marginal farmers, 7.5% to micro units and 12% to Advances to Weaker Sections.**

### Changes Made

- In 2020, the RBI released revised priority sector lending guidelines to augment funding to segments including start-ups and agriculture.
- According to the revised guidelines,
  - **Bank finance of up to ₹50 crore to start-ups,**
  - **loans to farmers both for installation of solar power plants for solarisation of grid-connected agriculture pumps, and for setting up compressed biogas (CBG) plants** have been included as fresh categories eligible for finance under the priority sector.
- The revised PSL guidelines have been framed to **address regional disparities** in the flow of priority sector credit. Higher weightage has been assigned to incremental priority sector credit in **'identified districts'** where priority sector credit flow is comparatively low.

### 3. Answer: C

#### Explanation

- **Both the statements are correct.**

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- Futures and options (F&O) are **derivative products** in the stock market. Since they derive their values from an underlying asset, like shares or commodities, they are called derivatives.
- They are **agreements to buy and sell assets in future** at certain prices and in certain conditions.
- Although both options and futures allow an investor to buy an investment at a specific price by a specific date, one works very differently from the other.
- An **options** contract gives an investor the **right, but not the obligation**, to buy or sell but a **futures** contract **requires a buyer to purchase shares and a seller to sell them on a specific future date**.

4. Answer: D

### Explanation

- Foreign exchange reserves are **foreign currency assets held by the central banks** of countries.
- These assets include **foreign currency assets, gold, special drawing rights (SDRs) and reserve position in the IMF**.
- The main purpose of holding foreign exchange reserves is to **make international payments and hedge against exchange rate risks**.
- Components of foreign exchange reserve:
  1. **Foreign Currency Assets:** Currencies of foreign countries are held in foreign exchange reserves. Apart from currency it also includes foreign currency deposits held by RBI with foreign central banks and the Bank for International Settlements (BIS).
  2. **Gold Stock of RBI:** The RBI has gold stock as a backup to issue currency and to meet unexpected Balance of Payments (BOP) problems. (*BOP problem occurs when a nation is unable to pay for essential imports or service its external debt repayments*)
  3. **SDR Holdings:** Special Drawing Rights (also called "*paper gold*") is a reserve created by the **International Monetary Fund (IMF)** to help countries that have BOP problems. The member countries have to contribute to this account in proportion to their IMF quota. The SDR basket consists of **five** major currencies of the world - the US dollar, Euro, British Pound, Chinese Renminbi and Yen (Japan).
  4. **Reserve Tranche:** The reserve tranche is a portion of the required quota of currency that each **IMF** member country must provide to the IMF. It can be accessed by the member country at any time for its own purposes **without a service fee**.

5. Answer: D

### Explanation

- The Sagarmala project seeks to **develop a string of ports around India's coast**. The objective of this initiative is to promote "**Port-led development**" along India's 7500 km long coastline.
- It aims to develop access to new development regions and enhance connectivity with main economic centres and beyond through expansion of rail, inland water, coastal and road services.

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- The **Ministry of Ports, Shipping and Waterways** has been appointed as the nodal ministry for this initiative.
- To assist in implementation of the Sagarmala Programme, the **Sagarmala Development Company Limited** was incorporated in 2016 under the Companies Act, 2013 by the Ministry of Shipping.

### Significance

- India is located along key international trade routes in the Indian Ocean and has a long coastline of around 7,500 km. Approximately **95% of India's merchandise trade (by volume) passes through sea ports.**
- Yet, **capacity constraints and lack of modern facilities** at Indian ports tremendously elongates the time taken to ship goods in and out of the country and has **held back India's share in world trade.** For example, Turnaround time (TAT) at major ports was approximately 2.5 days in 2018-19, whereas the global average benchmark is 1-2 days.
- In addition to this, **last mile connectivity to the ports** is one of the major constraints in smooth movement of cargo to/from the hinterland. Around 87% of Indian freight uses either road or rail for transportation of goods. A significant share of this cargo experiences **"idle time"** during its transit to the ports due to capacity constraints on highways and railway lines connecting ports to production and consumption centers.
- Although **water-borne transport** is much safer, cheaper and cleaner, compared to other modes of transportation, it **accounts for less than 6%** of India's modal split. By comparison, coastal and inland water transportation contribute to 47% of China's freight modal mix, while in Japan and the US, this share is 34% and 12.4% respectively. Significant savings can be achieved by shifting movement of industrial commodities like coal, iron ore, cement and steel to coastal and inland waterways.

### Vision of the Sagarmala Programme

- The vision of the programme is to reduce logistics cost for EXIM and domestic trade with minimal infrastructure investment. This includes:
  - Reducing cost of transporting domestic cargo through optimizing modal mix
  - Lowering logistics cost of bulk commodities by locating future industrial capacities near the coast
  - Improving export competitiveness by developing port proximate discrete manufacturing clusters
  - Optimizing time/cost of EXIM container movement.

### Components

- Components of Sagarmala Programme are:
  - **Port Modernization & New Port Development:** De-bottlenecking and capacity expansion of existing ports and development of new greenfield ports;
  - **Port Connectivity Enhancement:** Enhancing the connectivity of the ports to the hinterland, optimizing cost and time of cargo movement through multi-modal logistics solutions including domestic waterways (inland water transport and coastal shipping);
  - **Port-linked Industrialization:** Developing port-proximate industrial clusters and Coastal Economic Zones to reduce logistics cost and time of EXIM and domestic cargo;
  - **Coastal Community Development:** Promoting sustainable development of coastal communities through skill development & livelihood generation activities, fisheries development, coastal tourism etc.

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- **Coastal Shipping & Inland Waterways Transport:** Impetus to move cargo through the sustainable and environment-friendly coastal and inland waterways mode.

