ECO-550

*"This booklet contains 550 MCQs with detailed explanation and notes on **ECONOMY** covering the basic and static concepts, Economic Survey 2020-21, Budget 2021-22, Finance Commission 2021-26 and other current updates from various sources for the last one year."*

Specially designed for UPSC Prelims 2021

by

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Note for the Students

- *Please attempt the questions **serial wise** as it will help in building the concepts*
- *Explanation has been provided for all the questions but for detailed understanding you may refer the book on **INDIAN ECONOMY** (5th Edition) by **VIVEK SINGH** released in Feb 2021*
- *The **original copy** of the MCQ PDF can be downloaded from Vivek Sir Telegram Channel "**Economy by Vivek Singh**" link "**https://t.me/VivekSingh_Economy**"*
- *Any further information/clarification will be updated on the above channel.*

1. There is a Chinese company doing business in India. The profit made by the company will be part of:

   (i) India's GDP
   (ii) China's GNP

   Select the correct answer using the code given below:

   (a) (i)only
   (b) (ii) only
   (c) Both (i) & (ii)
   (d) Neither (i) nor (ii)

2. Which of the following are included as part of India's GDP?

   (i) Activities in Indian embassies and consulates in other countries
   (ii) Air India services between two different countries
   (iii) Value addition in India's economic territory
   (iv) Economic activities of residents of India in international waters

   Select the correct answer using the code given below:
   (a) (i) & (ii) only
   (b) (iii) only
   (c) (ii) & (iii) only
   (d) All of the above

3. The visit of foreigners in India to see the various places/events in the country, amounts to which of the following in terms of economy:

   (a) Production
   (b) Consumption
   (c) Import
   (d) Export

4. Quarterly and Annual GDP data is released by NSO with a time lag of:

   (a) One month
   (b) Two months
   (c) Three months
   (d) Four months

5. Consider the following statements regarding Gross Domestic Product:

   (i) It is the value added by all the firms in the economy
   (ii) It is the final value of goods and services produced in the economy
   (iii) It is the sum of final consumption and investment expenditure and net of exports and imports
   (iv) It is the income received by the four factors of production

   Select the correct answer using the code given below:
   (a) (i) & (ii) only
   (b) (i), (ii) & (iii) only
   (c) (i), (ii) & (iv) only
   (d) All of the above

6. Consider the following statements

   (i) Capital goods are final goods and are not used as an input
   (ii) Intermediate goods are those which have been produced but should be further transformed before it can be used for any purpose

   Select the correct answer using the code given below:
   (a) (i) only
   (b) (ii) only
   (c) Both (i) & (ii)
   (d) Neither (i) nor (ii)

7. Which of the following are not counted in India's GDP calculation?

   (i) Informal sector activity
   (ii) Re-exports

   Select the correct answer using the code given below:
   (a) (i) only
   (b) (ii) only
   (c) Both (i) & (ii)
   (d) Neither (i) nor (ii)

8. If India is experiencing economic growth, then which of the following statements must hold true:

(i) Real GDP is increasing
(ii) Nominal GDP is increasing
(iii) Rate of growth of real GDP is increasing
(iv) Rate of growth of nominal GDP is increasing

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (i) & (iii) only
(d) (i) & (iv) only

9. If a country is experiencing recession, then which of the following shall be true:

(a) Decrease in real GDP
(b) Decrease in nominal GDP
(c) Decrease in rate of growth of GDP
(d) All of the above

10. Consider the following statements:

(i) Real GDP has steadily increased in the last decade till 2020
(ii) GDP at current market prices has steadily increased in the last decade till 2020

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

11. Consider the following statements:

(i) Real per capita GDP has steadily increased in the last five years till March 2020
(ii) Real per capita income has steadily increased in the last five years till March 2020

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

12. There is going to be a steep decline in the output in FY 2020-21. This can be attributed to:

(i) Base effect
(ii) Actual decrease in output

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

13. Which of the following statements are true regarding the impact of Covid-19 in FY 2020-21:

(i) Direct taxes may decline due to the decline in the value addition in the economy
(ii) GDP at constant prices declined more as compared to GDP at current prices

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

14. The National Income of a country (India) is equal to which of the following:

(a) Gross National Product (GNP)
(b) Net National Product at Market Prices
(c) Net National Product at Factor Cost
(d) Income going to the household sector

15. Which of the following statements are true regarding Gross National Income:

(i) It is the income earned by a country's Residents
(ii) It is the income earned by a country's residents and non-residents both

(iii) It is calculated at market price by NSO
(iv) It is equal to GDP plus exports minus imports

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (i) & (iv) only
(c) (ii) & (iii) only
(d) (ii), (iii) & (iv) only

16. Consider the following statements:
(i) Net Factor Income from Abroad is equivalent to net of exports & imports
(ii) Net of Indirect taxes and subsidies are included in the calculation of national income

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

17. Welfare of the people of a country is best represented by which of the following parameter:

(a) Per capita net national income at constant prices
(b) Per capita net national income at current prices
(c) Per capita GDP at constant prices
(d) Per capita GDP at current prices

18. Consider the following statements:
(i) The economic growth in 2020-21 is expected to contract, for which one of the reasons is base effect
(ii) Per capita income at current prices is also expected to decline in 2020-21

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

19. Which of the following constitutes investment in the economy?

(i) Production of consumption goods
(ii) Production of capital goods
(iii) Production of services
(iv) Buying and selling of shares

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) only
(c) (ii) & (iv) only
(d) All of the above

20. Consider the following statements:

(i) Imported capital equipment are part of investment in Indian economy
(ii) Imported capital equipment are part of India's GDP

Select the correct answer using the code given below:
(e) (i) only
(f) (ii) only
(g) Both (i) & (ii)
(h) Neither (i) nor (ii)

21. The decrease in dependency ratio (ratio of dependent population to working age population) of a country may lead to which of the following situation:

(i) Increase in savings rate
(ii) Decrease in savings rate
(iii) Increase in Capital Formation
(iv) Decrease in Capital Formation

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii) & (iv) only
(c) (i) & (iv) only
(d) (ii) & (iii) only

22. Which of the following statements could be true for a high savings economy?
(i) Higher investment
(ii) Higher consumption
(iii) Higher exports

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

23. Consider the following statements regarding Capital formation:

(i) Gold and valuable metals are part of Fixed Capital Formation
(ii) Intellectual properties are part of Fixed capital formation
(iii) Construction of buildings and other structures are part of Capital Formation

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) (iii) only

24. 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

25. Consider the following statements regarding Incremental Capital Output Ratio (ICOR):

(i) It shows how efficiently capital is being used to produce output
(ii) It is the extra unit of capital required to produce one additional unit of output
(iii) It is the extra unit of output produced from one additional unit of capital
(iv) It is the ratio of change in capital to change in output

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (i), (ii) & (iv) only
(d) (i), (iii) & (iv) only

26. Capital formation in a country will necessarily lead to which of the following:

(i) Increase in ICOR
(ii) Decrease in ICOR
(iii) Economic growth

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii) & (iii) only
(c) (iii) only
(d) None of the above

27. Consider the following statements:

(i) Capital output ratio depends on governance, quality of labour, technology etc.
(ii) Economic output increases with decrease in capital output ratio

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

28. For a sustained high growth, which of the following statements will be true:

(a) Raising the investment by keeping the incremental capital output ratio minimum
(b) Raising the investment and incremental capital output ratio both
(c) Increasing capital output ratio and keeping investment at a constant rate
(d) All of the above

29. If a country's growth rate is good but there is no corresponding growth in employment, then which of the following could be the reasons:

(a) The growth is coming from better utilization of existing capacity and

not because of increase in investment
(b) The growth is coming from increase in investment but not because of better utilization of existing capacity
(c) The growth is coming from both as a result of increase in investment and increase in capacity utilization
(d) None of the above

30. If a factory is running at peak production with certain number of labourers then the marginal productivity of labour will be:

(a) Positive
(b) Negative
(c) Zero
(d) One

31. Due to covid-19 lockdown the capacity utilization in the economy decreased. Consider the following statements:

(i) Capital output ratio will increase in the economy
(ii) Per unit cost of production will increase

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

32. Economic growth in a country will necessarily have to occur if:

(a) There is technological progress in the country
(b) There is population growth in the country
(c) There is capital formation in the country
(d) The country's exports are increasing

33. A country is going through a phase of industrialization. Which of the following statements are correct?

(a) Capital to labour ratio increases
(b) Productivity of labour increases
(c) Total factor productivity increases
(d) All of the above

34. Consider the following statements regarding 'GDP Deflator':

(i) It is an index of price which is calculated as the ratio of nominal GDP to real GDP
(ii) The weights differ according to the production level of each good in GDP deflator

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

35. Which of the following statements are correct about CPI rural, CPI urban and CPI combined index?

(i) Inflation data is published by NSO
(ii) The base year is 2011-12
(iii) It is released for all India and for states and UTs separately on a monthly basis

Select the correct answer using the code given below:
(a) (i)only
(b) (ii) only
(c) (ii) & (iii) only
(d) All of the above

36. Consider the statements regarding the various inflation indices published in the country:

(i) Wholesale Price Index (WPI) does not represent the inflation in services
(ii) Consumer Price Index (CPI) represents the inflation in goods and services
(iii) CPI and WPI represent the inflation of imported goods also

(iv) GDP deflator captures the inflation of the goods and services produced domestically

Select the correct answer using the code given below:

(a) (i) & (ii) only
(b) (i), (ii), (iii) only
(c) (ii), (iii)&(iv) only
(d) All of the above

37. Wholesale Price Inflation (WPI) index includes price change of which of the following sectors:

(i) Agriculture
(ii) Mining
(iii) Manufacturing
(iv) Electricity

Select the correct answer using the code given below:
(a) (ii) & (iii) only
(b) (iii) only
(c) (i), (ii) & (iii) only
(d) All of the above

38. Consider the following statements regarding CPI and WPI:

(i) CPI includes indirect taxes
(ii) WPI includes indirect taxes

Select the correct answer using the code given below:
(e) (i) only
(f) (ii) only
(g) Both (i) & (ii)
(h) Neither (i) nor (ii)

39. Central Government employees salary (dearness allowance) is linked with which CPI inflation index?

(a) CPI – combined
(b) CPI – Industrial Workers
(c) Both (a) & (b)
(d) None of the above

40. Consider the following statement with reference to 'Income Elasticity of Demand':

(i) It measures the responsiveness of demand for a particular good to changes in consumer income.
(ii) Using this concept, it is possible to tell if a particular good represents a necessity or a luxury.

Which of the statements given above is/are correct?
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

41. Which of the following statements are true regarding 'Terms of trade' (ToT) of a country with another country:

(i) It is ratio of export price index to import price index
(ii) It is a ratio of value of exports to value of imports
(iii) It is a measure of how much imports a country can get for a unit of exported goods
(iv) ToT increases with increase in price of exported goods

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iv)
(c) (i), (iii) & (iv) only
(d) (ii), (iii) & (iv) only

42. Which of the following is a common measure of degree of 'openness of an economy'?

(a) Exports and imports share in world GDP
(b) Balance of Payments as a percentage of GDP
(c) Trade balance as a percentage of GDP
(d) Exports and imports of goods and services as a percentage of GDP

43. Consider the following statements regarding India:

(i) Exports (of goods and services) as a percent of GDP has steadily decreased in the last decade
(ii) Imports (of goods and services) as a percent of GDP has steadily increased in the last decade
(iii) Trade as a percent of GDP has steadily decreased in the last decade

Select the correct answer using the code given below:
(a) (ii) only
(b) (i) &(ii) only
(c) All of the above
(d) None of the above

44. Consider the following statements regarding Reserve Bank of India (RBI):

(i) It was set up on the basis of recommendations of the Hilton Young Commission
(ii) It was set up as a shareholder's bank, but was nationalized in 1949

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

45. What were the reasons which led to bank nationalization of 1969?

(i) Expansion of bank branches was mostly in urban areas
(ii) Agriculture and small scale industries were not getting proper access to banking facilities
(iii) Bank credit was not utilized for financing projects according to Plan priorities
(iv) Easy and cheap availability of credit to a few industrial houses had encouraged growth of monopolies

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i), (ii) & (iii) only
(c) (ii) & (iv) only
(d) All of the above

46. Consider the following statements in an economy:

(i) Value of transactions is generally higher than the value of output (GDP)
(ii) Money required for transaction in the economy is equal to the value of transactions

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

47. The term "Seigniorage" means:

(a) The income generated by the Central Bank on account of money creation
(b) The income generated by Government on account of money creation
(c) The backup of physical gold required to print currency notes
(d) It is the nominal value of all the currency notes and coins

48. Which of the following are part of "Seigniorage"?

(i) Interest income on reserves kept with RBI for money creation
(ii) Interest accruing from bank balances kept central bank as interest-free balances in order to meet the reserve requirements
(iii) Inflation tax

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (ii) only
(d) All of the above

49. If a country has 'Pegged' (fixed but adjustable) exchange rate, then consider the following statements:

(i) Inflation in the country may make its exports less competitive
(ii) If the country devalues its currency in proportion to the inflation then its exports may remain competitive

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

50. Which of the following statements are true regarding India's present exchange rate system:

(i) Rupee-dollar rate depends on market forces of demand & supply
(ii) RBI regulates the Rupee dollar rate
(iii) RBI intervenes in the forex market
(iv) RBI regulates the forex market

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (i), (iii) & (iv) only
(d) (ii) & (iii)

51. RBI intervenes in the foreign exchange market to:

(i) To contain the volatility in the rupee
(ii) To set a price band for Rupee in terms of Dollar

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

52. Consider the following statements regarding purchasing power parity (PPP) exchange rates:

(i) If two countries have zero rate of inflation, their PPP exchange rates will be constant
(ii) The prices of goods will be same in both the countries when converted at PPP exchange rate

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

53. Which of the following statements are true in case "the currency of two countries are at purchasing power parity":
(a) PPP exchange rate is equal to Nominal exchange rate
(b) PPP exchange rate is equal to Real exchange rate
(c) Nominal exchange rate is equal to Real exchange rate
(d) PPP, Nominal and Real exchange rates become equal

54. Which of the following statements is correct?

(a) An overvalued currency will boost exports from the country
(b) An undervalued currency will boost exports from the country
(c) Overvaluation/ undervaluation of currency does not impact exports
(d) None of the above

55. Increase in India's trade deficit may lead to which of the following:

(a) Increase in money supply in the economy
(b) Depreciation of rupee
(c) Appreciation of rupee
(d) Increase in GDP

56. Which of the following situation will lead to depreciation of a country's currency with respect to another country:

(a) Foreign Investment inflow
(b) Rise in the interest rate
(c) Increase in exports
(d) None of the above

57. The export competitiveness of a country with its trading partners can be best measured through which of the following exchange rates:

(a) Nominal Exchange Rate
(b) Real Exchange Rate
(c) Nominal Effective Exchange Rate
(d) Real Effective Exchange Rate

58. If 'Real Effective Exchange Rate' of a country appreciates then which of the following will be true:

(a) Exports will become more competitive

(b) Export competitiveness will reduce
(c) Imports will decrease
(d) Will have no impact on trade

59. Consider the following statements:

(i) If rupee is depreciating then it leads to increase in cost of imports in dollars

(ii) If rupee is depreciating then it leads to earning more dollars per unit of exports

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

60. Consider the following statements regarding the transactions happening at the international level for trade and financial flows.

(i) There is an international authority with the power to force the use of a particular currency
(ii) There is a basket of currencies which can only be used to settle international transactions
(iii) Currencies which maintain a stable purchasing power are generally accepted
(iv) Freely convertible currencies are generally accepted

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iv) only
(c) (iii) & (iv) only
(d) (ii), (iii) & (iv) only

61. Which of the following investors/ agencies can purchase government of India securities/bonds?

(i) Reserve Bank of India
(ii) Portfolio Investors
(iii) Financial Institutions
(iv) Individuals

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (iii) only
(d) All of the above

62. Recently RBI allowed retail investors to directly access Govt. securities market. Consider the following statements:

(i) It is done through RBI's e-Kuber platform
(ii) Retail investors will be allowed in both primary and secondary Govt. securities market
(iii) It will help in reducing the cost of borrowing for government

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (iii) only
(c) (i) & (iii) only
(d) All of the above

63. Which of the following is the largest holder of Government securities?

(a) Commercial banks
(b) Cooperative Banks
(c) Reserve Bank of India
(d) Insurance companies

64. Consider the following statements regarding "State Development Loans"

(i) It is a Government security
(ii) RBI manages the public debt of states
(iii) It can be used under SLR by banks

Select the correct answer using the code given below:
(a) (ii) only
(b) (i) & (ii) only
(c) (i) & (iii) only
(d) All of the above

65. Which of the following statements are true regarding "Cash Management Bills"?

(i) Issued by Central Government and not by state governments
(ii) It is used to fund fiscal deficit
(iii) It can be used for temporary mismatches in the cash flow of the government

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (iii) only
(d) (i) & (iii) only

66. Consider the following statements regarding 'ways and means' advance:

(i) It is available for both Central and State governments
(ii) Government need to pay interest on ways and means advance
(iii) It is to meet the temporary mismatches of receipts and payments

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

67. Consider the following statements regarding 'Ways and Means Advance':

(i) It is used to fund government's fiscal deficit
(ii) It is tradable government security

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

68. Which of the following statements will be true if the inflation in the economy is increasing?

(i) Bond price will decrease
(ii) Bondholders will loose
(iii) The yield on bonds will increase

Select the correct answer using the code given below:
(a) (i) only
(b) (i), & (ii) only
(c) (iii) only
(d) All of the above

69. The price of government securities is influenced by which of the following?

(i) Interest rate in the economy
(ii) Liquidity in the market
(iii) Developments in forex, money and capital markets

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i)& (ii) only
(d) All of the above

70. 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

71. Consider the following statements:

(i) Currencies and coins are fiat money
(ii) Currencies do not have intrinsic value but coins have
(iii) Currencies and coins are legal tenders
(iv) Cheques are legal tenders

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only

(c) (iii) & (iv) only
(d) (ii), (iii) & (iv) only

72. Consider the following statements:
(i) Currency notes are legal tenders
(ii) Currency notes are unlimited legal tenders
(iii) Currency notes are guaranteed by the Central Government
(iv) Currency notes are guaranteed by the RBI

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (i) & (iv) only
(c) (i), (ii) & (iii) only
(d) (ii) & (iv) only

73. Consider the following statements:

(i) All the currency in circulation is the liability of RBI
(ii) All the currency in circulation is part of money supply
(iii) Notes and coins are circulated in the economy only through RBI

Select the correct answer using the code given below:

(a) (i)only
(b) (i) &(ii) only
(c) (iii) only
(d) None of the above

74. Who has the authority to issue currency notes in India?

(a) Central Government
(b) Ministry of Finance
(c) RBI
(d) RBI governor

75. Consider the following statements regarding currency circulation in India:

(i) Govt. of India has the sole right to mint coins
(ii) The coins are issued for circulation only through RBI in terms of the RBI Act 1934
(iii) Coins can be issued up to the denomination of Rs. 1000 as per the Coinage Act 1906

Select the correct answer using the code given below:
(a) (i) only
(b) (i) &(ii) only
(c) (iii) only
(d) All of the above

76. If new currency is being issued, then who has the authority to decide its "Denomination":

(a) RBI Governor
(b) RBI Central Board of Directors
(c) Central Government
(d) Monetary Policy Committee

77. Who is the final authority in approving the design, form and material of bank notes:

(a) Governor of RBI
(b) Central Board of RBI
(c) Central Government
(d) Governor of RBI in consultation with Central Government

78. Prime Minister, on 8th of Nov 2016, declared that the existing Rs. 500 and Rs. 1000 notes will not be legal tender. This was done under which of the following Act.

(a) RBI Act 1934
(b) Banking regulation Act 1949
(c) Payment and Settlement Systems Act 2007
(d) Does not require any statutory backing

79. Which agency has the authority to declare that certain bank notes cease to be legal tender:

(a) RBI governor
(b) RBI Central Board
(c) Central Government
(d) Central Government on the recommendation of RBI Central Board

80. RBI targets the growth of money supply in the economy based on:

    (i) Expected real GDP growth
    (ii) Normal level of inflation

    Select the correct answer using the code given below:

    (a) (i)only
    (b) (ii) only
    (c) Both (i) & (ii)
    (d) Neither (i) nor (ii)

81. Which of the following statements are true regarding RBI?

    (i) As per the RBI Act 1934, RBI is bound to undertake the receipt and payments and other banking operations of the central government
    (ii) As per the RBI Act 1934, RBI is obliged to act as banker to State governments

    Select the correct answer using the code given below:
    (a) (i) only
    (b) (ii) only
    (c) Both (i) & (ii)
    (d) Neither (i) nor (ii)

82. Consider the following statements regarding 'Agency Banks' of RBI:

    (i) RBI Act 1934 allows it to appoint agency banks
    (ii) Public sector and private sector banks both can act as agency banks

    Select the correct answer using the code given below:
    (a) (i) only
    (b) (ii) only
    (c) Both (i) & (ii)
    (d) Neither (i) nor (ii)

83. Which of the following functions are part of the Reserve Bank of India (RBI) acting as Banker to Banks?

    (i) Enabling banks to maintain their accounts with RBI for statutory reserve requirements
    (ii) Enabling settlement of interbank transfer of funds
    (iii) RBI provides short term loans and advances to banks
    (iv) Acting as lender of last resort

    Select the correct answer using the code given below:
    (a) (i) only
    (b) (i) & (ii) only
    (c) (i), (ii) & (iii) only
    (d) All of the above

84. RBI acts as a 'lender of last resort' to ensure the following in the economy:

    (i) To prevent possible failure of the banks
    (ii) To protect the interest of the depositors of the banks
    (iii) To ensure financial stability in the economy

    Select the correct answer using the code given below:
    (a) (i) only
    (b) (i) & (ii) only
    (c) (i) & (iii) only
    (d) All of the above

85. Which of the following are characteristic situation for 'Bank Run'?

    (i) Customers withdraw their deposits fearing that banks will run out of reserves
    (ii) Banks are in risk of default
    (iii) The bank has gone bankrupt

    Select the correct answer using the code given below:
    (a) (i) & (ii) only
    (b) (i) & (iii) only
    (c) (iii) only
    (d) All of the above

86. Consider the following statements:

    (i) RBI can act as lender of last resort for banks and NBFCs both

(ii) All NBFCs are registered with and regulated by RBI

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

87. Which of the following functions are part of the Reserve Bank of India (RBI) acting as Banker to Central Government?

(i) RBI maintains the account for the various central government funds like Consolidated Fund of India, Contingency Fund and Public Account of India
(ii) RBI acts as advisor to the government on monetary and banking related matters
(iii) RBI provides Ways and Means Advances to the government
(iv) RBI floats loans and manages them on behalf of the government

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (i), (ii) & (iii) only
(d) All of the above

88. Consider the following statements regarding RBI:

(i) RBI regulates interest rates on savings & Time deposits in commercial banks
(ii) RBI regulates "Money Market"

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

89. Consider the following statements regarding "Commercial Papers":
(i) It is an unsecured debt instrument
(ii) It is a short-term money market instrument
(iii) NBFCs issue commercial papers

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iii) only
(c) (ii) only
(d) All of the above

90. Which of the following are instrument/s of money market?

(i) Cash management bills
(ii) Treasury bills
(iii) Certificate of Deposits
(iv) State Development Loans

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (i) & (iv) only
(d) (i), (ii) & (iii) only

91. Mergers and Acquisitions of commercial banks may require approval of which of the following agency/ies?

(i) Reserve Bank of India (RBI)
(ii) Competition Commission of India (CCI)

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

92. Consider the following statements regarding the "Banks Board Bureau (BBB)" constituted in 2016:

(i) It will be responsible for appointment of heads in PSBs and Financial Institutions
(ii) It will help PSBs in developing strategies and capital raising plans
(iii) It will improve the governance of the Public Sector Banks (PSBs)

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

93. Consider the following statements regarding Banks Board Bureau (BBB):

(i) It selects the chiefs of LIC, NABARD and public financial institutions
(ii) The persons selected by the BBB should be approved by the Appointments Committee of the Cabinet (ACC)

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

94. 'Banks Board Bureau (BBB)' has been established on the recommendation of which committee?

(a) P J Nayak Committee
(b) Narasimhan Committee
(c) Nachiket Mor Committee
(d) Urjit Patel Committee

95. Consider the following statements regarding the insurance cover provided to depositors by Deposit Insurance and Credit Guarantee Corporation (DICGC)

(i) All commercial banks and urban cooperative banks have to register with DICGC for providing insurance to depositors
(ii) RBI incurs the insurance premium burden
(iii) Government incurs the insurance premium burden

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (iii) only
(d) (i) & (iii) only

96. Consider the following statements regarding payment banks:

(i) They can open demand and time deposit accounts both
(ii) They are set up as differentiated banks
(iii) They may act as Business Correspondents for other banks
(iv) They will provide payments / remittance services to migrant labour workforce and small businesses

Select the correct answer using the code given below:
(a) (i) & (iv) only
(b) (i) & (ii) only
(c) (ii), (iii)& (iv) only
(d) All of the above

97. Consider the following statements regarding recently launched "India Post Payment Bank":

(i) It allows demand and fixed deposit both
(ii) It allows savings and current account both
(iii) It is a public sector company

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii)
(c) (ii) & (iii) only
(d) None of the above

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

(i) To supply credit to small business units
(ii) To supply credit to small and marginal farmers
(iii) To encourage young entrepreneurs to set up business particularly in rural areas.

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) (i), (ii) & (iii)

99. A new organizational structure 'Board of Management' was proposed for the Urban Cooperative Banks by which committee?
(a) Malegam Committee
(b) Nachiket Mor Committee
(c) Raghuram Rajan Committee
(d) Narasimhan Committee

100. Which of the following statements are correct regarding "Primary Cooperative Banks":

(i) They are under dual regulation of central/state govt. and RBI
(ii) They are supervised by NABARD

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

101. Which of the following statements are correct regarding "Regional Rural Banks (RRBs)":

(i) They are regulated by RBI
(ii) They are supervised by NABARD

Select the correct answer using the code given below:
(a) only (i)
(b) only (ii)
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

102. NABARD provides refinance to which of the following types of financial institutions:

(i) Commercial Banks
(ii) Regional Rural Banks
(iii) State Cooperative Banks & Land Development Banks
(iv) Non-Banking Financial Companies

Select the correct answer using the code given below:
(a) (ii) only
(b) (ii) & (iii) only
(c) (i), (ii) & (iii) only
(d) All of the above

103. Which of the following are the sources of finance for National Bank for Agriculture and Rural Development (NABARD)

(i) RBI
(ii) Borrowing from commercial banks
(iii) Borrowing by way of Govt. of India fully serviced bonds
(iv) Foreign currency borrowings

Select the correct answer using the code given below:

(a) (i)only
(b) (i) &(iii) only
(c) (iii) only
(d) All of the above

104. Consider the following statements regarding MUDRA Bank:

(i) It will provide direct lending to small entrepreneurs
(ii) MUDRA loans will be available for agriculture, manufacturing, trading and service activities

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

105. Consider the following statements regarding National Housing Bank (NHB):

(i) NHB regulates Housing finance companies
(ii) NHB is regulated by Govt. of India
(iii) NHB provides direct finance for individual housing loans

(iv) NHB provides refinance for individual housing loans

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (i) & (iv) only
(c) (ii) & (iii) only
(d) (iv) only

106. Which of the following statements are true regarding Housing Finance Companies (HFC)?

(i) HFCs are under direct regulation of RBI
(ii) HFCs are a category of Non-Banking Financial Companies (NBFCs)

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

107. Consider the following statements regarding "Peer to Peer Lending Platforms" in India:

(i) They are regulated by RBI as Non-Banking Financial Companies
(ii) They can lend on their own
(iii) They provide credit guarantee

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (iii) only
(d) All of the above

108. NBFCs raise their resources from which of the following:

(i) Loans from Banks
(ii) By issuance of bonds in the financial markets
(iii) Through External Commercial Borrowing (ECB)
(iv) Mutual Funds

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (i) & (iii) only
(d) All of the above

109. Which of the following are risk factors for NBFCs in their lending process?

(i) Relying on short term financing to fund long-term investments
(ii) Asset liability mismatch (ALM)
(iii) Rollover risk of commercial papers

Select the correct answer using the code given below:
(a) (i) only
(b) (i), (ii) only
(c) (ii), (iii) only
(d) All of the above

110. Consider the following statements regarding "Real Estate Investment Trusts (REITs):

(i) They are regulated by respective Real Estate Regulatory Authorities (RERA) of every State
(ii) It will make real estate sector accessible to small investors

Select the correct answer using the code given below
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

111. Which of the following statements are true regarding "Angel Investors":

(i) Angel investors generally invest their own money
(ii) They invest in small start-ups and entrepreneurs
(iii) They provide more favourable terms and conditions as compared to other lenders
(iv) Angel investment is regulated by SEBI

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (iii) only
(c) (ii) & (iii) only
(d) All of the above

112. Consider the following statements regarding 'Alternative Investment Fund' (AIF):

(i) Its privately pooled investment vehicle established in India and regulated by SEBI
(ii) It collects fund from sophisticated investors from India or Foreign
(iii) Venture capital comes under AIF

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (iii) only
(d) All of the above

113. Consider the following statements regarding "Sovereign Wealth Funds (SWFs)":

(i) SWFs are State owned investment funds
(ii) SWFs are established through fiscal and trade surpluses
(iii) They are used to stabilize budget and economy of the country from excess volatility in revenues
(iv) SWFs typically invests in government owned projects/assets

Select the correct answer using the code given below:
(a) (i) & (iv) only
(b) (ii) & (iii) only
(c) (ii), (iii) & (iv) only
(d) (i), (ii) & (iii) only

114. Which of the following statements are true regarding the term "Crowd funding"?

(i) It is a method of financing through the internet/social media
(ii) Small amounts of money are raised from large number of investors
(iii) It has the potential to increase entrepreneurship
(iv) It is also referred as marketplace financing

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i), (ii) & (iii) only
(c) (ii), (iii) & (iv) only
(d) All of the above

115. Consider the following statements regarding "Exchange Traded Funds (ETF)":

(i) ETFs are traded like stocks and can be bought and sold throughout the day
(ii) ETFs can be used as a vehicle for disinvestment
(iii) ETFs offers the benefit of diversification of risks

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) All of the above

116. The term "Bharat 22" recently seen in the news is related to which of the following:

(a) A programme launched by Government to give incentives to defence equipment manufacturing in India
(b) It is an Exchange Traded Fund (ETF) launched by Government of India
(c) A missile programme launched by ISRO
(d) A programme to make India "open defecation free" by 2022

117. Which of the following statements are true regarding the "Bharat Bond ETF":

(i) It will provide liquidity to investors
(ii) It will deepen the corporate bond market
(iii) Individuals will not be allowed to purchase these instruments
(iv) It will be traded on stock exchange

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iv) only
(c) (i) & (iii) only
(d) (i), (ii) & (iv) only

118. Consider the following statements regarding 'Share buyback'

(i) It can be used for disinvestment of PSUs
(ii) Company purchases the shares from the owners
(iii) Share buyback reduces the assets of the company

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) (i) & (ii) only
(d) All of the above

119. Consider the following statements regarding the term of appointment of RBI Governor:

(a) As fixed by the Central Government while appointing, not exceeding five years and eligible for re-appointment
(b) As fixed by the Central Government while appointing, not exceeding three years and eligible for re-appointment
(c) As fixed by the Central Government while appointing, not exceeding five years and not eligible for re-appointment
(d) As fixed by the Central Government while appointing, not exceeding three years and not eligible for re-appointment

120. Consider the following statements:

(a) RBI is fully autonomous institution
(b) Central Government can give directions to RBI if it considers necessary
(c) Central government cannot supersede the Central Board of Directors of RBI
(d) All of the above

121. Consider the following statements:

(i) Banks require prior approval of RBI for appointment of directors
(ii) Management of Public Sector banks is under dual regulation of Central Govt. & RBI

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

122. Consider the following statements:

(i) RBI is a wholly owned by Govt. of India
(ii) RBI's surplus transfer to the central government has steadily decreased in the last 5 years

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

123. RBI giving its surplus reserves to government may result in which of the following:

(i) Increasing inflation in the economy
(ii) Decreasing inflation in the economy
(iii) No impact on inflation
(iv) Meeting the fiscal deficit target of the government

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (iv) only
(d) (iii) & (iv) only

124. Which of the following are revenue sources of RBI?

(a) Management of Forex reserves
(b) Open market operations
(c) Repo operations
(d) All of the above

125. Consider the following statements regarding liquidity crisis in the debt markets:

(i) It may be caused due to defaults in the debt market
(ii) It may be caused due to FPIs running out of Indian markets
(iii) It may result in hardening of interest rates
(iv) RBI may do OMO to resolve the liquidity crisis

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (ii), (iii) & (iv) only
(d) All of the above

126. Consider the following statements regarding Monetary Base in India:

(i) It is the total liability of RBI
(ii) It is the total liability of Government of India

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

127. Which of the following could be the after effects of demonetization?

(i) RBI's liability would reduce to the extent the old notes does not come to the banking system
(ii) Transfer of wealth from holders of illicit black money to the public sector
(iii) Indirect and corporate taxes would decline to the extent growth slows

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

128. Which of the following is part of Monetary Base of an economy?

(i) Currency notes and coins with the public
(ii) Vault cash of commercial banks
(iii) Deposits of commercial banks with RBI
(iv) Deposits of Government of India with RBI

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (iii) & (iv) only
(d) All of the above

129. Reserve money of the commercial banks includes which of the following:

(i) All deposits of Public
(ii) Government securities held by banks
(iii) Cash held by banks in their vaults
(iv) Money deposited with RBI

Select the correct answer using the code given below:
(a) (ii) & (iii) only
(b) (ii), (iii) & (iv) only
(c) (iv) only
(d) All of the above

130. Money can be created in the economy in which of the following ways?

(i) Full reserve banking
(ii) Fractional reserve banking

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

131. Consider the following statements regarding Money Multiplier:

(i) It increases with increase in reserve requirements of banks
(ii) It decreases with increase in reserve requirements of banks
(iii) It increases with Monetary Base
(iv) It decreases with Monetary Base

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (ii) & (iii) only
(d) (ii) & (iv) only

132. Consider the following statements regarding 'money supply':

(i) It can be increased by increasing the money multiplier
(ii) It can be increased by increasing the monetary base

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

133. In the pandemic year, RBI increased the reserve money but it did not translate into a commensurate increase in money supply. This could be because of:

(i) Money multiplier remaining depressed
(ii) Rise in currency deposit ratio
(iii) Banks parking funds with RBI under reverse repo

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iii) only
(c) (iii) only
(d) All of the above

134. Consider the following statements regarding "Open Market Operations" (buying and selling of govt. bonds by RBI)

(i) It changes the monetary base
(ii) It changes the money supply
(iii) It changes the money multiplier

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) only
(c) (i) & (iii) only
(d) All of the above

135. Which of the following is not part of the money supply in the economy?
(i) Money lying with the government
(ii) Deposits of commercial banks with other commercial banks
(iii) Money lying with the Central bank
(iv) Deposits of pubic with commercial banks

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iv) only
(c) (i) & (ii) only
(d) (i), (ii) & (iii) only

136. Which of the following are part of money supply?

(i) Cash and deposits of public
(ii) Bonds held by public
(iii) Shares held by public

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) All of the above

137. Consider the following statements regarding Open Market Operations:

(i) It is conducted by Commercial Banks
(ii) It is conducted by RBI
(iii) It is about debt securities
(iv) It is about equity securities

Select the correct answer using the code given below:

(a) (i) & (iii) only
(b) (ii) & (iii) only
(c) (ii), (iii) & (iv) only
(d) All of the above

138. If the 'currency in circulation' is increasing in the economy then which of the following is true?

(i) Monetary base is increasing
(ii) Money supply is increasing
(iii) Money Multiplier is increasing
(iv) RBI's balance sheet is increasing

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) (i), (ii) & (iv) only

139. Consider the following statements:

(i) Open Market Operation is a monetary policy tool
(ii) Open Market Operations take place in secondary market
(iii) Sterilization is a monetary policy tool

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (iii) only
(d) All of the above

140. Consider the following statement regarding 'Market Stabilization Bonds' (MSBs):

(i) These are Treasury bills and Dated securities
(ii) RBI is empowered to issue MSBs
(iii) The interest payment on these bonds is made by government from its budgetary resources

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (ii) & (iii) only
(d) All of the above

141. Consider the following statements regarding Cash Reserve Ratio (CRR):

(i) It helps in securing monetary stability and managing liquidity in the economy
(ii) RBI can change the CRR to any level without any floor or ceiling limit

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

142. Consider the following statements regarding Cash Reserve Ratio (CRR) kept with RBI by commercial banks:

(i) It ensures safety to the people's deposits in banks
(ii) It ensures solvency of banks
(iii) It increases the cost of funds for the banks
(iv) Banks earn interest on CRR

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (i), (ii) & (iii) only
(d) All of the above

143. In the context of Indian economy, which of the following is/are the purpose/purposes of "Statutory Reserve Requirements"?

(i) To enable the Central Bank to control the amount of advances the banks can create
(ii) To make the people's deposits with banks safe and liquid
(iii) To prevent the commercial banks from making excessive profits
(iv) To force the banks to have sufficient vault cash to meet their day-to-day requirements

Select the correct answer using the code given below.
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) (i), (ii), (iii) & (iv) only

144. The Scheduled Commercial Banks (SCB) are required to maintain CRR with RBI as per which act:

(a) Reserve Bank of India Act 1934
(b) The Banking Regulation Act 1949
(c) Securities Contract (Regulation) 1956
(d) None of the above

145. Consider the following statements regarding the 'Monetary Policy Framework' that exists between Govt. of India and Reserve Bank of India:

(i) The primary objective of Monetary Policy is price stability
(ii) There is a flexible target for inflation that RBI needs to achieve
(iii) Monetary Policy Framework is operated by RBI
(iv) If RBI fails to achieve the target, it needs to submit report to the Govt. of India stating reasons of failure

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (iii) only
(c) (i), (ii) & (iv) only
(d) All of the above

146. Consider the following statements regarding the 'Monetary Policy Framework':

(i) The operating target is the money market rate
(ii) RBI tries to keep the operating target around the government securities yield rate

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

147. As per the new Monetary Policy Framework, who will determine the inflation target?

(a) Government of India (GoI)
(b) Reserve Bank of India (RBI)
(c) Govt. of India in consultation with RBI
(d) Monetary Policy Committee

148. Which of the following statements are true regarding the Monetary Policy Committee (MPC)?

(i) It has the authority to decide repo rate, CRR, SLR
(ii) Its decision is binding on RBI

Select the correct answer using the code given below:
(e) (i) only
(f) (ii) only
(g) Both (i) & (ii)
(h) Neither (i) nor (ii)

149. Consider the following statements regarding MPC and its members:

(i) Three members are appointed by Central Government and three are appointed by Central Board of RBI
(ii) The three members appointed by the Central Government hold office for a period of four years
(iii) There should be at least six meetings of the MPC in a year

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii)
(c) (ii) only
(d) (iii) only

150. Which of the following statements are true regarding 'Marginal Standing Facility' (MSF)?
(i) Scheduled commercial banks borrow additional amount for overnight
(ii) The banks can dip into their SLR portfolio to borrow from RBI
(iii) It provides a safety valve against unanticipated liquidity shocks

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (iii)only
(d) All of the above

151. The "Consumer Confidence Survey" in India is conducted by which of the following:

(a) Reserve Bank of India
(b) National Statistical Office (NSO)
(c) Department of Consumer Affairs
(d) Ministry of Labour & Employment

152. Which of the following agencies conducts 'inflation expectation survey' of households in India?

(a) Ministry of Statistics and Programme Implementation
(b) National Statistical Office
(c) Reserve Bank of India
(d) Ministry of Finance

153. RBI is keeping the policy rate at a higher level for quite some time. Which of the following conditions may have led to such behaviour?

(i) Inflation in the economy is high
(ii) Inflation expectation in the economy is high

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

154. RBI changed its monetary policy stance from accommodative to neutral. Which of the following could be the probable reasons?

(i) Inflation is edging up in the economy
(ii) Demand is firming up in the economy
(iii) A decline in Consumer confidence
(iv) RBI will have flexibility to move the policy rate in any direction

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iv) only
(c) (i), (ii) & (iv) only
(d) All of the above

155. If the US Central Bank raises their interest rate then it may lead to which of the following in the Indian economy:

(a) Rupee depreciation
(b) Rupee appreciation
(c) Investors moving to India
(d) Increase in money supply

156. Which of the following RBI may do to curb the rupee depreciation:
(i) Allowing importers to directly buy foreign currency from RBI
(ii) Increasing the repo rate
(iii) Selling dollars in foreign exchange market
(iv) Buying dollars in foreign exchange market

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii) & (iii) only
(c) (i), (ii) & (iii) only
(d) (i), (ii) & (iv) only

157. Consider the following statement regarding the term "Operation Twist":

(i) It is a kind of open market operation
(ii) RBI pumps additional money into the system to increase liquidity
(iii) It helps in monetary transmission

Select the correct answer using the code given below:

(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) All of the above

158. Which of following statements are true regarding "Long Term Repo Operations"?
(i) The interest rate is between reverse repo and repo rate
(ii) The interest rate must be at or above the repo rate
(iii) It is long term lending by RBI

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii) & (iii) only
(c) (ii) only
(d) (iii) only

159. Which of the following could be the impact of Long Term Repo Operation (LTRO) conducted by RBI:

(i) Increase in money supply
(ii) Increase in inflation
(iii) Increase in interest rate
(iv) Increase in liquidity with banks

Select the correct answer using the code given below:

(a) (i), (ii) & (iii) only
(b) (i) & (iv) only
(c) (i), (ii) & (iv) only
(d) (ii), (iii) & (iv) only

160. Which of the following statements are true regarding Long Term Repo Operation (LTRO) conducted by RBI:

(i) RBI provides the LTRO funds to those banks which offers maximum interest rate
(ii) LTRO helps in lowering the yield on bonds
(iii) LTRO can help in lowering the interest rate in the economy without reducing the repo rate

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iii) only
(c) (ii) only
(d) All of the above

161. Consider the following statements regarding the "Monetary Policy" followed by RBI:

(i) It follows flexible inflation target
(ii) While inflation is in control, RBI can focus on growth
(iii) Financial Stability is the explicit mandate of monetary policy
(iv) Achieving monetary policy objective will ensure financial stability

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iv)
(d) (ii), (iii) & (iv)

162. Which of the following monetary policy tools are used at RBI's discretion rather than regular?

(i) Open market operation
(ii) Long Term Repo Operation
(iii) Overnight fixed rate repo lending
(iv) Reverse repo auction

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii), (iii) & (iv) only
(c) (i), (ii) & (iv) only
(d) (iii) & (iv) only

163. Which of the following statements are true regarding the Marginal Cost of Funds based Lending Rate (MCLR):

(i) Banks will do lending at or above MCLR
(ii) MCLR may increase because of increase in CRR/SLR
(iii) MCLR helps in better transmission of policy rate into lending rate

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (iii) only
(d) All of the above

164. Consider the following statements regarding the interest rates linked with an external benchmark rate:

(i) External benchmark rate can be repo rate or yield on government securities or any rate published by Financial Benchmarks India Pvt. Ltd.
(ii) Once repo rate changes the lending rate of banks will automatically change
(iii) Banks are mandated by RBI to link the deposit and lending rate with external benchmark rate

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) only
(d) (i) & (iii) only

165. Consider the following statements regarding the "spread" charged over the external benchmark rate by the banks:

(i) The spread will be decided by the banks
(ii) The spread will change with the change of external benchmark rate
(iii) The spread may be different for different category of loans

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) All of the above

166. Consider the following statements regarding Non-Banking Finance Companies (NBFCs):

(i) RBI mandates NBFCs to link their lending rates with an anchor rate
(ii) MCLR is an anchor rate which acts as external benchmark rate

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

167. Which of the following could create a hindrance in achieving the objective of inflation targeting by RBI?

(i) Government deviating from the fiscal road map
(ii) Impediments in monetary policy transmission
(iii) Supply side bottlenecks

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii)
(d) All of the above

168. Which of the following operations by RBI can help in 'monetary transmission'?

(i) Forex Swap
(ii) Open Market Operation
(iii) Operation Twist
(iv) Long Term Repo Operation (LTRO)

Select the correct answer using the code given below:
(a) (ii) only
(b) (i) & (ii) only
(c) (i), (iii) & (iv) only
(d) All of the above

169. Which of the following may have inflationary impact in the economy?

(i) Forex swap

(ii) Increase in inflow of foreign capital
(iii) General elections

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (ii) & (iii) only
(d) All of the above

170. Which of the following tools RBI uses for monetary policy?

(i) Forex Swap
(ii) Liquidity Adjustment Facility (LAF)
(iii) Market Stabilization Scheme
(iv) Sterilization

Select the correct answer using the code given below:
(a) (i), (ii) & (iii) only
(b) (i), (iii) & (iv) only
(c) (iii) & (iv) only
(d) All of the above

171. The Real Rate of Interest is equal to the Nominal Interest Rate minus inflation. Consider the following statements:

(i) Real Interest Rate must be positive to encourage savings and reduce consumption
(ii) Real Interest Rate must be negative to encourage savings and reduce consumption
(iii) Real interest rate is always positive
(iv) Inflation rate in the market may be negative

Select the correct answer using the code given below:
(a) (i) only
(b) (iii) only
(c) (i) & (iii) only
(d) (i) & (iv) only

172. Which of the following factors may lead to increase in savings in the economy?

(i) Positive real interest rate
(ii) Low inflation rate
(iii) Rise in per capita income
(iv) Growth of financial intermediaries

Select the correct answer using the code given below:
(a) (iii) only
(b) (iii) & (iv) only
(c) (ii) & (iii) only
(d) All of the above

173. Inflation in the economy generally leads to which of the following:

(i) Depreciation of currency
(ii) Appreciation of currency
(iii) Increase in real interest rate
(iv) Increase in nominal interest rate

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii) & (iii) only
(c) (i) & (iv) only
(d) (i), (iii) & (iv) only

174. If an economy is in "Liquidity Trap", then which of the following statements shall be true:

(i) The interest rate in the market will be very low/zero
(ii) People and businesses both will hold on to their cash and don't spend
(iii) People will be willing to spend
(iv) Demand Deposits of banks increases

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iv) only
(c) (i), (ii) & (iv) only
(d) (i) & (iv) only

175. Consider the following statements:
(i) Inflation benefits creditors
(ii) Inflation benefits debtors
(iii) Inflation benefits bondholders
(iv) Inflation benefits depositors

Select the correct answer using the code given below:

(a) (i) & (iii) only
(b) (ii) only
(c) (iii) only
(d) (i), (iii) & (iv) only

176. Consider the following two statements:

(i) Headline inflation measures price inflation arising due to all types of commodities in the economy
(ii) Core inflation measures the headline inflation excluding volatile components i.e. food and fuel items

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

177. The rise in prices of goods and services in an economy may be caused due to:

(i) Increase in money supply
(ii) Increase in government expenditure
(iii) RBI purchasing government securities from the public
(iv) Increase in wages

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i), (ii) & (iii) only
(c) (i), (ii), & (iv) only
(d) All of the above

178. If a country is experiencing inflation then what will decrease:

(a) Wage level
(b) The output of goods and services
(c) The amount of money needed to purchase a given quantity of goods and services
(d) Purchasing Power

179. Which of the following may lead to an increase in the overall prices?

(i) Increase in effective demand
(ii) Decrease in the aggregate level of output
(iii) Increase in aggregate output
(iv) An increase in overall employment

Select the correct answer using the code given below:
(a) (i) & (iv) only
(b) (ii) & (iv) only
(c) (i), (ii) & (iv) only
(d) All of the above

180. Which of the following will necessarily lead to inflation?

(a) Increase in aggregate demand
(b) Increase in effective demand
(c) Decrease in aggregate output
(d) Increase in current account deficit

181. To reduce the rate of inflation, the Government should:

(a) Increase public expenditure
(b) Encourage consumer expenditure
(c) Increase Income tax
(d) Reduce Interest Rate

182. If the supply of money is increased in the economy, then which of the following statements are true:

(a) It may lead to increase in interest rates
(b) It may lead to decrease in interest rates
(c) It will necessarily lead to economic growth
(d) None of the above

183. The amount of Money Supply in the economy affects the following macroeconomic variables:
(a) Rate of Interest
(b) Price level
(c) Output
(d) All of the above

184. Which of the following scenarios can support sustainable economic growth?
(i) Deflation
(ii) Low and moderate inflation

(iii) Galloping inflation
(iv) Hyperinflation

Select the correct answer using the code given below:
(a) (ii) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) All of the above

185. Which of the following are the reasons that make a moderate level of inflation good for the economy?

(i) It increases consumption levels
(ii) It keeps businesses profitable
(iii) It induces people to save more

Select the correct answer using the code given below:
(a) (ii) only
(b) (i) & (ii) only
(c) (iii) only
(d) All of the above

186. Consider the following statements regarding an economy facing deflation:

(i) Companies defer their investments
(ii) People defer their expenditures
(iii) Demand decreases
(iv) Unemployment increases

Select the correct answer using the code given below:

(a) (i) & (ii) only
(b) (iii) only
(c) (iii) & (iv) only
(d) All of the above

187. 'Stagflation' occurs in which of the following situation:
(i) Demand pull inflation
(ii) Cost push inflation

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

188. Which of the following are supply side factor/s responsible for inflation?

(i) Increase in exports
(ii) Increase in government expenditure
(iii) Increase in credit creation

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) (iii) only

189. Which of the following are causes of demand-pull inflation?

(i) Lower interest rate
(ii) Higher government expenditure
(iii) Higher cost of inputs

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) only
(c) (iii) only
(d) All of the above

190. If the interest rate is decreased in an economy, it will

(a) Decrease the consumption expenditure in the economy
(b) Increase the tax collection of the Government
(c) Increase the investment expenditure in the economy
(d) Increase the total savings in the economy

191. Consider the following statements:

(i) High output leads to high unemployment
(ii) High unemployment leads to high inflation

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)

(d) Neither (i) nor (ii)

192. Consider the following statements:

(i) Higher employment leads to higher inflation
(ii) Higher inflation leads to higher employment

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

193. Consider the following statements:
(i) Disinflation is declining rate of inflation but the rate of inflation remains positive
(ii) Deflation is general decrease in price level and the inflation rate is negative

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

194. The term 'Reflation' of economy is related to which of the following?

(i) Fiscal stimulus to expand the output
(ii) It tries to curb the effects of deflation
(iii) Monetary stimulus by reducing the interest rate

Select the correct answer using the code given below:
(a) (i) only
(b) (iii) only
(c) (i) & (iii) only
(d) All of the above

195. Consider the following statements regarding an economy facing disinflation:

(i) Companies defer their investments
(ii) People defer their expenditures
(iii) Demand decreases
(iv) Unemployment increases

Select the correct answer using the code given below:
(a) (i) only
(b) (i) &(iii) only
(c) None of the above
(d) All of the above

196. Consider the following statements regarding "Sovereign Gold Bonds":

(i) These are government securities denominated in grams of gold
(ii) Issued by RBI on behalf of Govt. of India
(iii) Investors will receive fixed interest rate
(iv) If the market price of gold declines, investors will be protected against capital loss

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (i), (ii) & (iii) only
(d) All of the above

197. Consider the following statements:

(i) Investments in Gold ETFs will lead to reduction in import of Gold
(ii) Gold ETFs value move inversely with the price of physical Gold
(iii) Investments in Sovereign Gold Bonds will lead to reduction in Current Account Deficit

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (iii) only
(d) (iii) only

198. Which of the following will help in reducing the current account deficit?

(i) Adopting suitable policies to attract FDI/FPI

(ii) The foreign currency earnings of India's IT sector
(iii) Foreign investments in Govt. securities

Select the correct answer using the code given below:

(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (iii) only
(d) (ii) & (iii) only

199. Which of the following statements are true regarding "Shadow Banking":

(i) They by and large raise funds from public deposits
(ii) Their activities are transparent and properly regulated
(iii) IL&FS is an example of Shadow bank

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (iii) only
(d) (i) & (ii) only

200. "Enhanced Access and Service Excellence (EASE)" is linked to which of the following:

(a) Public sector bank reforms
(b) e-Governance
(c) Digital India Programme
(d) None of the above

201. Consider the following statements regarding the "Banking Ombudsman Scheme":

(i) Banking Ombudsman is appointed by the RBI
(ii) It resolves customer complaints against deficiency in certain banking services
(iii) It has been introduced under the Reserve Bank of India Act 1934

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii) & (iii) only
(c) (i) & (ii) only
(d) All of the above

202. Consider the following statements regarding "Kisan Credit Card (KCC)" scheme:

(i) It provides short term credit for cultivation of crops
(ii) It provides long term credit
(iii) It provides credit for consumption requirements of farmers household
(iv) Available to owner cultivator, tenant farmers and share croppers

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iv) only
(c) (i), (ii) & (iii) only
(d) All of the above

203. Which of the following category of financial institutions are not involved in the implementation of Kisan Credit Cards (KCC)?

(a) Regional Rural Banks (RRBs)
(b) Cooperative Banks
(c) Small Finance Banks
(d) Non-Banking Financial Institutions (NBFCs)

204. Which category of banks have the highest share in agricultural credit:

(a) Commercial Banks (excluding regional rural banks)
(b) Regional Rural banks
(c) Cooperative Banks
(d) Non-Banking Financial Companies

205. Which of the statements are correct regarding the term "bail in" which was recently in the news?

(a) rescuing of corporates by government
(b) rescuing of financial institution by taxpayers money
(c) rescuing of financial institution by its depositors/ creditors
(d) All of the above

206. Which of the following statements are true regarding "Prompt Corrective Action (PCA)" framework:

(i) It is applicable to banks and non-banking financial companies (NBFCs)
(ii) The institutions under PCA may cease to lend
(iii) It is a supervisory tool of RBI for banks
(iv) It applies once financial institutions reach certain threshold level regarding Capital and NPAs.

Select the correct answer using the code given below:
(a) (i), (ii) & (iii) only
(b) (iii) & (iv) only
(c) (ii), (iii) & (iv) only
(d) All of the above

207. Consider the following statements regarding the 'Supervisory Action Framework':

(i) It is applicable for Urban-Cooperative banks
(ii) It can be initiated in case of serious governance issues

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

208. Which of the following statements are true regarding "Domestic Systemically Important Banks (DSIB)":

(i) These are also called "too big to fail"
(ii) They need to meet additional capital requirement
(iii) The list of DSIB should be declared annually by RBI
(iv) The list of DSIB is declared by the Ministry of Finance

Select the correct answer using the code given below
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (ii) & (iv) only
(d) (i), (ii) & (iii) only

209. Which of the following bank is not in the list of "Domestic Systemically Important Banks"

(a) Axis Bank
(b) HDFC Bank
(c) ICICI Bank
(d) State Bank of India (SBI)

210. Consider the following statements regarding RBI's 'Payments Infrastructure Development Fund':

(i) The fund will be managed by RBI
(ii) It will receive equal contribution from RBI and Govt. of India
(iii) It will specifically promote 'Point of Sale' infrastructure usage by retailers

Select the correct answer using the code given below:

(a) (i)only
(b) (i) & (iii) only
(c) (iii) only
(d) (ii) only

211. RBI keeps its foreign exchange reserves with which of the following agency/ies?
(i) Bank for International Settlement (BIS)
(ii) Foreign Commercial banks
(iii) Other/foreign Central banks
(iv) Other institutions approved by Central Board of RBI

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iii) only
(c) (iii) & (iv) only
(d) All of the above

212. Which of the following statements is true regarding "Line of Credit":

a) It is issued by one bank to another
b) It is issued mainly in case of international transactions
c) It is a preset amount of money that a bank has agreed to lend
d) The company will have to pay interest on the amount for which line of credit has been issued

213. Which of the following statements are true regarding "Letter of credit"?

(i) It is a form of bank guarantee
(ii) It is an assurance that a buyer's payment to a seller will be received on time
(iii) It is a letter issued from a bank that the bank has agreed to lend

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (i) & (iii) only
(d) All of the above

214. Which of the following statements are true regarding "Teaser Loans"?

(i) It is a fixed cum floating loan product
(ii) These are short term loans
(iii) These loans are banned by RBI

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (iii) only
(d) (ii) & (iii) only

215. The term "provisioning" in the banking sector is related to which of the following:

(a) It is the loss that the bank incurs on sale of bad assets
(b) It is the amount of fund that the bank needs to set aside when the loan turns NPA
(c) It is the minimum amount of funds that the depositors will receive when the bank goes bankrupt
(d) It is the minimum amount which the borrower will have to pay even if the loan turns NPA

216. The term 'Securitization' refers to which of the following:

(a) Issuance of securities of smaller values to raise liquidity
(b) Pooling and repackaging of financial assets into marketable securities
(c) Selling of debt securities to get access to liquidity
(d) An unconventional monetary policy tool to pump liquidity in the economy through creation of securities

217. Which of the following statements are true regarding the "Partial Credit Guarantee Scheme" launched in the 2019-20 budget?

(i) It is applicable for all govt. and private banks both
(ii) NBFCs assets will be purchased by banks
(iii) It will help in resolving the problem of asset liability mismatch of NBFCs
(iv) It will help in handling liquidity issues of NBFCs

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iii) only
(c) (ii), (iii) & (iv) only
(d) All of the above

218. Consider the following statements:

(i) 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.

(ii) CAR is decided by each individual bank.

Which of the statements given above is/are correct?
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

219. Consider the following statements regarding 'Additional Tier 1 bonds':
(i) They are part of capital under Basel III norms
(ii) They are perpetual in nature and have no maturity period
(iii) They can be written down in case of bank failure

Select the correct answer using the code given below:
(a) (ii) only
(b) (iii) only
(c) (i) & (iii) only
(d) All of the above

220. Consider the following statements regarding "recapitalization of public sector banks" through 'recapitalization bonds':

(i) It will increase capital adequacy ratio of banks
(ii) Govt will borrow money from banks
(iii) Govt will put money into banks as a creditor
(iv) will provide safety to depositors

Select the correct answer using the code given below:
(a) (i) & (iv) only
(b) (i), (ii) & (iv) only
(c) (ii) & (iii) only
(d) All of the above

221. Which of the following statements are true regarding the "Liberalized Remittance Scheme" (LRS)?

(i) It is applicable for Individuals only and not companies
(ii) It is applicable for both current and capital account
(iii) Foreign exchange trading is not permitted in this scheme

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

222. Foreign Direct Investment (FDI) in India can happen by which of the following ways:

(i) Subsidiary
(ii) Joint Venture
(iii) Acquisition of shares
(iv) Purchase of government securities

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (i), (ii) & (iii) only
(d) All of the above

223. Consider the following statements regarding Foreign Direct Investment (FDI):

(i) FDI investment happens mainly through secondary market
(ii) FDI investment is about equity securities
(iii) FDI investment is about debt securities

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (i) & (iii) only
(d) (ii) only

224. Consider the following statements regarding Foreign Portfolio Investors (FPI):

(i) FPI is mainly into primary market
(ii) FPI investment may happen through primary market
(iii) FPI investment happens only in equity shares

(iv) FPI investment happens only in debt securities

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (ii) & (iii) only
(d) None of the above

225. Consider the following statements:

(i) Foreign Portfolio investments are more volatile than FDI
(ii) FDI investors can easily sell their holdings and quit the market
(iii) Foreign Portfolio investment is sector specific
(iv) FDI investment in general target the capital market

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (iii) & (iv) only
(d) (iv) only

226. Consider the following statements:
(i) A Foreign Portfolio Investor can maximum invest 10 per cent in an Indian Company
(ii) When Foreign Investment in an Indian company is more than 10 per cent it is treated as FDI

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

227. Consider the following statements:
(i) Foreign Direct Investment in India has steadily increased in the last 5 years
(ii) Foreign Portfolio Investment in India has steadily increased in the last 5 years

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

228. Consider the following statements regarding FDI/FPI:

(i) FDI get attracted by higher economic growth
(ii) FPI get attracted by higher economic growth
(iii) FPI get attracted by interest rate differential
(iv) FDI get attracted by interest rate differential

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii) & (iii) only
(c) (i), (iii) & (iv) only
(d) (i), (ii) & (iii) only

229. Which of the following statements are true regarding Foreign Portfolio Investors (FPIs):

(i) They fund India's Current Account Deficit (CAD)
(ii) They help in achieving governments disinvestment target
(iii) They are liable to pay capital gain tax in India

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iii) only
(c) (iii) only
(d) All of the above

230. Foreign Direct Investment in India under "Government Route" is approved by which of the following agency/body:

(a) Department of Economic Affairs
(b) Department for Promotion of Industry and Internal Trade (DPIIT)
(c) Reserve Bank of India (RBI)

(d) Respective administrative Ministry/ Department

231. Consider the following statements regarding Foreign Direct Investment (FDI) in India:

(a) Sectors under 'Automatic Route' does not require government approval
(b) Sectors under 'Govt. Approval Route' require approval of Dept. for Promotion of Industry & Internal Trade (DPIIT)
(c) FDI in any sector beyond a certain value requires government approval
(d) None of the above

232. Consider the following statements:
(i) Through masala bonds, capital is raised in foreign currency
(ii) Through masala bonds capital is raised in domestic currency
(iii) By issuance of masala bonds, the exchange risk is transferred to the investor

Select the correct answer using the code given below:

(a) (i) only
(b) (ii) only
(c) (i) & (iii) only
(d) (ii) & (iii) only

233. Which of the following measures will help in preventing rupee depreciation:

(i) Easing restriction on ECB
(ii) Easing restrictions on raising funds through Masala Bonds
(iii) Restricting imports of non-essential commodities
(iv) Restricting FPI investments in India

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (i), (ii) & (iii) only
(d) (iii) & (iv) only

234. Consider the following statements regarding "GIFT-SEZ":

(i) All transactions are in foreign currency only
(ii) It is the only place in India designated as 'International Financial Services Centre'
(iii) It provides financial services to residents and non-residents both

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (ii) & (iii) only
(d) All of the above

235. Consider the following statements regarding 'Masala Bonds':

(i) It may be listed in India
(ii) It is part of India's external debt
(iii) Masala bonds help in financing India's current account deficit

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (ii) & (iii) only
(d) All of the above

236. The term "Phantom Capital" was recently in the news, is related to which of the following:

(a) Fake currency notes
(b) Recapitalization of public sector banks
(c) Circular Flow of Income in an economy
(d) Foreign Direct Investment

237. Consider the following statements regarding "strategic disinvestment" of PSUs:

(i) Government sells up to 50% or higher percentage of shares to a strategic partner
(ii) Management control must be transferred to the strategic partner

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

238. Which of the following ministries/departments identify PSUs for "Strategic Disinvestment"?

(a) Department of Investment and Public Asset Management (DIPAM)
(b) NITI Aayog
(c) Jointly by DIPAM and NITI Aayog
(d) Inter-Ministerial body called 'Alternative Mechanism'

239. Which of the following are the objectives of the 'Strategic Disinvestment Policy' of Govt. of India announced recently?

(i) Financing of social sector and developmental programmes of Govt.
(ii) Creating new space for private sector
(iii) Post disinvestment PSUs will be able to create more jobs and contribute to economic growth through private capital and technology

Select the correct answer using the code given below:
(a) (ii) only
(b) (iii) only
(c) (i) & (ii)
(d) All of the above

240. Which of the following statements are true regarding "Alternative Mechanism"?

(a) It is an inter-ministerial body to fasten the process of strategic disinvestment
(b) It is an inter-ministerial body to identify PSUs for strategic disinvestment
(c) It is the nodal department for strategic disinvestment
(d) None of the above

241. Which of the following will be included in the balance of payments of India?
(i) Factor income of Indian residents from abroad
(ii) Gift received by a family in India from his NRI son
Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

242. Which of the following constitute Capital Account in BoP?

(i) Global Depository Receipts (GDRs)
(ii) International Trade Credit
(iii) Government securities purchased by foreign Investors
(iv) Securities purchased by foreign portfolio investors

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (iii) & (iv) only
(c) All of the above
(d) None of the above

243. Consider the following statements regarding 'Global Depository Receipts':

(a) It is a form of equity investment in listed Indian companies
(b) These are investments in banks through debt papers
(c) These are a way for external borrowing by Indian companies
(d) It is a way of borrowing by Govt. of India from external sources

244. Which of the following are part of capital account transaction?

(i) Masala bonds
(ii) Purchase of capital equipment from abroad
(iii) NRI deposits in Indian banks

Select the correct answer using the code given below:
(a) (i) only

(b) (i) & (ii) only
(c) (iii) only
(d) (i) & (iii) only

245. Which of the following statements will be considered as part of 'Transfer Payments' in balance of payment?

(i) Gift sent by an NRI to his friend in India
(ii) Money sent by an Indian employee to his family in India who has gone abroad temporarily

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

246. The Current Account Deficit in Balance of Payment can be financed through:

(i) Net capital inflow
(ii) Foreign exchange reserve transaction

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) None of the above

247. Consider the following statements regarding "Currency Swap Agreement" between two companies:
(i) It is used to obtain foreign currency loans at cheaper interest rate
(ii) It removes the exchange rate risk

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

248. Recently RBI signed currency swap agreement with Sri Lanka. Consider the following statements regarding the same:

(i) The countries did not exchange their own currencies rather a third currency was exchanged
(ii) It is an open ended credit line from one country to another at a fixed exchange rate

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

249. Consider the following statements:

(i) As per the Banking Regulation Act 1949, RBI, in public interest, can supersede the management of a banking company.
(ii) As per the RBI Act 1934, RBI, in public interest can supersede the management of a non-banking financial company

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

250. Consider the following statements regarding Reserve Bank of India (RBI) Act 1934:
(i) RBI can supersede the management of a banking company under RBI Act 1934
(ii) The Central Government can supersede the 'Central Board' of RBI under RBI Act 1934

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor

251. Consider the following statements regarding resolution of stressed assets:

(i) RBI can issue directions to banking companies for resolution of stressed assets
(ii) RBI can direct banking companies to move through IBC 2016 for resolution of stressed assets only upon authorization of Govt. of India
(iii) Lenders require RBI authorization for resolution of stressed assets under IBC Code 2016

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) All of the above

252. Which of the following kind of entities are covered under Insolvency and Bankruptcy Code 2016?
(i) Individuals
(ii) Partnership firms
(iii) Limited Liability Partnerships
(iv) Companies

Select the correct answer using the code given below:
(a) only
(b) & (iv) only
(c) (ii), (iii) & (iv) only
(d) All of the above

253. Which of the following statements are true regarding the Insolvency and Bankruptcy Code 2016?

(i) Committee of Creditors consist of only financial creditors
(ii) Operational creditors do not share the resolution proceeds
(iii) NCLT will decide the distribution of proceeds between financial and operational creditors

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) (iii) only

254. Which of the following statements are true regarding the Insolvency and Bankruptcy Code 2016?

(i) The resolution plan should be approved by NCLT
(ii) The resolution process must be completed within 330 days including litigation

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

255. Consider the following statements regarding Insolvency and Bankruptcy Code (IBC) 2016:

(i) IBC is applicable for Financial Service Providers like NBFCs
(ii) Central Government has the authority to decide which type of financial service providers will be included for resolution under IBC
(iii) IBC has not been made applicable for insolvency of banks

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (iii) only
(d) All of the above

256. Consider the following statements regarding resolution of Financial Service Providers (FSP) under IBC 2016.

(i) Govt. of India in consultation with appropriate regulator will decide which category of FSPs can be taken up for resolution under IBC 2016
(ii) To initiate resolution of FSPs under IBC 2016, the appropriate regulator should make an application

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

257. Who cannot bid for companies put up for sale under the new Insolvency and Bankruptcy Code (IBC):

(i) A wilful defaulter
(ii) Promoters of the company

Select the correct answer using the code given below
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

258. Which of the following statements are true regarding the SARFAESI Act 2002?

(i) It is applicable to banks and NBFCs both
(ii) It allows selling of the security in case of secured lending

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

259. Consider the following statements regarding recently announced "Pre-Pack" scheme under IBC 2016:

(i) It is applicable for MSMEs
(ii) The management will remain with the promoters of the distressed firm
(iii) There will be a fixed timeline for resolution of cases under this scheme

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

260. "Liquidity Coverage Ratio" is defined as a ratio of:

(a) High quality liquid assets to cash outflow for 30 days period
(b) High quality liquid assets to deposits of the public in the bank
(c) High quality liquid assets to net cash outflow amount over a 30 days period
(d) High quality liquid assets to total lending of banks

261. Which of the following will be the impact of rupee depreciation?
(i) Exports will become more competitive
(ii) Exporters will fetch more dollars for the same amount of goods exported
(iii) Demand for domestic goods and services will increase

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (iii) only
(d) All of the above

262. Consider the following statements regarding crypto currencies in India:
(i) Trading of crypto currencies is banned in India
(ii) Crypto currencies acquired value because they can be created only in limited number

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

263. A reduction in repo rate by RBI may not be transmitted into lending rate in the economy because of:

(i) Banks cost of funds remaining high

(ii) Government offering higher interest on its own savings schemes
(iii) Liquidity crunch in the economy

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii)& (iii) only
(c) (i) & (iii) only
(d) All of the above

264. The term "On-lending model" was recently in the news is related to which of the following?

(a) Loan given by NBFCs out of bank borrowing to priority sectors will be considered as Priority Sector Lending
(b) Loans given by Development Financial Institutions to banks for further lending
(c) Loans given by banks to Development Financial Institutions
(d) RBI giving loans to NBFCs for onward lending

265. Which of the following statements are true regarding the 'Co-lending' by Banks and NBFCs for lending to priority sector:
(i) The banks can claim the total amount of loan given under co-lending as priority sector lending
(ii) The banks and NBFCs have to keep the same price for their part of the loan
(iii) In this model banks can leverage their strong presence in local markets while NBFCs will have the cheap availability of funds

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) None of the above
(d) All of the above

266. Which of the following sectors have recently been added to the Priority Sector Lending (PSL)?

(a) Installation of solar agricultural pumps
(b) Setting up of compressed Bio gas plants
(c) Start-ups
(d) All of the above

267. Which of the following statements are true regarding Priority Sector Lending?

(i) Regional Rural Banks and Small Finance Banks are required to give 75% of their credit to priority sectors
(ii) RBI assigns higher weights to the priority sector credit given in the districts where the per capita priority sector lending is less

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

268. Which of the following will deter investments in the economy?

(i) High real interest rate
(ii) High capacity utilization

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

269. Consider the following statements in a market determined exchange rate system:

(i) Imposing tariff may not help in improving trade balance as the exchange rate moves to offset the tariff
(ii) The exchange rate depends on the demand and supply of the two currencies

Select the correct answer using the code given below:
(a) (i) only

(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

270. Consider the following statements regarding rupee-dollar rate in foreign exchange market:

(i) Inflation in the domestic economy will lead to rupee depreciation
(ii) Rupee depreciation will lead to inflation in the domestic goods in the economy

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

271. Which of the following activities will increase liquidity in the economy?

(i) Advance tax payment
(ii) Tax refunds for GST
(iii) Front loading of government expenditure
(iv) Recapitalization of public sector banks

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii), (iii) & (iv) only
(c) (iii) & (iv) only
(d) All of the above

272. 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

273. Surplus liquidity in the economy may result in which of the following:
(i) Softening of bond yield
(ii) Reduction in cost of capital
(iii) Depreciation of currency

Select the correct answer using the code given below:
(a) (ii) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

274. Recently there was a surge in bond yields in the domestic economy. Consider the following statements:

(i) Bondholders will gain
(ii) It will attract FPI debt investors
(iii) It will positively impact Government's disinvestment plan

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (ii) only
(d) All of the above

275. Microfinance is the provision of financial services to people of low-income groups. This includes both the consumers and the self-employed. Services rendered under microfinance is/are:

(i) Credit facilities
(ii) Savings facilities
(iii) Insurance facilities
(iv) Fund transfer facilities

Select the correct answer using the codes given below the lists:
(a) (i) only
(b) (i) & (iv) only
(c) (ii) & (iii) only
(d) (i), (ii), (iii) & (iv)

276. Consider the following statements regarding lending by "Microfinance Institutions (MFIs)":

(i) RBI has put a cap on household income limit to avail credit from MFIs
(ii) RBI has increased the lending limit by MFIs per borrower to Rs. 1.25 lakhs

Select the correct answer using the code given below:
(a) (i) only

(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

277. Consider the following statements regarding 'White Label ATMs (WLAs)':

(i) ATMs set up, owned and operated by non-banks are called WLAs
(ii) Non-bank ATM operators are authorized under the Payment and Settlement Systems Act, 2007 by RBI.

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

278. Consider the following statements:

(i) Debt overhang refers to a debt burden so large that an entity cannot take on additional debt to finance future projects.
(ii) Debt trap is a situation in which it becomes difficult or impossible to repay the debt

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

279. Consider the following statements regarding 'Circuit Breaker':

(i) Circuit breaker applies when the stock or indices moves too much in either direction
(ii) Circuit breakers when triggered may bring about a coordinated trading halt in all the equity markets nationwide

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

280. The term 'Transfer Pricing' was recently in the news, it is related to which of the following?

(a) The price at which one company sells intermediate goods to other companies
(b) The price at which goods are transferred within group companies
(c) The price at which goods are transferred between shell companies
(d) The price at which one company transfers its goods from one state to another state for stocking purpose

281. Consider the following statements regarding 'Advance Pricing Agreement':

(i) It is an agreement between a tax authority and a tax payer
(ii) It is an agreement between two governments
(iii) It is an agreement to discover the pricing methodology between related company transactions
(iv) It helps in making a country an attractive destination for foreign investments

Select the correct answer using the codes given below the lists:
(a) (i) & (iii)only
(b) (ii) & (iii) only
(c) (ii) & (iv) only
(d) (i), (iii) & (iv) only

282. In case of the recent Yes Bank crisis:
(i) RBI superseded the Board of 'Yes Bank' through RBI Act 1934
(ii) RBI acted as 'Lender of Last Resort'

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

283. Which of the following figures are presented as part of the Budget presentation in Parliament?

(i) Budgeted receipts and expenses for the next Financial Year (FY)
(ii) Budgeted receipts and expenses for the current FY
(iii) Revised receipts and expenses for the current FY
(iv) Actual receipts and expenses for the last FY

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (i), (ii), & (iii) only
(d) All of the above

284. Consider the following statements:

(i) Supplementary demand is presented before the end of the financial year to which it relates for any additional expenditure
(ii) Demand for excess grants is presented once the expenditure has been done and the financial year to which it relates has passed

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

285. Consider the following statements regarding presentation of Budget in the Parliament:

(i) Finance Bill is introduced on the very first day when the Finance Minister presents Budget in the Parliament
(ii) Appropriation Bill is introduced after the voting on demand for grants is over

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

286. Which of the following department prepares outcome budget?

(a) Public finance division under department of expenditure
(b) Budget division under department of Economic affairs
(c) Department of financial services
(d) NITI Aayog

287. Which of the following statement is not true regarding "Outcome Budget":

(a) It is not presented in parliament
(b) It measures development outcomes of govt. programmes
(c) It helps in better service delivery
(d) It reduces unnecessary expenses

288. Surplus reserve of RBI transferred to Government of India (GOI) will come under which of the following?

(a) Market borrowings and other liabilities
(b) Non-tax revenue receipts
(c) Non-debt capital receipts
(d) Debt receipts

289. The Grants-in-aid given by the Central Government to the State Governments and local bodies for creation of capital assets are classified in the Union budget under?

(a) Revenue expenditure
(b) Capital Expenditure
(c) Both Revenue and Capital expenditure
(d) None of the above

290. Which of the following are Non-Tax Receipts of the Central Government?

(i) Issue of Passport and Visa
(ii) Registration of Companies
(iii) Royalty from on shore oilfields
(iv) Royalty from offshore oilfields

Select the correct answer using the code given below:
(a) (i) only
(b) (i), (ii) & (iii) only
(c) (i), (ii) & (iv) only
(d) All of the above

291. Which of the following are Non-Tax Revenue Receipts of Govt. of India?

(i) Spectrum Auction
(ii) Revenues of IRCTC
(iii) Examination Fee of Union Public Service Commission

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (iii) only
(d) All of the above

292. Which of the following are Non-debt capital receipts of Govt. of India?

(i) Disinvestment
(ii) Recovery of loans
(iii) Public Account receipts
(iv) Treasury Bills

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (iii) & (iv) only
(d) (i), (ii) & (iii) only

293. Which of the following are part of Capital Budget of Govt. of India?

(i) Proceeds received in the public account of India
(ii) PSUs purchasing capital equipment
(iii) Establishment of "India Post Payment Bank"

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) None of the above

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

(i) Expenditure on acquisition of assets like roads, buildings, machinery, etc.
(ii) Loans received from foreign governments
(iii) Loans and advances granted to the States and Union Territories

Select the correct answer using the code given below.
(a) (i) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) All of the above

295. Which of the following are parts of capital budget of Govt. of India?

(i) Issuance of Sovereign Gold Bonds
(ii) Receipt from Gold Monetization

Select the correct answer using the code given below:

(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

296. Which of the following are revenue receipts of Central Government budget?

(i) RBI paying dividend to govt. of India
(ii) PSUs paying dividend to govt. of India
(iii) PSUs earnings
(iv) Proceeds from sale of govt. land

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (i), (ii) & (iii) only
(d) All of the above

297. Consider the following statements regarding Budget 2021-22:

(i) The central government budgeted expenditure is around 15% of GDP
(ii) Revenue receipts and capital receipts of central government are almost equal
(iii) States have been allowed a fiscal deficit of 5% of GSDP

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (iii) only
(d) All of the above

298. Budget 2021-22 has proposed which of the following ways to finance the 'National Infrastructure Pipeline'?

(i) Establishment of a Development Financial Institution
(ii) Creation of a 'National Monetization Pipeline' of potential brownfield infrastructure assets which can be monetized
(iii) Central Govt. will nudge States to spend more on infrastructure

Select the correct answer using the code given below:
(a) (ii) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) All of the above

299. Tax revenue collection in our country mainly depends on which of the following:

(i) Nominal GDP
(ii) Real GDP

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

300. "Tax Buoyancy" in the economy is defined as:

(i) Ratio of percentage change in tax revenue to percentage change in GDP
(ii) Ratio of change in tax revenue to change in GDP
(iii) Percentage increase in tax revenues as measured from previous year
(iv) Incremental change in tax revenues required to increase the GDP by one percent

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (iii) only
(d) (ii) & (iv) only

301. Which of the following receipts goes to Public Account of India:

(i) Treasury Bills
(ii) Kisan Vikas Patra
(iii) Sukanya Samriddhi Account
(iv) Public Provident Fund

Select the correct answer using the code given below:
(a) (i) & (iv) only
(b) (ii) & (iii) only
(c) (ii), (iii) & (iv) only
(d) All of the above

302. Consider the following statements regarding the various 'Small Savings Schemes' offered by Govt. of India

(i) The money collected goes into the National Small Savings Fund (NSSF) under Public Account of India
(ii) The interest rate on these schemes has been linked with G-securities of similar maturities
(iii) The NSSF fund is used to lend money to Govt. of India and other Govt. agencies like FCI/NHAI

Select the correct answer using the code given below:
(a) (i) only

(b) (i) & (ii) only
(c) (iii) only
(d) All of the above

303. Fiscal Deficit is equal to:

(i) Total expenditure minus total receipts
(ii) Total expenditure minus total receipts excluding borrowing
(iii) Revenue deficit plus capital expenditure minus non debt creating capital receipts
(iv) Total borrowing

Select the correct answer using the code given below:
(a) (i) & (iv) only
(b) (ii) & (iii) only
(c) (ii), (iii) & (iv) only
(d) All of the above

304. Fiscal Deficit of the Government of India is equal to which of the following:

(a) Debt creating capital receipts
(b) Non-Debt capital receipts
(c) Debt and non-debt capital receipts
(d) Capital receipts less of revenue receipts

305. 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?

(i) Reducing revenue expenditure
(ii) Introducing new welfare schemes
(iii) Rationalizing subsidies
(iv) Expanding industries

Select the correct answer using the code given below.
(a) (i) & (iii) only
(b) (ii) & (iii) only
(c) (i) only
(d) (i), (ii), (iii) & (iv) only

306. Consider the following statements regarding the government's fiscal deficit:

(i) It may be inflationary
(ii) It may not be inflationary
(iii) It raises aggregate demand

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (iii) only
(d) All of the above

307. Postponing the "Fiscal Deficit" target or Fiscal Slippage may result in which of the following:

(i) Decrease in bond prices
(ii) Increase in bond yield
(iii) Increase in market interest rates
(iv) Decrease in market interest rates

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) (i), (ii) & (iii) only

308. Which of the following can finance Govt. of India's fiscal deficit?

(i) Foreign Direct Investment (FDI)
(ii) Foreign Portfolio Investment (FPI)

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) (ii)
(d) Neither (i) nor (ii)

309. Consider the following statements:

(i) Fiscal deficit increases aggregate demand in the economy
(ii) Fiscal deficit is financed by borrowing from RBI

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

310. Which of the following statements are true regarding "fiscal stimulus":

(i) It is a strategy to boost sluggish economy
(ii) RBI pumps money into the economy
(iii) Government reduces subsidies
(iv) Public spending increases

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i), (ii), & (iv) only
(c) (i), (iii) & (iv) only
(d) (i) & (iv) only

311. Change in the fiscal policy can have impact on which of the following?

(a) Current Account in BoP
(b) Capital Account in BoP
(c) Both (a) & (b)
(d) Neither (a) nor (b)

312. Consider the following statements regarding "counter-cyclical" fiscal policy:
(i) Government uses the counter cyclical policy to cool down the economy during boom period
(ii) In counter cyclical policy, government increases spending and reduces taxes during economic slowdown
Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (i)
(d) Neither (i) nor (ii)

313. Consider the following statements regarding 'Fiscal Consolidation' policy:

(i) It is an effort by the government to bring down fiscal deficit
(ii) It is an effort to reduce public debt
(iii) It is an effort to reduce current account deficit
(iv) It is an effort to raise revenues and bring down wasteful expenses

Select the correct answer using the code given below:
(a) (i), (ii) & (iii) only
(b) (i), (ii) & (iv) only
(c) (iv) only
(d) All of the above

314. Consider the following statements regarding "Monetisation of Deficit":

(i) It leads to increase in Monetary Base
(ii) RBI purchases government bonds in the primary market
(iii) It is allowed as per FRBM Act 2003 but only under exceptional circumstances
(iv) It may lead to inflation and macroeconomic instability.

Select the correct answer using the code given below:

(a) (i), (iii) & (iv) only
(b) (ii) & (iii) only
(c) (ii) & (iv) only
(d) All of the above

315. Which of the following may lead to rupee depreciation?

(i) Expansionary fiscal policy
(ii) Expansionary monetary policy
(iii) Monetisation of Deficit
(iv) Debasement of currency

Select the correct answer using the code given below:

(a) (i) & (ii) only
(b) (i), (ii) &(iii) only
(c) (iii) & (iv) only
(d) All of the above

316. Consider the following statements:

(i) Before 1997, central government used to directly monetise its deficit from RBI
(ii) RBI operates in the primary market of government securities
(iii) The primary objective of OMO is to support government borrowing by

purchase of govt bonds in the open market

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) (iii) only

317. Which of the following statement is true regarding "Tax Base"?

(a) It is the number of people falling under tax net
(b) It is the number of people and business units under tax net
(c) It is the income of people which can be taxed by the government
(d) It is the aggregate value of financial streams on which tax can be imposed by the government

318. Which of the following taxes are regressive in nature?

(i) Income Tax
(ii) Sales Tax
(iii) Goods & Services Tax (GST)
(iv) Value Added Tax (VAT)

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (ii) only
(d) (ii), (iii) & (iv) only

319. Consider the following statements regarding taxes:

(i) Every time government is changing the excise and customs duty, it does not require approval of the parliament
(ii) Excise Duty is applicable on LPG cylinders as it is out of GST

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

320. Consider the following statements regarding Goods and Services Tax (GST):
(i) GST is a value added tax
(ii) GST is a multipoint destination based tax

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

321. Consider the following statements regarding Goods and Services Tax (GST):

(i) Taxes need to be paid at each point in the value chain
(ii) It will have input tax credit mechanism
(iii) The total taxes will be passed on to the consumers

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

322. Consider the following statements regarding GST:

(i) The market price of a product will be same all across India
(ii) The producing State will not get GST
(iii) It will allow seamless passage of input tax credit across States
(iv) It will not lead to cascading effect of taxes

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iv) only
(c) (i), (iii) & (iv) only
(d) (ii), (iii) & (iv) only

323. GST will lead to formalization of the Indian economy because of the following reasons.

(a) GST is consumption/ destination-based tax
(b) GST has input tax credit mechanism
(c) All the businesses have to pay GST without any threshold limit
(d) GST will be levied on goods and services both

324. Consider the following statements regarding IGST:

(i) It is levied by the Centre on inter-state supply of goods
(ii) The IGST rate is equal to CGST plus the SGST/UTGST rate
(iii) The tax revenue is shared equally among the Centre and the consuming State/UT

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (iii) only
(d) All of the above

325. What does "Revenue Neutral Tax Rate" means in reference to the Goods and Services Tax":

(a) That GST rate at which tax (indirect) revenues of States and Centre will not get impacted after implementation of GST
(b) The tax rate will be same for the Centre and State
(c) The tax rate at which Central and States revenues will be same
(d) All of the above

326. Consider the following statements regarding the GST Compensation Cess:

(i) It is levied and collected by the Centre
(ii) GST compensation fund has been established in Consolidated Fund of India
(iii) The States will be compensated if their nominal revenue growth is less than 14% after the implementation of GST.

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (iii) only
(d) All of the above

327. Consider the following statements:

(i) Central Government levies National Calamity Contingent Duty to finance National Disaster Response Fund (NDRF)
(ii) NDRF has been established under Public Account of India

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

328. Consider the following statements regarding Goods and Services Tax?

(i) It will lead to harmonization of taxes
(ii) Supplies to exports are zero rated

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

329. Consider the following statements regarding import of goods and services in India:
(i) They are treated as inter-state supplies for GST
(ii) Customs duty and IGST both are applicable
(iii) Only IGST is applicable

(iv) Imports are zero-rated

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (iii) only
(d) (i) & (iv) only

330. Which of the following statements are true regarding the "Electronic - Way Bill"?

(i) It is mandatory as per the GST law
(ii) It is a replacement of the Way Bill which was required under the VAT regime
(iii) It is required for goods transported worth more than Rs. 50,000/-
(iv) It will check tax evasion

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iv) only
(c) (i) & (iii) only
(d) All of the above

331. Consider the following statements regarding "Composition Scheme" in GST:
(i) It exempts small taxpayers from payment of GST
(ii) It allows small businesses to pay tax at a fix percent of their turnover
(iii) It reduces the compliance cost for small businesses

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) only
(d) (ii) & (iii) only

332. The term 'Crowd-out' in economy is related to which of the following:

(i) Increased public sector spending replaces private sector spending
(ii) Governments deficit spending through borrowed money leads to hardening of interest rates
(iii) Government spending uses up financial resources that would otherwise be used by private firms
(iv) Government providing a service or good that would otherwise be a business opportunity for private industry

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) All of the above

333. The term 'Crowd-in' in the economy is related to which of the following?

(i) Targeted government spending acts as an engine of growth in the short run
(ii) Government spending complements the private investment
(iii) Government spending substitutes the private investment
(iv) Government spending boosts demand for goods which in turn increases private demand

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (i), (ii) & (iv) only
(d) (i), (iii) & (iv) only

334. Covid-19 pandemic has resulted in both supply side and demand side shocks. Consider the following statements:
(i) Higher government spending may result in crowd in of private sector
(ii) Crowding out of private investment may not be an option due to unutilized resources in the economy
(iii) Following a counter-cyclical approach, government can

frontload the infrastructure spending

Select the correct answer using the code given below:
(a) (i) only
(b) (iii) only
(c) (i) & (iii) only
(d) All of the above

335. Consider the following statements

(i) Higher growth rate relative to interest rate makes the debt sustainable
(ii) Long maturity profile of debt reduces the rollover risk

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

336. Consider the following statements regarding the "Inverted Duty Structure" in international trade:

(i) It makes domestic manufactured goods less competitive against finished product imports in the domestic market.
(ii) Finished goods are taxed at higher rate than the raw materials
(iii) Raw materials are taxed at higher rate than the finished products
(iv) This has reference to Customs Duty

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (i) & (iv) only
(d) (i), (iii) & (iv) only

337. Consider the following statements regarding inverted duty structure in GST:
(i) It is the result of several tax slabs in our GST structure
(ii) It results in loss of revenue for the government

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

338. Consider the following statements regarding use of Aadhar for benefit transfer:
(i) The money can be drawn only from the Consolidated Fund of India
(ii) The States can also use Aadhar to transfer benefit from Consolidated Fund of States
(iii) Central government can make Aadhar mandatory for authentication to provide any subsidy
(iv) It can be used for transfer of benefit to individuals who are residing in India for more than 182 days

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iv) only
(c) (i), (iii) & (iv) only
(d) (ii), (iii) & (iv) only

339. The term "Pump Priming" means:

(i) It is a way to stimulate the economy by reducing tax
(ii) It is done in economic slowdown by reducing interest rate

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (i)
(d) Neither (i) nor (ii)

340. When a portion of public debt falls due, refinancing of public debt is done by:

(a) Selling new bonds and using proceeds to pay off holders of maturity bonds

(b) Extending maturity of debt by raising the interest payable on rate maturing debt
(c) Raising taxes to provide funds to repay the maturing bonds
(d) Print additional paper currency to meet maturing obligations

341. Which of the following statements are true regarding "Deficit Financing"?

(i) It raises aggregate demand in the economy
(ii) It may result in inflation in economy
(iii) It is used as a developmental tool by developing countries
(iv) It is done by issuing government bonds

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i), (ii) & (iii) only
(c) (iii) & (iv) only
(d) All of the above

342. Consider the following statements regarding 'Consolidated Sinking Fund (CSF)':

(i) The fund is maintained with RBI
(ii) The fund belongs to State Governments
(iii) This fund is used as buffer for repayment of liabilities

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

343. Inflation acts as a tax in the economy. This tax is:
(a) Progressive
(b) Proportional
(c) Regressive
(d) None of the above

344. Which of the following statements are correct?

(i) Progressiveness in personal income tax can be increased by having more tax slabs
(ii) Redistribution of income can help in stimulating the economy by increasing consumption

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (i)
(d) Neither (i) nor (ii)

345. Consider the following statements regarding the Corporate Income Tax which the government reduced effectively to 25.17%:

(i) It is applicable for Indian Companies
(ii) It is applicable for domestic companies
(iii) It is applicable only if the companies are not availing various exemptions
(iv) The above rate is including Cess and Surcharge

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii) & (iv) only
(c) (ii), (iii) & (iv) only
(d) All of the above

346. Consider the following statements regarding 'Equalisation Levy':

(i) It is a direct tax
(ii) It is imposed as a percentage of profit
(iii) It is applicable on Non-resident entities

Select the correct answer using the code given below:

(a) (iii) only
(b) (i) & (iii) only
(c) (i) & (ii) only
(d) (ii) & (iii) only

347. Which department decides the outlay for Centrally Sponsored Scheme (CSS)

(a) NITI Aayog
(b) Public Finance Division under department of Expenditure
(c) Economic Division under department of Economic Affairs
(d) None of the above

348. Consider the following statements regarding the Centrally Sponsored Schemes (CSCs):

(i) Central government gives grant to States to implement these schemes
(ii) For Central government, most of the expenditure on CSCs is revenue expenditure
(iii) Central government transfers the amount to either State Consolidated Fund or directly to State implementing agencies

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) All of the above

349. Consider the following statements regarding the "Public Finance Management System (PFMS)":

(i) It comes under the office of Controller General of Accounts, Ministry of Finance
(ii) It comes under Department of Expenditure, Ministry of Finance
(iii) It is an end to end online solution for processing payments, reconciliation and reporting of central schemes
(iv) It tracks fund utilization up to the last mile for central schemes

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii) & (iii) only
(c) (i), (iii) & (iv) only
(d) (ii), (iii) & (iv) only

350. The pool of tax resources of the Union Government which is shared with the States (Vertical Devolution as per FC) is called 'Divisible Pool'. Which of the following are not parts of the Divisible Pool?

(i) Cess and Surcharge
(ii) Cost of collection of taxes
(iii) Tax Revenue of the Union Territories
(iv) National Calamity Contingency Duty

Select the correct answer using the code given below:

(a) (i)& (iv) only
(b) (iii) &(iv) only
(c) (i), (ii) & (iii) only
(d) All of the above

351. Consider the following statements regarding the Fifteenth Finance Commission (FFC) recommendations for 2021 to 2026:

(i) It has recommended a devolution of 41% of the divisible pool from Central taxes to States
(ii) It has recommended 'State specific grants, based on their special needs
(iii) It has recommended 'sector specific grants' which are mostly performance based incentives

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) All of the above

352. Which UT/State's per capita SGDP has been taken as the reference by the Fifteenth Finance Commission for calculating the 'income distance' for horizontal distribution?

(a) Goa
(b) Haryana

(c) Delhi
(d) Maharashtra

353. Out of the 41% devolved to States by the 15th Finance Commission, arrange the States in descending order as per the proceeds received among themselves:

(a) UP > Bihar > MP > West Bengal
(b) Bihar > UP > West Bengal > MP
(c) West Bengal > UP > Bihar > MP
(d) UP > West Bengal > Bihar > MP

354. The Public Debt of Government of India includes which of the following:

(i) Treasury Bills
(ii) External Commercial Borrowing (ECB)
(iii) NRI deposits
(iv) Foreign Direct Investment in India (FDI)

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (i), (ii) & (iii) only
(d) (ii) & (iv) only

355. Which of the following are part of India's External Debt?

(i) External Commercial Borrowing (ECB)
(ii) NRI Deposits
(iii) Investments made by Portfolio Investors in debt securities
(iv) Portfolio Investors purchasing government securities

Select the correct answer using the code given below:
(a) (i) only
(b) (iv) only
(c) (i), (iii) & (iv) only
(d) All of the above

356. Consider the following regarding India's external debt:

(i) It is around 21% of GDP
(ii) Sovereign Debt is less than 5% of GDP
(iii) Commercial Borrowings has the highest share in India's external debt

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (iii) only
(c) (i) & (iii) only
(d) All of the above

357. Which of the following statements are true regarding Govt. of India's external debt?

(i) More than 50% of the multilateral debt is from World Bank
(ii) More than 50% of the bilateral debt is from Japan

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

358. Consider the following statements:

(i) Centre's accumulated debt is consistently higher than all State's combined debt for the last decade
(ii) Out of the total debt of Central Govt., the majority is public debt

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

359. Which of the following statements are true regarding FRBM Act 2003?

(i) RBI generally subscribes to the primary issues of Central government securities
(ii) RBI finances Central government fiscal deficit
(iii) Central government can take advance from RBI in case there is

a mismatch in cash disbursements and cash receipts

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) (iii) only

360. Consider the following statements:

(i) FRBM Act 2003 has provided for an escape clause in which central government can deviate from the fiscal deficit target by 0.5%
(ii) The States require Finance Commission approval to deviate from their fiscal deficit target

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

361. "Central Government Debt" includes which of the following?
(i) Outstanding liabilities on the security of the Consolidated Fund of India
(ii) Outstanding liabilities in the Public Account of India
(iii) Off-budget liabilities

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) All of the above

362. Consider the following statements regarding Forex Reserves:

(i) The country's Forex Reserves fully covers the external debt of India
(ii) The country's Forex Reserves fully covers its one-year of imports

Select the correct answer using the code given below:
(e) (i) only
(f) (ii) only
(g) Both (i) & (ii)
(h) Neither (i) nor (ii)

363. Consider the following statements regarding Forex Reserves of India:

(a) If the foreign currencies other than dollars in our forex reserve appreciates then forex reserve will increase
(b) If the foreign currencies other than dollars in our forex reserve appreciates then forex reserve will decrease
(c) Appreciation/depreciation of Foreign currencies other than dollars (in our forex reserve) do not have any impact on our forex reserves
(d) Our forex reserves do not include foreign currencies other than dollars

364. Consider the following statements regarding 'Net International Investment Position (NIIP)':

(i) It measures the difference between a nation's stock of foreign assets and foreigner's stock of that nation's assets at a specific point of time
(ii) The FDI inflow in a country will worsen the NIIP position of that country
(iii) It represents the debt and equity service burden

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (iii) only
(d) All of the above

365. India's external liabilities include which of the following?
(i) FDI investment in India
(ii) FPI's debt and equity investments in India

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only

(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

366. Which of the following is not a case of Centre's Off Budget Borrowings?

(a) Borrowing by FCI to fund the food subsidy programme
(b) Borrowing by HUDCO to fund the affordable housing programme
(c) Borrowing by NABARD for govts' irrigation projects
(d) Borrowing by NTPC for its power generation projects

367. The "Internal and Extra Budgetary Resources" of Central Public Sector Undertakings (CPSUs) include which of the following:

(i) Profit of the CPSUs
(ii) Domestic and foreign loans raised by the CPSUs

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (i)
(d) Neither (i) nor (ii)

368. Consider the following statements regarding the "e-assessment scheme":

(i) It allows faceless assessment of taxpayers
(ii) It is for direct taxpayers
(iii) The national e-assessment centre is based in Mumbai

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (ii) only
(d) All of the above

369. Consider the following statements regarding "Vivad se Viswas" scheme proposed in the budget:

(i) It is only for direct taxes
(ii) The objective is to generate timely revenue for the government

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

370. Consider the following statements regarding Agriculture Census:

(i) Agriculture Census is conducted quinquennially (at five year interval)
(ii) The first Agriculture Census was conducted in 1970-71

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

371. Consider the following statements:

(i) Agriculture GDP at constant prices has steadily increased in the last 10 years
(ii) GDP at constant prices has steadily increased in the last 10 years.

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

372. Consider the following statements:

(i) Horticulture production has surpassed food grain production consistently in the last five years
(ii) India is the largest producer of Milk in the world
(iii) India is the largest producer of wheat and rice

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) All of the above

373. Which of the following agriculture commodity India exports in maximum value?

(a) Rice
(b) Spices
(c) Buffalo meat
(d) Cotton

374. Which country is the largest exporter of Jute?

(a) India
(b) Myanmar
(c) Bangladesh
(d) China

375. Consider the following statements regarding Jute:

(i) National Jute Board has been constituted under an act of parliament to promote jute production and its products
(ii) Govt. mandates packaging of commodities in jute packaging materials through 'Jute Packaging Materials Act 1987'

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

376. Which of the following factors are taken into account by CACP for recommending MSP of agriculture crops?

(i) Demand and supply
(ii) Price trends in domestic and international markets
(iii) Terms of trade between agriculture and non-agriculture sector
(iv) Inter-crop price parity
(v) Cost of production
(vi) Likely implications of MSP on the consumers of that product

Select the correct answer using the code given below:

(a) (v) only
(b) (i), (ii) and (v) only
(c) (ii), (iii) & (vi)
(d) All of the above

377. Government declares MSP which is at least 50% over cost of production. This cost includes:

(i) Actual paid out cost on rentals
(ii) Rentals forgone on owned land
(iii) Depreciation on agricultural implements
(iv) Actual storage cost post harvest

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iv) only
(c) (ii) & (iii) only
(d) (i) & (iii) only

378. Consider the following statements regarding the procurement of 'Minor Forest Produce' at Minimum Support Price.

(i) The MSP is revised after every 3 years by Ministry of Tribal Affairs
(ii) The MSP declared by the Govt. of India acts as a reference MSP and States have the freedom to change it
(iii) Tribal Cooperative Marketing Development Federation of India (TRIFED) acts as the Central Nodal Agency for implementation

Select the correct answer using the code given below:

(a) (i)& (iii) only
(b) (ii) &(iii) only
(c) None of the above
(d) All of the above

379. Which of the following statements are true regarding the Model Agricultural Land Leasing Act 2016?

(i) The model act allows consolidation of farm land
(ii) The duration of lease and the consideration amount is regulated by the government
(iii) The model act does not allow leasing of land for animal husbandry purposes

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) only
(d) All of the above

380. Consider the following statements regarding electronic National Agriculture Market (e-NAM)

(i) It will ensure that the people get the agri-commodities at the same price over the entire country
(ii) Farmers can sell their agri-produce through e-NAM sitting at their homes without bringing it in the physical APMC mandis

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

381. Participatory Guarantee System for India (PGS-India) is related to which of the following:
(a) Organic Farming
(b) Patents
(c) Banking
(d) None of the above

382. Consider the following statements regarding organic foods in India:

(i) FSSAI regulates organic foods in India
(ii) Any food to be sold as 'organic' in India must be certified through National Program for Organic Production (NPOP)
(iii) 'Jaivik Bharat' is a logo developed by FSSAI for organic products in India

Select the correct answer using the code given below:
(a) (i) only
(b) (iii) only
(c) (i) & (iii) only
(d) All of the above

383. Consider the following statements regarding "Krishi Vigyan Kendras (KVKs)":

(i) KVKs are completely financed by Govt. of India
(ii) KVKs are financed jointly by Govt. of India and the State governments
(iii) KVKs work as knowledge and resource centre of agricultural technologies to make it available to farmers
(iv) KVKs produce quality product to make it available to farmers

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii) & (ii) only
(c) (ii) & (iv) only
(d) (i), (iii) & (iv) only

384. Which of the following statements are true regarding "Farmer Producer Organization" (FPO):

(i) It can be company, a cooperative society, Trust or any other legal entity
(ii) It should provide sharing of benefits/profit to the farmers
(iii) Ownership control is always with the farmers
(iv) NABARD is providing support for promotion of FPOs

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iv) only
(c) (i), (ii) & (iv)
(d) All of the above

385. Consider the following statements regarding the scheme PM-KISAN:

(i) All the farmers are eligible without any exception
(ii) The scheme will not be inflationary in nature

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

386. Consider the following statements regarding 'Kisan Rail':

(i) The freight charges are subsidized by Govt. of India
(ii) Kisan rail trains run with multi-consignors and multi-consignees
(iii) Loading and unloading is permitted at en-route stoppages

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) only
(d) All of the above

387. Consider the following statements:
(i) Fishing contributes around 1% in overall GDP
(ii) Livestock contributes around 5% in overall GDP

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

388. Consider the following statements regarding "Protection of Plant Varieties and Farmers Rights (PPVFR) Act 2001:

(i) The 'Breeder' of the new variety will decide the royalty

(ii) The farmer is allowed to sell his unbranded farm produce including seed of a variety protected under this act

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

389. Consider the following statements regarding "National Gene Fund":

(i) It has been established under Protection of Plant Varieties and Farmers Rights Act 2001
(ii) It has been established under Indian Patent Act 1970
(iii) It will receive benefit sharing from the breeder

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (ii) only
(d) (i) & (iii) only

390. FCI stores the food grains procured for the central pool in the following:

(i) FCI's own godowns
(ii) Central Warehousing Corporation's godowns
(iii) State Warehousing Corporation's godowns
(iv) Godowns hired from private sector

Select the correct answer using the code given below:
(a) (i) only
(b) (i), (ii)& (iii) only
(c) (ii)&(iv)
(d) All of the above

391. "Private Entrepreneurs Guarantee Scheme" is related to which of the following?
(a) Construction of Godowns in PPP mode
(b) Construction of Mega Food Parks by private developers
(c) Export promotion
(d) Promotion of MSMEs

392. Which of the following statements are true regarding "Open Market Sale Scheme":

(a) It is done by Reserve Bank of India to sell Govt. securities
(b) It is done by Food Corporation of India to sell food grains
(c) It is done by Securities and Exchange Board of India (SEBI) to sell shares
(d) It is done by companies listed on stock exchange to issue shares

393. Consider the following statements regarding "Central Issue Price" (CIP):

(i) It is the price at which food grains are issued to the state governments
(ii) It is fixed by Food Corporation of India
(iii) The present CIP for rice and wheat is Rs. 3/kg and Rs. 2/kg respectively

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) (iii) only

394. Consider the following statements regarding the 20th Livestock Census:

(i) Uttar Pradesh has the largest number of cattle populations
(ii) Maharashtra has the largest poultry population

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

395. Recently the term "Economic Threshold Limit" was there in the news. It is related to which of the following?

(a) Potential GDP growth
(b) Capacity utilization of the economy
(c) Pest management for crops
(d) Underground water level

396. The term 'under-recovery' was recently in the news, is related to which of the following?

(a) Government spending more on the subsidies than the budgeted amount

(b) Cost incurred by PSU's in providing subsidies
(c) Government giving exemptions on certain types of taxes
(d) Central government getting less repayment on loans given to States

397. Consider the following statements regarding Urea subsidy:

(i) The subsidy amount is transferred directly into farmers account
(ii) The per kg subsidy amount is fixed and does not change with market fluctuation
(iii) Price of Urea is regulated by the government

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (iii) only
(d) All of the above

398. Consider the following statements regarding the 'Nutrient Based Subsidy' (NBS) Scheme.

(i) It is given for phosphatic and potassic fertilizers
(ii) It is given for urea
(iii) The prices of fertilizers under nutrient based scheme are regulated by the government
(iv) Subsidy is based on per kg of nutrients present in the fertilizer

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii) & (iii) only
(c) (i) & (iv) only
(d) (iii) & (iv) only

399. Consider the following statements:

(i) Minimum Export Price (MEP) is the price below which exports are not permitted
(ii) MEP is imposed to curb the price rise and prevent disruptions in domestic supply
(iii) Minimum Import Price (MIP) is the price below which imports are not allowed
(iv) MIP is imposed to curb imports and protect domestic producers

Select the correct answer using the code given below:
(a) (i) & (iii) only
(b) (ii) & (iii) only
(c) (ii),(iii) & (iv) only
(d) All of the above

400. Consider the following statements:

(i) Minimum Export Price (MEP)/Minimum Import Price (MIP) restrictions are imposed under "The Foreign Trade (Dev. & Reg.) Act 1992"
(ii) "The Foreign Trade (Dev. & Reg.) Act 1992" can be used to put quantitative restrictions on export/import

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

401. Which of the following statements are true regarding Central Government's procurement policy of wheat and rice?
(i) It is an open ended procurement policy
(ii) Under the centralized procurement policy, all the wheat and rice is procured by FCI
(iii) Under decentralized procurement policy, States procure wheat and rice and distribute under NFSA

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) All of the above

402. Consider the following statements regarding "Warehouse Receipts":

(i) They are issued as per the Warehousing (Development & Regulation) Act 2007
(ii) Warehousing Development & Regulatory Authority (WDRA) is under ministry of Commerce and Industry
(iii) Warehouse receipts are negotiable
(iv) These receipts are govt. recognized and can be used for taking loan

Select the correct answer using the code given below:
(a) (i) only
(b) (iii) & (iv) only
(c) (i), (iii) & (iv) only
(d) All of the above

403. Consider the following statements regarding Price Stabilization Fund (PSF):
(i) It is under ministry of Agriculture and Farmers Welfare
(ii) The fund is utilized to grant working capital loan to central agencies
(iii) The scheme promotes direct purchase of farm produce from the farmers

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) All of the above

404. Consider the following statements regarding the essential commodities under "Essential Commodities Act 1955"
(i) Central government can put stocking limits on retailers and wholesalers under Essential Commodities Act 1955
(ii) National Agricultural Cooperative Marketing Federation of India (NAFED) and National Cooperative Consumers Federation of India (NCCF) can provide these commodities at cheaper prices in the markets
(iii) NAFED and NCCF are registered as Multi-State Cooperative Societies

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (ii) & (iii) only
(d) All of the above

405. Which of the following statements are true regarding SAMPADA scheme?
(i) It is implemented by Ministry of Agriculture
(ii) It is implemented by Ministry of consumer affairs, food and public distribution
(iii) It will focus on agro-marine processing

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) (iii) only

406. Consider the following statements regarding 'Operation Greens':

(i) It is under ministry of Food Processing Industries
(ii) NAFED will be the nodal agency to implement it
(iii) It focusses on building post-harvest processing facilities and agri-logistics

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (i) &(iii) only
(d) All of the above

407. Consider the following statements regarding the 'National Technical Textile Mission':

(i) The aim is to promote our domestic market through research and development

(ii) Our growth in technical textiles is high as compared to the 4% world average growth

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

408. Consider the followings statements with reference to 'Jaivik-kheti portal':

(i) It is an E-commerce as well as a knowledge platform
(ii) It is an initiative of Ministry of Agriculture (MoA)
(iii) Through this portal, buyers can avail organic products at their door step at much lower prices

Which of the statements given above is/are correct?
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) All of the above

409. Under the National Food Security Act 2013, the expenditure towards intra state transportation and handling charges for movement from FCI depots to Fair Price Shops is borne by:

(a) Central Government
(b) State Government
(c) Shared between Central and State Government
(d) Is passed on to the beneficiaries

410. Which of the following statements are true regarding the recently launched 'Krishi Megh'?

(a) It is an online portal to access agriculture related weather data
(b) It is a data recovery centre based in Delhi
(c) It has been set up to protect the data of Indian Council of Agricultural Research
(d) It will have a backup of ministry of agriculture and farmers' welfare data

411. Consider the following statements regarding 'Custom Hiring Centre' (CHC)?
(i) Government is establishing CHC under National Mission on Agricultural Extension & Technology
(ii) Government is providing subsidy on purchase of equipments by CHCs
(iii) CHC provides costly equipments to small farmers on rental basis

Select the correct answer using the code given below:

(a) (ii)only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) All of the above

412. Which of the following statements are true regarding "Inclusive growth"?

(i) Inclusive growth is fuelled by market driven sources of growth
(ii) Inclusive growth focuses on productive employment
(iii) Inclusive growth focuses on income redistribution

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (ii)& (iii) only
(d) All of the above

413. Consider the following statements:

(i) Relative poverty is basically a measurement of inequality
(ii) In India, asset inequality is much higher than consumption inequality

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

414. Poverty Gap is defined as:

(i) It is the ratio by which the mean income of the poor falls below poverty line as a proportion of poverty line
(ii) It is used to reflect the intensity of poverty

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

415. Consider the following statements regarding National Sample Survey (NSS):
(i) It is conducted by National Statistical Office (NSO)
(ii) It is a socioeconomic survey conducted annually
(iii) It is conducted on rotating topics

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (iii) only
(d) All of the above

416. Which of the following statements are true regarding "Labour Force Participation Rate":

(a) Number of persons in the labour force as a percentage of working age population
(b) Number of persons in the labour force as a percentage of population
(c) Number of persons employed as a percentage of labour force
(d) Number of persons searching for job as a percentage of labour force

417. When an individual quits his/her job and decides to stay at home for a while, the labour force participation rate:

(a) Increases
(b) Decreases
(c) remains same
(d) may increase or decrease depending on the length of time he/she stays at home

418. When an individual quits his/her job and decides to look for a new job immediately, the labour force participation rate:

(a) Increases
(b) Decreases
(c) remains same
(d) may increase or decrease depending on the length of time he/she stays at home

419. Match the following regarding how frequently they are conducted:

(i) Periodic Labour Force Survey

(ii) Economic Census
(iii) Consumer Expenditure Survey
(iv) Census

1. Decadal
2. Quinquennial
3. Annual
4. No fixed periodicity

Select the correct answer using the code given below:
(a) (i) – 4, (ii) – 2, (iii) – 4, (iv) – 1
(b) (i) – 3, (ii) – 4, (iii) – 2, (iv) – 1
(c) (i) – 4, (ii) – 2, (iii) – 3, (iv) – 1
(d) (i) – 3, (ii) – 1, (iii) – 4, (iv) – 2

420. Consider the following statements regarding the "Periodic Labour Force Survey":

(i) It is conducted quinquennially
(ii) It is conducted for both rural and urban labour force
(iii) It collects data for urban labour on a quarterly basis

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (ii) only
(d) (ii) & (iii) only

421. The unemployment caused due to the workers living far from the regions and are unable to move to the locations where jobs are available is an example of:

(a) Cyclical
(b) Frictional
(c) Structural
(d) Disguised

422. The unemployment caused due to the workers lacking the requisite job skills is an example of:

(a) Cyclical
(b) Structural
(c) Frictional
(d) Disguised

423. In a country, jobs are available but still people are unemployed as there is a serious mismatch between what companies need and what workers can offer. This kind of unemployment is referred as:

(a) Cyclical
(b) Structural
(c) Seasonal
(d) Frictional

424. A person has left his current job and is looking for another job. He/ she is facing which type of unemployment:

(a) Structural
(b) Cyclical
(c) Frictional
(d) He/ she will not be considered as unemployed

425. An auto worker in Gurgaon lost his job because the company relocated the plant to another country represents an example of:

(a) Frictional
(b) Structural
(c) Cyclical
(d) Seasonal

426. Covid-19 pandemic has liked caused an increase in which kind of unemployment?

(a) Structural
(b) Cyclical
(c) Disguised
(d) All of the above

427. In case of disguised unemployment, which of the following will hold true:

(i) Marginal productivity of capital will be zero
(ii) Productivity of labour will be less

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

428. Consider the following statements regarding an economy facing cyclical unemployment:

(i) It may lead to inflation in the economy
(ii) It may lead to deflation in the economy
(iii) It can be tackled through expansionary monetary policy
(iv) It can be tackled through expansionary fiscal policy

Select the correct answer using the code given below:

(a) (i) only
(b) (ii) only
(c) (i), (iii) & (iv) only
(d) (ii), (iii) & (iv) only

429. Which of the following are true for underemployment?

(i) Workers in job that are not able to utilize their skills
(ii) Workers in low paying jobs as relative to their skills
(iii) Part time workers preferring full time jobs
(iv) Productivity of labour is low

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i), (ii) & (iii) only
(c) (ii), (iii) & (iv) only
(d) All of the above

430. 'Demographic Dividend' is estimated/calculated in terms of which of the following:

(a) Population
(b) Total Fertility Rate (TFR)
(c) Working Age to Non-Working Age population ratio
(d) Additional per capita income growth

431. Consider the following statements regarding employment elasticity:

(i) It measures the percentage change in economic growth with respect to 1% increase in employment
(ii) If economic growth is happening because of increased utilization of capacity then employment elasticity may be low

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

432. The term 'ASEEM' was recently in the news is related to which of the following?

(a) Online delivery of government services
(b) An online portal for procurement of goods by MSMEs
(c) Online platform for procurement of defence items
(d) A digital portal to map skills of workers with jobs

433. Consider the following statements regarding "Pradhan Mantri Rojgar Protsahan Yojana":

(i) It is targeted for workers earning wages up to Rs. 15000
(ii) Government provides employees contribution of the EPF
(iii) Government reimburses the employer contribution of EPS
(iv) The scheme is applicable for MSME sector only

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i), (ii) & (iv) only
(c) (i) & (iii) only
(d) (iii) & (iv) only

434. Consider the following statements:

(i) Insurance penetration is measured as the percentage of insurance premium to GDP

(ii) Insurance density is measured as the ratio of premium (in US dollar) to total population

Select the correct answer using the code given below:

(a) (i) only
(b) (ii) only
(c) (i) & (ii) both
(d) Neither (i) nor (ii)

435. Consider the following statements:

(i) Life insurance business was nationalized in mid 1950s
(ii) Life Insurance Corporation (LIC) was established in the early 1960s

Select the correct answer using the code given below:

(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

436. Consider the following statements regarding general insurance sector in India:

(i) The sector was nationalized in 1970's
(ii) It was liberalized in early 1990's
(iii) Insurance Regulatory and Development Authority (IRDA) was established as a statutory body in 2000

Select the correct answer using the code given below:

(a) (i) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) (ii) only

437. Consider the following statements regarding IDBI Bank:

(i) It was earlier constituted as a Development Financial Institution (DFI)
(ii) Presently it is a private sector bank

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

438. Which of the following statements are true regarding 'replacement level fertility'?
(a) It is the level of fertility at which population remains constant
(b) It is the level of fertility at which population growth remains constant
(c) It is the level of fertility at which a population exactly replaces itself from one generation to another
(d) None of the above

439. Which of the following statements are true regarding India's Total Fertility Rate (TFR)?
(i) It is declining and is expected to go below the replacement level fertility by 2021
(ii) Once it goes below the replacement level fertility, the population will stop increasing

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

440. "Absence of minimum income to get the minimum needs of life" is concerned with which of the following types of poverty?

(a) Absolute poverty
(b) Relative poverty
(c) Both (a) & (b)
(d) None of the above

441. Consider the following statements:
(i) Lorenz curve represent economic inequality
(ii) Kuznets curve represent the level of inequality associated with economic development

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

442. Which one of the following statements represent 'Headcount ratio'?

(a) When the number of poor is estimated as the proportion of people below the poverty line
(b) When the number of poor is estimated as the proportion of people above the poverty line
(c) When the number of people is estimated as the proportion of people below the median income of the country
(d) None of the above

443. The wage rates of MGNREGA workers are revised annually based on which index?

(a) CPI-Agricultural Labourers
(b) CPI-Rural Labourers
(c) CPI-Rural
(d) CPI-Combined

444. Consider the following statements regarding the newly enacted 'The Code on Wages 2019':

(i) There will be a statutory minimum/floor wage which will be applicable for both organized and unorganized sector labours
(ii) This code will not be applicable to MGNREGA wages

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

445. Consider the following statements regarding the newly enacted 'The Industrial Relations Code 2020':

(i) Permission will not be required from the government to close a factory if the number of workers are less than 300
(ii) Fixed term employment has been made applicable for all industries

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

446. Consider the following statements regarding the newly enacted 'The Code on Social Security 2020':
(i) A social security fund is proposed to be established for workers of unorganized sector
(ii) Aggregators will have to contribute a small portion of their turnover which will be used to pay gig and platform workers

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

447. Consider the following statements regarding the newly enacted 'The Occupational Safety, Health and Working Conditions Code 2020':

(i) An inter-state migrant worker is one whose wages does not exceed Rs. 18,000 per month
(ii) Employment of women has been allowed in all establishments for all types of works and in the night shift also

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

448. The National Census is conducted by which of the following offices/ agencies:
   (a) National Statistical Office (NSO)
   (b) Labour Bureau
   (c) Registrar General and Census Commissioner, Ministry of Home Affairs
   (d) Census Bureau of India

449. Which of the following agency conducts 'Time Use Survey' in India?
   (a) National Statistical Office
   (b) Reserve Bank of India
   (c) Ministry of Labour and Employment
   (d) None of the above

450. Consider the following statements regarding World Bank classification of countries:
(i) It classifies the countries into three groups based on per capita Gross National Income (GNI)
(ii) It uses nominal exchange rate for converting respective countries per capita GNI into dollars

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

451. Consider the following statements:
(i) India's GNP is greater than GDP
(ii) China's per capita GDP is more than four times of India's per capita GDP

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

452. Consider the following statements regarding different types of Free Trade Agreements (FTAs):

(i) Customs Union is an FTA in which members apply a common external tariff schedule to imports from non-members
(ii) Common Market is a customs union where movement of factors of production is relatively free amongst member countries

Select the correct answer using the code given below:

(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

453. The "Totalization Agreement" is related to which of the following:
(a) Avoiding double taxation of income with respect to social security taxes
(b) Free market access for trade in services
(c) Bilateral agreement between countries to enable unrestricted movement of labour
(d) Agreement among all the WTO members to promote e-commerce

454. The 'Logisitics Performance Index' is released by which agency?

(a) World Bank
(b) UNCTAD
(c) WTO
(d) OECD

455. Consider the following statements regarding 'Generalized System of Preferences (GSP)':

(i) Special and differential treatment is offered to developing and least developed countries
(ii) WTO defines developing and least developed countries for offering GSP benefits
(iii) It is offered on reciprocal basis

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (iii) only
(d) (ii) & (iii) only

456. Consider the following statements regarding the 'Compulsory Licenses' under the Indian Patent Act 1970:

(i) It is given for generic versions of drugs
(ii) It is given during the protection period of the patent
(iii) Manufacturers producing drugs under compulsory license need not pay royalty to the patent owner

Select the correct answer using the code given below:

(a) (i)only

(b) (i) & (ii) only
(c) (iii) only
(d) (ii) & (iii) only

457. Which of the following statements are true regarding "Financial Action Task Force":

(i) It is an inter-governmental body of which India is a member
(ii) It has been established to combat money laundering and terrorist financing

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

458. From which country India received the maximum FDI in 2019-20?

(a) USA
(b) Mauritius
(c) Singapore
(d) Cayman Islands

459. Match the column of Index and which agency publishes it:
(i) Corruption Perception Index
(ii) Index of Economic Freedom
(iii) Global Economic Freedom Index

1. Transparency International
2. Heritage Foundation
3. Fraser Institute

Select the correct answer using the code given below:
(a) (i) – 1, (ii) – 2, (iii) – 3
(b) (i) – 2, (ii) – 3, (iii) – 1
(c) (i) – 3, (ii) – 1, (iii) – 2
(d) (i) – 1, (ii) – 3, (iii) – 2

460. Which of the following statements are true regarding "Duty Credit Scrip"?

(i) Loan/credit given by government for trade purpose
(ii) The scrip is expressed as a percentage of export turnover
(iii) It can be used/adjusted for payment of taxes

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) (iii) only

461. Consider the following statements regarding the "Remission of Duties or Taxes on Export Products (RoDTEP)" scheme:
(i) It is a WTO compliant scheme
(ii) It has replaced Merchandise Exports from India Scheme (MEIS)

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

462. Consider the following statements regarding the "Remission of Duties or Taxes on Export Products (RoDTEP)" scheme:
(i) The scheme will reimburse the levies which are currently out of GST regime
(ii) The scheme is for reimbursing the CGST and SGST paid on various products in case of exports
(iii) The scheme will make exports zero-rated

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) All of the above

463. The term "Certificates of Origin" is related to which of the following?

(a) It is used in granting of visas to individuals
(b) It is used in protection of intellectual property rights across the country
(c) It is used in international trade
(d) None of the above

464. Which of the following statements are true regarding the scheme "Nirvik"?

(a) It is an insurance scheme for the exporters
(b) It is related to internal security
(c) It is a subsidy provided by the government
(d) It is related to MSME credit

465. Consider the following statements:

(i) USA has the largest gold reserve in the world
(ii) India is among the top 10 countries holding gold reserves

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

466. 'Logistics Performance Index' is released by which of the following institutions?
(a) World Bank
(b) IMF
(c) World Economic Forum
(d) United Nations Conference on Trade and Development (UNCTAD)

467. "Human Capital Index" is published annually by which of the following agency?

(a) World Bank
(b) IMF
(c) UNDP
(d) WHO

468. 'World Migration Report' is released by which of the following institution?

(a) World bank
(b) IMF
(c) World Economic Forum
(d) United Nations

469. "Which countries are eligible to become member of BRICS Bank?"

(a) Any Country
(b) Members of United Nations
(c) Members of World Bank or IMF
(d) Any 'developing' country

470. Which of the following is dependent on "QUOTA" assigned by IMF to its member countries?

(i) Financial resources that the member country is obliged to provide IMF
(ii) Voting Rights
(iii) SDR allocation to member countries
(iv) Borrowing capacity of a member country

Select the correct answer using the code given below:
(a) (ii) only
(b) (ii) & (iii) only
(c) (i) & (iv) only
(d) All of the above

471. Consider the following statements regarding Special Drawing Rights (SDR) of IMF:

(i) It is allocated to the member countries based on their economic size
(ii) SDR allocation acts as external debt for the respective country's Govt.
(iii) SDRs can be held only by Government entities

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

472. Consider the following statements:

(i) The main source of World Bank funding is share capital from the member countries
(ii) The main source of funds for International Monetary Fund (IMF) is borrowing from specific member countries

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

473. Consider the following statements regarding the "Most Favoured Nation (MFN)" principle of WTO trade:
(i) A member country can grant more favours to the other member country
(ii) MFN is basically a principle of non-discriminatory trade
(iii) Free Trade Agreements have been exempted from the MFN principle

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) only
(d) (ii) & (iii) only

474. Which of the following measures are considered as prohibitive under the Agreement on 'Trade Related Investment Measures (TRIMS)' under WTO?
(i) Local content requirement
(ii) Export obligation
(iii) Technology transfer requirement
(iv) Domestic employment

Select the correct answer using the code given below:

(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

475. Which of the following statements is true regarding the issue of imposing customs duty on electronic transmission under the ongoing 'Doha Development Agenda'?

(a) Member countries have agreed not to impose customs duty on electronic transmission
(b) Most of the developing countries are demanding a permanent moratorium on imposing customs duty on electronic transmission
(c) India is in support of permanent moratorium on imposing customs duty on electronic transmission
(d) There is a moratorium on imposing customs duty on electronic transmission but it is temporary in nature

476. Which of the following are imposed in case a country's government is subsidizing its exporters?

(a) Anti-Dumping Duty
(b) Counter-vailing Duty
(c) Safeguard Duty
(d) Customs Duty

477. Which of the following statements are true regarding 'Safeguard Duty':

(i) It is a WTO compliant measure
(ii) It is imposed when there is an increased import of particular product
(iii) It is imposed as an additional import duty

Select the correct answer using the code given below:
(a) (ii) only
(b) (ii) only
(c) (ii) & (iii) only
(d) All of the above

478. Consider the following statements regarding 'Trademarks':

(i) Trademarks can last for indefinite time period
(ii) Trademarks are assignable
(iii) Protected through 'Trade Marks Act 1999'

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (iii) only
(d) All of the above

479. Consider the following statements regarding 'Trade secrets':

(i) No registration is required to protect trade secrets
(ii) It can be protected for unlimited time period
(iii) To qualify as a trade secret, the information should have commercial value

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (iii) only
(d) All of the above

480. Consider the following statements:

(i) PM Kisan will fall under "Green Box" in WTO subsidies
(ii) Peace Clause under WTO is still continuing

Select the correct answer using the code given below:
(a) only
(b) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

481. Which of the following statements are true regarding the "Multilateral Convention to Implement Tax Treaties Related Measures"?

(i) India has ratified the Treaty
(ii) It has come into force
(iii) It will replace double taxation avoidance agreements

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (i) & (iii) only
(d) (iii) only

482. Which of the following institution is not part of World Bank Group?

(a) International Finance Corporation
(b) The Multilateral Investment Guarantee Agency
(c) The International Centre for Settlement of Investment Disputes
(d) Food and Agricultural Organization

483. Which of the following products were given Geographical Indication tag recently?

(i) Chak-Ho of Manipur
(ii) Terracotta of Gorakhpur
(iii) Saffron of Kashmir
(iv) Betel leaf of Tirur

Select the correct answer using the code given below:
(a) (i)only
(b) (i) &(ii) only
(c) (ii) & (iii) only
(d) All of the above

484. 'Harmonized System of Nomenclature' (HSN) was recently in the news, is related to which of the following?

(a) Classification of goods in international trade
(b) International financial transactions
(c) Space technology
(d) Classification of seeds and plants

485. "Annual Observance Report" is published by which institution/agency?

(a) IMF
(b) World Bank
(c) RBI
(d) OECD

486. Which agency/institution releases the "Social Mobility Index"?

(a) World Economic Forum
(b) World Bank
(c) OECD
(d) None of the above

487. Consider the following statements regarding 'Startups':

(i) An entity is considered startup up to a period of 10 years from the date of its incorporation
(ii) Turnover of the entity should not be more than 10 crores in any year since incorporation
(iii) They are included in priority sector lending

Select the correct answer using the code given below:

(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

488. Consider the following statements:

(i) Private Label products are sold under the name of specific retailers
(ii) White Label products are sold by multiple sellers under their brand

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

489. Which of the following statements are true regarding 'Production Linked Incentive Scheme'?

(a) Govt. is giving incentive as interest subvention for domestic manufacturing units
(b) Govt is providing guarantee on loan for domestic manufacturing units
(c) Govt. is giving incentive on additional sales from domestic manufacturing
(d) None of the above

490. Which ministry/department grants "Infrastructure Status" to the various sectors:

(a) Department of Economic Affairs, Ministry of Finance
(b) Department of Financial Services, Ministry of Finance
(c) Reserve Bank of India (RBI)
(d) None of the above

491. Consider the following statements regarding the services sector in India:

(i) Services sector receives more than half of total FDI inflows in India
(ii) Services sector accounts for more than half of our total exports

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

492. With which of the following countries does India has favourable merchandise trade balance?

(i) USA
(ii) Bangladesh
(iii) Nepal
(iv) Indonesia

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iv)
(c) (ii) & (iii) only
(d) (i), (ii) & (iii) only

493. Which of the following sectors have the highest allocation in "National Infrastructure Pipeline" (NIP)?

(a) Energy
(b) Road
(c) Rail
(d) Urban

494. Consider the following statements:

(i) Indian Railway Catering and Tourism Corporation Ltd. (IRCTC)

is a publicly listed government company
(ii) Air India was nationalized in early 1960s

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

495. "Public Private Partnership Appraisal Committee (PPPAC)" is under which ministry/department?

(a) Department of Economic Affairs (DEA)
(b) Department of Investment and Public Asset Management (DIPAM)
(c) Ministry of Road, Transport and Highways
(d) Ministry of Railway

496. Consider the following statements regarding "National Pharmaceuticals Pricing Authority" (NPPA):
(i) It is under ministry of health and family welfare
(ii) It fixes/revises the prices of controlled drugs
(iii) It implements the provisions of Drug Price Control Order (DPCO)

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) (i) & (iii) only

497. Recently the term 'Air Bubble' was in the news, which is related to:

(a) An arrangement between countries to operate flights for those who are stuck due to Covid-19
(b) An arrangement between countries for travelling of passengers without any restrictions
(c) An arrangement between countries where people can travel only for some specific purposes
(d) An arrangement between countries for travelling of persons without any specific purpose but with certain mandatory tests

498. Consider the following statements regarding multi-brand FDI in retail:
(i) 51% FDI is allowed in inventory-based model of e-commerce
(ii) 51% FDI is allowed in brick and mortar model
(iii) 100% FDI is allowed in all models for food products sourced from Indian farmers or manufactured in India

Select the correct answer using the code given below:
(a) (ii) only
(b) (iii) only
(c) (ii) & (iii) only
(d) All of the above

499. Consider the following statements regarding the "Zero Defect, Zero Effect (ZED)" scheme:

(i) The scheme is for MSME sector
(ii) It ensures producing high-quality manufacturing products
(iii) It ensures minimal negative impact on environment.
(iv) It is a cornerstone of the flagship Make in India programme

Select the correct answer using the code given below:

(a) (i) & (iv) only
(b) (ii) & (iii) only
(c) (i), (ii) & (iii) only
(d) All of the above

500. Consider the following statements regarding the "Common Services Centre (CSC)":

(i) They are part of the Digital India programme
(ii) They are implemented on public private partnership modal
(iii) They are provided exclusively by the government

(iv) They act as access points for delivery of various electronic services

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) & (iii) only
(c) (iii) & (iv) only
(d) (i), (ii) & (iv) only

501. Which of the following are part of the 'Index of Industrial Production (IIP)'?

(i) Mining and quarrying
(ii) Electricity generation
(iii) Construction
(iv) Forestry

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (i), (ii) & (iii) only
(d) All of the above

502. Consider the following statements regarding Purchasing Managers Index (PMI):

(i) It is released separately for manufacturing and services both
(ii) It is released on a monthly basis
(iii) The index is generated based on perception/feedback rather than actual data

Select the correct answer using the code given below:

(a) (i) &(ii)only
(b) (ii) &(iii) only
(c) (i) &(iii) only
(d) All of the above

503. Which of the following statements are correct regarding the "SMILE" scheme:

(a) It is linked to providing credit to MSME enterprises under Make in India
(b) It is linked to providing financial support by Govt. of India for women and SC/ST entrepreneurs
(c) It is a scheme to provide support to small and marginal farmers for allied activities
(d) None of the above

504. Which is the top oil producing country in the world?

(a) USA
(b) Iraq
(c) Saudi Arabia
(d) UAE

505. Which of the following statements are true regarding the "Open Acreage Licensing Policy (OALP)"?

(i) The policy is for oil and gas sector
(ii) Any private developer can participate without experience of oil and gas sector
(iii) Private players can suggest to Government to put specific blocks on bid
(iv) The policy is a part of the New Exploration Licensing Policy

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) (ii) & (iv) only

506. Consider the following statements regarding "Ethanol Blended Petrol" Programme:

(i) Ministry of Petroleum & Natural Gas administers the price of ethanol
(ii) The ethanol price derived from different raw materials is different
(iii) Govt. has allowed conversion of surplus stock of rice and maize with FCI into ethanol to meet the target

Select the correct answer using the code given below:

(a) (i) only
(b) (i) & (ii) only
(c) (ii) & (iii) only
(d) All of the above

507. The term "Graded Surveillance Measure" recently seen in the news is related to which of the following:

(a) Security of Indian coastal areas
(b) Companies listed on stock exchanges
(c) ISRO's satellite programme
(d) IMF monitoring various economies

508. Which of the following Ministries/departments releases the "core industries" output data:

(a) Department for Promotion of Industry and Internal Trade (DPIIT)
(b) National Statistical Office (NSO)
(c) Department of Economic Affairs
(d) None of the above

509. Consider the following statements regarding 'Core Industries':

(i) It comprises of around 40% of the weight of items included in Index of Industrial production (IIP)
(ii) Fertilizers have the lowest weight in Core Industries index

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

510. Which of the following statements are **not** correct regarding "Shell Companies":

(a) They are generally involved in money laundering and tax avoidance activities
(b) They generally do not hold any assets in real
(c) They are defined as illegal entities as per the Company Act 2013
(d) They do not have any active business operations

511. Which of the following statements are correct regarding Ujjwala Scheme?

(i) It plans to provide free LPG connections to BPL families
(ii) It provides free/subsidized LPG cylinders to BPL families
(iii) The connections is issued in the name of the women of the households

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (iii) only
(c) (ii) & (iii) only
(d) All of the above

512. Consider the following statements regarding "Bharatmala" Project:

(i) It is a part of National Highway Development Programme (NHDP)
(ii) It will particularly build border and international connectivity roads
(iii) State PWDs will also be involved for its execution

Select the correct answer using the code given below
(a) (i) only
(b) (ii) only
(c) (ii) & (iii) only
(d) (iii) only

513. Consider the following statements regarding "Invest India":

(i) It is a non-profit agency
(ii) It is an agency under Dept. of Economic Affairs

Select the correct answer using the code given below:
(e) (i) only
(f) (ii) only
(g) Both (i) & (ii)

(h) Neither (i) nor (ii)

514. Which of the following statements are true regarding "India Infrastructure Finance Company Limited (IIFCL)":

(i) It is a non-Government company
(ii) It is an NBFC registered with RBI

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

515. The term "Open access" in electricity means which of the following:

(a) Large consumers have access to the transmission and distribution network to obtain electricity from the suppliers of their choice
(b) Large consumers can choose the distribution company of their choice
(c) Any consumer of electricity can also generate electricity from their own resource and can feed on to the distribution network.
(d) Distribution companies can choose from which of the power producers they want to purchase power without government interference

516. Which of the following statements are true regarding "Swiss challenge"?

(a) It is a game
(b) It is a method of awarding projects by the government
(c) It is related to lottery business
(d) None of the above

517. Central Government has started awarding airport projects under a new financial model of PPP. Under this model the basis of selection of the private operator is:

(a) Percentage Profit sharing
(b) Percentage Revenue sharing
(c) Per passenger fee given to Govt.
(d) Per passenger fee charged by passengers

518. Consider the following statements:

(i) Share of MSME sector is around 30% in overall GDP of our country
(ii) Share of MSME sector is around 40% in overall exports of the country

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

519. Recently Government of India launched 'CHAMPIONS' online platform which is related to:

(a) Export
(b) MSMEs
(c) Start-ups
(d) Banks

520. The term "MCA21" is related to which of the following:

(a) It is an e-governance project
(b) It is a group of companies registered under SEBI
(c) It is a survey done by NSO
(d) It is a code used in space technologies

521. Consider the following statements regarding "Concessional Finance Scheme":
(i) Under the scheme, projects are selected by Ministry of External Affairs
(ii) Under the scheme, Govt. of India gives 2% interest subsidy
(iii) The scheme is operated through EXIM Bank of India

Select the correct answer using the code given below:
(a) (i) & (ii) only
(b) (i) &(iii) only

(c) (iii) only
(d) All of the above

522. Consider the following statements regarding the 'National Statistical Commission' (NSC):

(i) It was set up on the recommendations of the Rangarajan Commission
(ii) The chief Statistician of India is the secretary to the commission

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

523. Arrange the following in the correct the correct chronological order i.e. the one which was established as a statutory body first should come first in the order.

(i) Pension Fund Regulatory Development Authority (PFRDA)
(ii) Insurance Regulatory and Development Authority of India (IRDAI)
(iii) Securities and Exchange Board of India (SEBI)

Select the correct answer using the code given below:
(a) (ii) - (i)- (iii)
(b) (iii) – (ii) – (i)
(c) (i) – (ii) – (iii)
(d) (ii) – (iii) – (i)

524. What do you understand by the term "Circular Economy" often seen in news?

(a) It refers to an industrial system that is restorative or regenerative in nature
(b) It refers to the cyclical booms and recession in an economy
(c) It refers to a "Closed Economy" that primarily relies on internal trade
(d) It refers to a system in which there is Cyclical correlation between savings and investment

525. Consider the following statements regarding the newly launched "Toll-Operate-Transfer (TOT) model in the road sector:

(i) Toll revenue collection rights are auctioned to private players for long term
(ii) Toll revenue need to be shared with the government authority
(iii) Already constructed roads are given to private players

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) (i) & (iii) only
(d) (ii) & (ii) only

526. Consider the following statements:

(i) India has total power generation capacity of more than 350 GW
(ii) Renewable energy share is more than 25%

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

527. Consider the following statements:

(i) Renewable Energy Certificates (REC) are traded on Indian Energy Exchange and Power Exchange of India
(ii) Ministry of Power in consultation with ministry of New and Renewable Energy sets target every year for Renewable Purchase Obligation (RPO) for all States/UTs

Select the correct answer using the code given below:

(a) (i)only

(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

528. Consider the following statements:
(i) Indian Gas Exchange is a wholly owned subsidiary of Indian Energy Exchange
(ii) Indian Gas Exchange is an online delivery-based gas trading platform

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

529. Consider the following statements regarding 'National Investment and Infrastructure Fund' (NIIF):

(i) It is meant for both greenfield and brownfield project
(ii) It will invest into infrastructure projects and infrastructure financing companies like NBFCs
(iii) It will raise funds from both domestic and international sources

Select the correct answer using the code given below:
(a) (ii) only
(b) (ii)& (iii) only
(c) (iii) only
(d) All of the above

530. Govt. of India is planning to set-up its first ever 'Multi Modal Logistics Park' in which of the following state?

(a) Gujarat
(b) Assam
(c) West Bengal
(d) Tamil Nadu

531. Which of the following statements are true regarding Universal Service Obligation Fund (USOF)?

(i) This fund is under Dept. of Telecommunication
(ii) This fund is used to provide ICT services in rural and remote areas
(iii) This fund is created out of the budgetary resources of Govt. of India

Select the correct answer using the code given below:
(a) (i) only
(b) (i) & (ii) only
(c) (iii) only
(d) (ii) & (iii) only

532. Consider the following statements regarding "BharatNet" project:

(i) It will provide broadband connectivity to all the 2.5 lakh gram panchayats
(ii) It is implemented through Universal Service Obligation Fund (USOF)

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

533. Consider the following statements regarding the SFURTI scheme:

(i) It is implemented by ministry of MSME
(ii) It promotes cluster-based development

Select the correct answer using the code given below:
(a) (i) only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

534. The main objectives of setting up Special Economic Zones (SEZ) are:

(i) Generation of additional economic activity
(ii) Promotion of investment from foreign sources

(iii) Creation of employment opportunities

Select the correct answer using the code given below:
(a) (i) &(iii) only
(b) (i) only
(c) (iii) only
(d) All of the above

535. Which of the following statements are true with reference to Special Economic Zones (SEZ)?

(i) SEZ units may import/procure goods and services from Domestic Tariff Area (DTA) without payment of customs/import duty
(ii) Customs duty is imposed on sale from SEZ to DTA
(iii) SEZ units should be net foreign exchange earners

Select the correct answer using the code given below:
(a) (i) only
(b) (i) &(iii) only
(c) (iii) only
(d) All of the above

536. Arrange in decreasing order the percentage share in power generation capacity:

(a) Private > Central > States
(b) Central > Private > States
(c) Private > States > Central
(d) Central > States Private

537. Which of the following agency/ministry regulates tariffs for aeronautical services at major airports?

(a) Airport Authority of India (AAI)
(b) Airport Economic Regulatory Authority (AERA)
(c) Directorate General of Civil Aviation (DGCA)
(d) Ministry of Civil Aviation

538. Credit Rating Agencies are regulated by which ministry/department/agency?

(a) Reserve Bank of India
(b) Securities and Exchange Board of India
(c) Ministry of Corporate Affairs
(d) Ministry of Finance

539. Which of the following statements are true regarding the term 'Force Majeure' which was recently in the news?

(i) It is generally treated as a breach of contract
(ii) Unforeseeable circumstances that prevent someone from fulfilling a contract
(iii) Includes an Act of God or natural disasters, war or war-like situations, epidemics, pandemics, etc.

Select the correct answer using the code given below:
(a) (i) &(iii) only
(b) (ii) & (iii) only
(c) (iii) only
(d) All of the above

540. Consider the following statements regarding the 'Emergency Credit Line Guarantee Scheme' launched under the Aatma Nirbhar Bharat package:

(i) There is a focus on MSMEs
(ii) Government of India or its agencies will provide credit guarantee
(iii) It is a pre approved loan scheme

Select the correct answer using the code given below:

(a) (i)& (ii) only
(b) (ii) & (iii) only
(c) (i) & (iii) only
(d) All of the above

541. Consider the following statements regarding the 'Subordinate Debt Scheme' launched under the Aatma Nirbhar Bharat package?

(i) Promoters of MSMEs will be provided credit by banks
(ii) Government provides partial guarantee to MSMEs
(iii) SIDBI will provide loan to banks

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) & (iii) only
(c) (iii) only
(d) (i) & (iii) only

542. Consider the following statements regarding the 'Mother Fund' or 'Fund of Funds' Scheme under Aatma Nirbhar Bharat:

(i) It is a revolving fund
(ii) It is specifically for those MSMEs which have growth potential
(iii) It is a kind of guarantee scheme

Select the correct answer using the code given below:
(a) (i)only
(b) (ii) only
(c) (i) & (ii) only
(d) (ii) & (iii) only

543. Consider the following statements regarding the 'Mother Fund' or 'Fund of Funds' Scheme under Aatma Nirbhar Bharat:

(i) It will help in listing of MSMEs on capital markets
(ii) Govt. of India will purchase majority ownership in MSMEs

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

544. Consider the following statements regarding the 'Special Liquidity Scheme for NBFCs' under Aatma Nirbhar Bharat package:

(i) It is a scheme of Govt. of India to provide liquidity support to NBFCs
(ii) It is being implemented through an SPV

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

545. Consider the following statements regarding the 'Special Micro Credit Facility' Scheme for Street Vendors under Aatma Nirbhar Bharat:

(i) It is being implemented by Ministry of Housing and Urban Affairs
(ii) Government is providing interest subsidy on loans of up to Rs. 10,000
(iii) The subsidy is being credited to the bank accounts of beneficiaries as Direct Benefit Transfer (DBT)

Select the correct answer using the code given below:

(a) (i)only
(b) (iii) only
(c) (i) & (iii) only
(d) All of the above

546. Consider the following statements regarding the 'Formalization of Micro Food Processing Enterprises' Scheme under Aatma Nirbhar Bharat:

(i) Govt. is providing credit linked capital subsidy
(ii) It is based on 'One District One Product approach'
(iii) The scheme focuses on Aspirational Districts

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) &(iii) only
(c) (i) & (ii) only
(d) All of the above

547. Consider the following statements regarding 'Agriculture Infrastructure Fund' set up under Aatma Nirbhar Bharat:

(i) It is a debt financing facility for investment in post harvest management infrastructure
(ii) The fund will be used to provide interest subvention on loans
(iii) The fund will be used to provide credit guarantee

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) (i) & (iii) only
(d) All of the above

548. Consider the following statements regarding the 'Animal Husbandry Infrastructure Development Fund' under Aatma Nirbhar Bharat:

(i) It will incentivize FPOs and MSMEs to establish dairy and meat processing infrastructure
(ii) The fund will provide interest subvention to eligible beneficiaries

Select the correct answer using the code given below:

(a) (i)only
(b) (ii) only
(c) Both (i) & (ii)
(d) Neither (i) nor (ii)

549. Consider the following statements regarding the philosophy of Aatma Nirbhar Bharat:

(i) Self sufficiency through import substitution
(ii) Producing goods where we have comparative advantage and importing goods where we do not have that advantage
(iii) Liberalizing the economy and giving more space to the private sector
(iv) Restricting foreign capital

Select the correct answer using the code given below:

(a) (i) & (iii) only
(b) (ii) & (iii) only
(c) (ii), (iii) & (iv) only
(d) (i) & (iv) only

550. In Aatma Nirbhar Bharat, the economy has to move from 'command and control' to 'plug and play'. In this statement, 'plug and play' refers to:

(a) Government will be playing a leading role in the economic growth process
(b) Government will provide policy and other support to pull-in private sector
(c) Government will provide red carpet for foreign investors
(d) Government will provide digital infrastructure for the economy

ANSWER SHEET

Q.No.	ANS	Q.No.	ANS	Q.No.	ANS	Q.No.	ANS	Q.No.	ANS	Q.No.	ANS
1	C	51	A	101	C	151	A	201	C	251	B
2	D	52	C	102	D	152	C	202	D	252	D
3	D	53	A	103	D	153	C	203	D	253	A
4	B	54	B	104	D	154	C	204	A	254	A
5	D	55	B	105	D	155	A	205	C	255	D
6	B	56	D	106	C	156	C	206	C	256	C
7	D	57	D	107	A	157	C	207	C	257	A
8	A	58	B	108	D	158	B	208	D	258	C
9	A	59	D	109	D	159	C	209	A	259	D
10	C	60	C	110	B	160	D	210	B	260	C
11	C	61	D	111	D	161	B	211	D	261	C
12	B	62	D	112	D	162	C	212	C	262	B
13	C	63	A	113	D	163	D	213	B	263	D
14	B	64	D	114	D	164	B	214	A	264	A
15	A	65	D	115	D	165	C	215	B	265	C
16	B	66	D	116	B	166	D	216	B	266	D
17	A	67	D	117	D	167	D	217	C	267	C
18	B	68	D	118	D	168	D	218	A	268	A
19	B	69	D	119	A	169	D	219	D	269	C
20	A	70	B	120	B	170	D	220	B	270	A
21	A	71	B	121	C	171	D	221	D	271	B
22	B	72	C	122	A	172	D	222	C	272	C
23	C	73	C	123	C	173	C	223	D	273	D
24	D	74	C	124	D	174	C	224	B	274	B
25	C	75	D	125	D	175	B	225	A	275	D
26	C	76	C	126	A	176	C	226	C	276	C
27	C	77	C	127	D	177	D	227	D	277	C
28	A	78	A	128	D	178	D	228	D	278	C
29	A	79	D	129	B	179	C	229	D	279	C
30	C	80	C	130	B	180	B	230	D	280	B
31	C	81	C	131	B	181	C	231	C	281	D
32	C	82	C	132	C	182	B	232	C	282	B
33	D	83	D	133	D	183	D	233	C	283	D
34	C	84	D	134	A	184	A	234	D	284	C
35	D	85	A	135	D	185	D	235	D	285	C
36	D	86	A	136	A	186	D	236	D	286	A
37	D	87	C	137	B	187	B	237	C	287	A
38	A	88	B	138	D	188	A	238	C	288	B
39	B	89	D	139	D	189	A	239	D	289	A
40	C	90	D	140	D	190	C	240	A	290	C
41	C	91	C	141	C	191	D	241	C	291	B
42	D	92	D	142	C	192	A	242	C	292	B
43	D	93	C	143	B	193	C	243	A	293	C
44	C	94	A	144	A	194	D	244	D	294	D
45	D	95	A	145	D	195	C	245	A	295	C
46	A	96	C	146	A	196	C	246	C	296	B
47	A	97	C	147	C	197	D	247	C	297	B
48	D	98	A	148	B	198	A	248	C	298	D
49	C	99	A	149	C	199	C	249	C	299	A
50	C	100	A	150	D	200	A	250	B	300	A

ANSWER SHEET

Q.No.	ANS	Q.No.	ANS	Q.No.	ANS	Q.No.	ANS	Q.No.	ANS
301	C	351	D	401	C	451	B	501	A
302	D	352	B	402	C	452	C	502	D
303	C	353	A	403	C	453	A	503	A
304	A	354	A	404	D	454	A	504	A
305	A	355	D	405	D	455	A	505	C
306	D	356	D	406	D	456	B	506	D
307	D	357	C	407	C	457	C	507	B
308	B	358	C	408	D	458	C	508	A
309	A	359	D	409	C	459	A	509	C
310	D	360	A	410	C	460	C	510	C
311	C	361	D	411	D	461	C	511	B
312	C	362	C	412	A	462	C	512	D
313	B	363	A	413	C	463	C	513	A
314	D	364	D	414	C	464	A	514	B
315	D	365	C	415	D	465	C	515	A
316	A	366	D	416	A	466	A	516	B
317	D	367	C	417	B	467	A	517	C
318	D	368	C	418	C	468	D	518	C
319	A	369	C	419	B	469	B	519	B
320	C	370	C	420	D	470	D	520	A
321	D	371	D	421	C	471	D	521	D
322	D	372	B	422	B	472	D	522	C
323	B	373	A	423	B	473	D	523	B
324	D	374	C	424	C	474	D	524	A
325	A	375	C	425	B	475	D	525	C
326	C	376	D	426	D	476	B	526	C
327	C	377	D	427	B	477	D	527	C
328	C	378	D	428	D	478	D	528	C
329	A	379	A	429	D	479	D	529	D
330	D	380	D	430	D	480	C	530	B
331	D	381	A	431	B	481	B	531	B
332	D	382	C	432	D	482	D	532	C
333	C	383	D	433	C	483	D	533	C
334	D	384	D	434	C	484	A	534	D
335	C	385	D	435	A	485	A	535	D
336	D	386	D	436	C	486	A	536	C
337	C	387	C	437	C	487	B	537	B
338	D	388	B	438	C	488	C	538	B
339	C	389	D	439	A	489	C	539	B
340	A	390	D	440	A	490	A	540	D
341	D	391	A	441	C	491	A	541	A
342	D	392	B	442	A	492	D	542	C
343	C	393	C	443	A	493	A	543	A
344	C	394	D	444	C	494	A	544	C
345	C	395	C	445	C	495	A	545	D
346	B	396	B	446	C	496	C	546	D
347	B	397	C	447	C	497	D	547	D
348	B	398	C	448	C	498	C	548	C
349	C	399	D	449	A	499	D	549	B
350	D	400	C	450	C	500	D	550	B

1. (c)
If the Chinese company in India produces a BURGER and sells it and earns REVENUE of Rs. 100 then it means the value of production in India is Rs. 100. Then out of this Rs. 100, company pays for the costs and keeps some profit. So, profit is just one part of the value of production and hence it will be part of India's GDP. But this profit belongs to the person in China (whether he takes it away or not does not matter) who owns the company in India and hence the profit will be part of China's GNP also.

2. (d)
GDP is the total final value of goods and services produced within the domestic territory of a country in a specified time period (generally a financial year).

The concept of domestic territory (economic territory) is different from the geographical or political territory of a country. Domestic territory of a country includes the following:

- Political frontiers of the country including its territorial waters.
- Ships, and aircrafts operated by the residents of the country between two or more countries for example, Air India's services between different countries.
- Fishing vessels, oil and natural gas rigs and floating platforms operated by the residents of the country in the international waters or engaged in extraction in areas where the country has exclusive rights of operation.
- Embassies, consulates and military establishments of the country located in other countries, for example, Indian embassy in U.S.A., Japan etc. It excludes all embassies, consulates and military establishments of other countries and offices of international organisations located in India.

Thus, domestic territory may be defined as the political frontiers of the country including its territorial waters, ships, aircrafts, fishing vessels operated by the residents of the country, embassies and consulates located abroad etc.

If an activity is being performed in international waters or air space which does not belong to any country; then that activity will be included in that country's GDP whose residents are performing that activity.

3. (d)
Exports means produced within the country and sold to foreigners (or non-residents). If a foreigner is coming to India and then purchasing goods and services, then it is a case of exports.
In the same way, if a foreigner is coming to India for medical treatment or tourism then the foreigner is basically purchasing medical and tourism services produced in our country.
So, the best possible answer is exports.

4. (b)
National Statistical Office (NSO) releases the quarterly and annual GDP data with a lag of two months. For example, the data for the GDP and GDP growth for FY 2020-21 will be released on 31st May 2021.

5. (d)
GDP is the sum of the final value of all goods and services (consumption and capital) produced in the economy or it can also be defined as the value added by all the enterprises/firms in the economy (by value added method). So (i) & (ii) statements are true.

By expenditure method, GDP = C + I + G + X-M

C + I + G is the expenditure done by the three sectors of the economy on two types of final goods i.e. consumption and capital (investment goods).
X-M is the net of exports and imports.
So, (iii) statement is also true.

By Income method, GDP is also equal to the income received by the four factors of production i.e. Profit, Rent, Interest and wages.
So, (iv) statement is also true.

6. (b)
Intermediate goods are semi-finished goods which have been produced by a process but cannot be used as it is and need to go through further production/transformation process to be converted into a final good. For example, steel sheets. The steel sheets cannot be used as it is and needs to be transformed into final products like automobiles, appliances etc. So (ii) statement is true.

A particular good will be capital in nature only if it possesses the following three characteristics:

- It is a produced **durable output** of a man-made process
- It again **acts as an input** for further production process (to be sold in the market)
- While acting as an input, it does not get transformed or consumed**(hence it's a final good)**

7. (d)
Informal economic activity constitutes around 30% of the GDP. We may not be able to measure it accurately but while calculating the GDP figures, informal activity is extrapolated/projected based on formal activities and are included in GDP.

Re-exports means, something imported and then again exported. Re-exports are export of foreign goods in the same state as previously imported. For example, if a machinery has been imported in to a country for testing purpose and after necessary testing, the said machinery is sent back. Here, the process of sending back such machinery is called re-exports. So, whatever (margin) the country will charge for the testing purpose will be counted in its own GDP. And this margin charged is the value addition of the country which is importing and then again re-exporting.

8. (a)
Real GDP growth measures growth in quantity only and nominal GDP measures growth in value (which includes quantity as well as price).

Now, suppose an economy produces wheat and rice. The quantities produced and the market price is given in the following table.

	2011-12	2012-13	2013-14	2014-15
Wheat	10kg X Rs. 10/kg	11kg X Rs. 10.5/kg	12kg X Rs. 11/kg	12.5kg X Rs. 12/kg
Rice	8kg X Rs. 12/kg	9kg X Rs. 12.5/kg	10kg X Rs. 13/kg	10.5kg X Rs. 13.5/kg
Nominal GDP	10X10 + 8X12 = Rs. 196	11X10.5 + 9X12.5 = Rs. 228	12X11 + 10X13 = Rs. 262	12.5X12+ 10.5X13.5 = Rs. 291.75
To calculate Real GDP, we take the price of any year as constant and declare it as a base year. So, suppose we declare 2011-12 as base year then we will take price of wheat as Rs. 10/kg and price of rice as Rs. 12/kg as constant in all the subsequent years to calculate the real GDP.				

Real GDP	10X**10** + 8X**12** = Rs. 196	11X**10** + 9X**12** = Rs. 218	12X**10** + 10X**12** = Rs. 240	12.5X**10** + 10.5X**12** = Rs. 251

The base year for calculation of GDP is 2011-12. So, if we want to calculate India's Real GDP for 2014-15 then we will have to take the quantities produced in 2014-15 and the prices of 2011-12 (base year). And if we want to calculate the Nominal GDP of 2014-15 then we will have to take the quantities produced in 2014-15 and the market prices of the same year i.e. 2014-15.

In India, **<u>economic growth is measured by change in real</u>** GDP i.e. GDP at **constant** Market Prices as per the global best practices.

Consider the above table once again.

	2011-12		2012-13		2013-14		2014-15
Nominal GDP	Rs.196		Rs.228		Rs.262		Rs.291.75
Change in Nominal GDP		16.3%		14.9%		11.4%	
Real GDP	Rs.196		Rs.218		Rs.240		Rs.251
Change in Real GDP		11.2%		10.1%		4.6%	

So, Real GDP is steadily/consistently increasing from 2011-12 to 2014-15 but "change in real GDP" is decreasing from 11.2% to 4.6% and change in nominal GDP is also decreasing from 2011-12 to 2014-15.

The above is a case of economic growth as real GDP is increasing. But since the rate of change of real GDP is decreasing (but not negative), we say that economic **growth** is **slowing down**. **When the "real GDP" decreases or "change in real GDP" is negative then it is a case of recession.**

And if the prices are decreasing more but the production quantity is increasing then the nominal GDP may decrease but Real GDP may increase. So, in case of economic growth, nominal GDP may decrease.

So, only (i) statement is the required criteria. Because even if (iii) statement is not true (as in the above example), a country may experience economic growth.

9. (a)
When the "real GDP" decreases or "change in real GDP" is negative then it is a case of recession.
If the nominal GDP decreases because of decrease in prices, real GDP may increase.
If the growth rate is decreasing, GDP may increase.

10. (c)
Real GDP (i.e. GDP at constant market prices) and Nominal GDP (i.e. GDP at current market prices) both have steadily increased in the last decade (in fact in last 30 years) till 31st March 2020 but the growth rate of Real GDP and Nominal GDP has fluctuated and has not increased steadily in the last decade. *Refer the Trends*

In the FY 2020-21, real GDP and nominal GDP both are going to decrease because of covid-19 and hence the growth rate of both real and nominal GDP will be negative for 2020-21.

11. (c)
India's population growth rate is around 1 percent annually.
Real GDP and Real GNP growth has been more than 5 percent in the last five years till 31st March 2020.

If GDP is represented by Y and population by P. Then per capita GDP is Y/P

Suppose the growth in GDP is 5% i.e. Y to 1.05Y
And the growth rate in population is 1% P to 1.01P

So, the growth in per capita GDP (Y/P) will be 1.05Y/1.01P = 1.0396Y/P
So, the growth in per capita GDP (Y/P) will be 3.96%

So, till the time growth in GDP (Y) is more than the growth in population (P), then per capita GDP will always increase. *(In fact, our GDP/GNP has always increased more than 4% in the last 30 years).*If, the growth of population and growth of GDP is same then per capita GDP growth will be zero.

Hence, Real per capita GDP and Real per capita GNP has steadily increased in the last five years till 31st March 2020.

But it is not going to be true for 2020-21 due to covid-19.

12. (b)
Because of the Covid-19 lockdown, there will be actual decrease in the output/GDP in FY 2020-21 by around 7.5%.
This is not base effect.

In the next year i.e. 2021-22 even if we produce normal output, our growth will look very high may be 11% (when we measure from FY 2020-21) and then we can say that it is because of base effect.

13. (c)
Whatever value addition is done in the economy plus indirect taxes imposed on it (less of subsidies) becomes GDP in the economy. The value addition in the economy declined in FY 2020-21 due to covid-19 lockdown. This value addition is returned as four factor payments viz. Interest, wages, rent and profit in the circular flow of income. Since the value addition in the economy declined, the factor payments (interest, wages, rent and profit) also declined resulting in less (direct) taxes on these factor payments.

As inflation in the economy was positive around 5% in FY 2020-21, so the decline in GDP at constant prices is more (-7.5%) as compared to the decline in GDP at current prices (which includes inflation as well) which is around -4%.

14. (b)
National Income (NI) and Net National Income (NNI) are same terms and used interchangeably.

National Income = Net National Income (NNI) = Net National Product (NNP)

Earlier (before January 2015) NSO was using factor cost to calculate NNP but now it uses Market Prices to calculate NNP.

15. (a)
Gross National Income (GNI) is the income earned by Indian residents only whether in India or abroad. (*If an Indian has gone abroad for less than 6 months then also, he is an Indian resident only).*GNI does not include the income earned by Non-Resident Indians (NRIs). And it is equal to GDP plus net factor income from abroad (NFIA).

GNI = GNP = GDP + NFIA

16. (b)
Goods and services produced in India and sold outside the country i.e. to the foreigners is referred as exports. But the Net Factor Income from Abroad (NFIA) is the income earned by the four factors of production from abroad. In case of NFIA the production happens in abroad but in case of exports the production happens in the domestic country. So NFIA is different from exports and hence statement (i) is false

Now (post 2015), the indirect taxes and subsidies are included in the GDP and GNP calculation.
So, statement (ii) is true

17. (a)
The question talks about "people of a country" which is basically residents of the country and the income coming to residents is represented by National Income rather than GDP.

As it talks about welfare, so it should be better calculated as per capita National Income rather than just National Income. And since increase in price can increase the National Income without increasing the welfare of the people. So, welfare can best be represented by per capita National Income at constant market prices rather than current market prices.

18. (b)
The economic growth of 2020-21 will be less because of actual decrease in output measured from the previous year (2019-20) and not because of base effect. Next year i.e. 2021-22...........the growth is expected to be high i.e. 10.5% and one of the reasons could be base effect.

See we always measure the growth from the previous year which is referred as base. When there is a problem (too much increase/decrease) in the previous (base) year then the present year growth looks very high/low and then this is termed as base effect. This "base" effect has nothing to do with the "Base year" concept used in calculating the GDP growth.

GDP and GNP is going to decrease (in nominal and real both terms) in 2020-21 as compared from previous year. Hence per capita income will also decrease.

19. (b)
The value of capital goods produced is defined as investment.
Hence, production of consumption goods and services are not investment.
Buying and selling of shares from one person to another person is also not investment for the economy as only the ownership changes and nothing happens on ground.
So, only (ii) statement is true.

20. (a)
GDP is the goods and services produced within the domestic territory of the country, so imported items are not part of GDP.
Investment in Indian economy means the value of capital goods that the economy will get in a particular period whether by domestic production or through imports. This is because, whatever capital equipment we import, that also helps in increasing future production. So, investment in India is equal to capital goods produced in India plus imported capital goods minus exported capital goods.
*For detailed understanding, you can refer the book on **Indian Economy by Vivek Singh**.*

21. (a)
Whenever in any country, the working population increases and dependent population decreases, the savings in the economy increases. (This also happens at the family level. If a family has more working members and less dependents then savings of the family increases). The increased savings leads to increase in investments.
So, (i) & (iii) statements are true.

22. (b)
"Exports must form an integral part of the investment led growth model because higher savings preclude/prevents domestic consumption as the driver of final demand".
[Ref: Economic Survey 2018-19, Vol – I, Page 1]
*For detailed understanding, you can refer the book on **Indian Economy by Vivek Singh**.*

23. (c)
Gross Capital Formation = **Gross Fixed Capital Formation** *(machinery + equipment + building + cultivated biological resources + intellectual property)*

+ Valuable Metals + Change in stock/inventory

Cultivated biological resources is defined as animal resources yielding repeat products and tree, crop and plant resources yielding repeat products whose natural growth and regeneration are under the direct control, responsibility and management of institutional units

Gross fixed capital formation is mostly used as "**investment"** because valuable metals and change in stock/inventory is less than 1%.

24. (d)
First let us develop the general concept of (average) productivity and marginal productivity.

1 Acre Land
5 Labourers
2 Tonne production

If one acre of land produces 2 Tonnes of food grains, then;
Productivity of Land = $\frac{\text{Output}}{\text{Input(land)}} \frac{2 \text{ Tonne}}{1 \text{ acre}}$ = 2 Tonne/acre

Productivity of Labour = $\frac{\text{Output}}{\text{Input (labour)}} = \frac{2 \text{ Tonne}}{5 \text{ labourer}}$ = 0.4 Tonne/labour

The above two are basically **average** productivity.

If by adding one extra labour, production increases by 0.2 tonne, then

Marginal productivity of labour = $\frac{\text{change in output}}{\text{Change in labour}} = \frac{0.2 \text{ tonne}}{1 \text{ labour}}$ = 0.2 tonne/labour

In the same way, productivity of capital = $\frac{\text{Output}}{\text{Capital}}$

Higher is the productivity of capital, it is good for the economy.

The inverse of "productivity of capital" is Capital/Output ratio.

Higher the capital/output ratio, it is bad for economy. If Capital/Output ratio is 3/1, that means Rs. 1 unit of output is produced from Rs. 3 units of capital. And if Capital/Output ratio is 4/1, that means to produce Rs. 1 unit of output, Rs. 4 units of capital is required. So, 3/1 is better than 4/1 for the economy.

Generally, if an economy has higher savings, higher capital formation happens. But if Capital/Output ratio in the economy is high, then that means the productivity of the capital is low, so output production may not increase much even if capital formation is high.

So, the answer is (d)

25. (c)

Incremental Capital Output Ratio (ICOR) is defined as:-

ICOR = $\frac{\text{change in capital}}{\text{change in output}} = \frac{\text{(change in capital/output)}}{\text{(change in output/output)}} = \frac{\text{investment \% in GDP}}{\text{\% change in GDP}}$

ICOR represents how much **extra** unit of capital is required to produce one **additional** unit of output. It basically represents the (inverse of) efficiency of the **new** capital. Hence, statement (iii) is false.

"Basically, capital/output ratio represents (average) productivity and ICOR represents (marginal) productivity."

So, if ICOR of India = 5 or (5/1), then India requires Rs. 5 of additional capital goods to produce Rs. 1 of extra output.

If our ICOR is 5 and we want a growth of 8% in GDP then we will have to do 40% investment.

26. (c)

Capital formation means production of capital goods.

Production of capital goods leads to future production of goods and services and hence economic growth. So, statement (iii) is true

Production of capital goods increases the capital stock in the economy but does not tell whether there is any increase in efficiency of that capital. Efficiency is measured as how much output is produced from how much of inputs. So, we can't say that ICOR will increase or decrease with capital formation.

Basically, if you increase the number of hours you study, still you cannot say that the "number of pages per hour" that you study will increase or decrease.

27. (c)
Capital/Output ratio represents (inverse of) productivity of capital. If capital/output ratio is decreasing, that means capital is becoming more productive. And if capital is becoming more productive, then economic output will increase.

Capital/output ratio represents (inverse) productivity of capital. But productivity of capital depends upon multiple factors such as governance, quality of labour which again depends on education and skill development levels and technology etc.

28. (a)

$$\% \text{ change in GDP} = \frac{\text{Investment }\%}{\text{Incremental Capital Output Ratio (ICOR)}}$$

So, for higher growth rate, we require more investment and less ICOR

29. (a)
Higher economic growth comes from

- additional investment, or
- increase in capacity utilization of the capital stock (factory)

When economic growth comes from new investment then generally more jobs are created but when economic growth comes from better utilization of the existing capacity (which was earlier not utilized properly) then jobs may not get created in the economy.

30. (c)

$$\text{Marginal productivity of labour} = \frac{\text{Change in output}}{\text{Change in labour}}$$

Marginal productivity of labour means how much extra production will increase by adding one extra labour. When a factory is running at peak production, then its production cannot be increased even by adding more labourers. So, marginal productivity of labour will be zero.

31. (c)
Both the statements are true.
Due to lockdown factories were either closed or running at less capacity resulting in lower capacity utilization in the economy.

So, if we see the 'capital in the economy'/'output produced in the economy' ratio. Output produced decreased in the economy but the same capital (factory) was there in the economy resulting in increase in capital/output ratio.

As resources remained unutilized in the economy, per unit cost of production will increase. (For example companies were paying interest on capital during lockdown)

32. (c)
Investment in the economy means production of capital goods.
When the economy produces all consumption goods and no capital goods (investment) then its GDP shall remain constant i.e. it will not grow. But till the time there is net production of capital goods i.e. investment in the economy, the production of goods and services (GDP) will keep on increasing.

Capital formation means production of capital goods. So, if there is capital formation, it will necessarily lead to increase in GDP i.e. economic growth.

33. (d)
When a country goes through industrialization, it uses more capital and less labour comparatively or we can say labours are replaced by capital (machinery).That means ratio of capital to labour increases sharply. So, statement (a) is true.

Industrialization also leads to increase in production of goods and services (with the same amount of labour or may be less labour). So, production per labour also increases which means increase in labour productivity. So, statement (b) is also true.

Total factor productivity means productivity of all factors of production i.e. labour, capital, land etc. During industrialization, since overall production increases, production per unit of inputs i.e. labour, capital, land etc also increases. So, statement (c) is also true.

$$\text{Productivity of labour} = \frac{\text{Output}}{\text{Labour}}$$

$$\text{Productivity of land} = \frac{\text{Output}}{\text{Land}}$$

We all know that because of industrialization output increased. Now if output increased (with the same land and labour),then as per the above formula, productivity of land and productivity of labour, both will increase. So, in case of industrialization, productivity of all the factors of production increases.

34. (c)
GDP deflator is an index of price and measures the price changes quarterly.

GDP deflator = nominal GDP/real GDP

CPI and WPI indices are calculated by fixing the weights of different goods and services but in case of GDP deflator, it varies as per actual production level.
(Its highly technical, if you don't understand, leave it)

35. (d)

36. (d)
Services are not traded/transacted in the wholesale markets. So, WPI data does not include the inflation due to services.
So, (i) statement is true

When goods are imported in India, first they move to the wholesale mandis and then they come in the retail markets. So, wholesale prices and retail prices both get impacted because of the imported goods.
So, (iii) statement is true.

$$\text{As the formula of GDP Deflator (is)} = \frac{\text{Nominal GDP}}{\text{Real GDP}}$$

Since, GDP includes only domestic goods and services, hence, GDP Deflator does not include the inflation due to imported goods and services.
So, (iv) statement is true.

37. (d)

Wholesale Price Index (WPI) is released by Office of Economic Advisor, Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry. The Base year has been revised to 2011-12 and includes 697 items. WPI inflation measures the average change in prices of commodities for bulk sale at the level of early stage of transactions pertaining to four sectors namely agriculture, mining, manufacturing and electricity. WPI does not cover services. WPI covers commodities falling under three Major Groups namely:

- "Primary Articles" (weight 22.62%) like agricultural commodities and minerals
- "Fuel and Power" (weight 13.15%) like coal and electricity and
- "Manufactured Products" (weight 64.23%) like textiles, leather, machine tools

The prices tracked are agri-market (mandi) prices for agricultural commodities, ex-factory prices for manufactured products and ex-mines prices for minerals. The prices used for compilation do not include indirect taxes in order to remove the impact of fiscal policy. This is in consonance with best international practices and makes the new WPI conceptually closer to "Produce Price Index" used internationally.

Weight given to each commodity covered in the WPI basked is based on the net traded value of the item in the year 2011-12. The net traded value is the value of output in the year 2011-12 adjusted for net imports. Thus, net traded value represents the total transactions of each product in the economy during the base year.

38. (a)
CPI includes indirect taxes. So, when government increases GST rate, it is captured in the CPI data. But in the new series of WPI (2011-12), government has excluded indirect taxes while measuring WPI. This is in consonance with international practices and will make the new WPI conceptually closer to Producer Price Index (PPI).

39. (b)
CPI-Industrial Workers base year has recently been revised to 2016 from the previous 2001 and because of that weight of food items has decreased to 39.17% from earlier 46.2%. Weight of education and health has increased to 30.31 percent from 23.26 percent. No need to go into further details of the weights of different items.

40. (c)
Income elasticity of demand is calculated as the ratio of the percentage change in quantity demanded to the percentage change in income. It measures the responsiveness of the quantity demanded for a good or service to a change in income.

If income elasticity of demand of a commodity is less than 1 that means that with change in income, demand is not changing much, that means, it is a necessity good. If the elasticity of demand is greater than 1, it is a luxury good or a superior good.

41. (c)
Consider an example:
If a country is exporting only apples and importing only oranges, then the terms of trade (TOT) are simply the ratio of price of apples to the price of oranges.
Suppose the price of apple is Rs. 120/kg and Oranges is Rs. 40/kg

So, TOT = $\frac{\text{Export Price}}{\text{Import Price}}$ 120/40 = 3

Which means if India is exporting apples and importing oranges then for one kg of apples exported, we can import 3kg of oranges. In other words, how many oranges can we import for a unit of export of apples.

So, TOT is a measure of how much imports an economy can get for a unit of exported goods. Since economies typically export and import many goods, measuring the TOT requires defining price indices for exported and imported goods and comparing the two.

A rise in the prices of exported goods in international markets would increase the TOT, while a rise in the prices of imported goods would decrease it.

So, statements (i), (iii) & (iv) are true.

42. (d)
Openness is measured as, Exports + Imports of goods and services of a country as a percentage of its GDP.
So, (d) is correct
Trade balance means Exports – Imports.
So, statement (c) is incorrect.

43. (d)
Refer the Trends

44. (c)
The Reserve Bank of India (RBI) was set up on the basis of the recommendations of the Hilton Young Commission. The Reserve Bank of India Act, 1934 provides the statutory basis of the functioning of the RBI, which commenced operations on April 1, 1935.

RBI began its operations by taking over from the Government the functions so far being performed by the Controller of Currency and from the Imperial Bank of India, the management of Government accounts and public debt. Burma (Myanmar) seceded from the Indian Union in 1937 but the Reserve Bank continued to act as the Central Bank for Burma till Japanese Occupation of Burma and later up to April, 1947. After the partition of India, the Reserve Bank served as the central bank of Pakistan up to June 1948 when the State Bank of Pakistan commenced operations. The Reserve Bank, which was originally set up as a shareholder's (private) bank, was nationalised in 1949.

45. (d)
All were the reasons leading to bank nationalization. And the objectives of bank nationalization were:

- Channelizing bank capital into rural and semi urban areas
- Checking misuse of banking capital for financing speculative activities
- To shift from class banking to mass banking
- Make banks an integral part of socio-economic development

46. (a)
GDP (Output) is the final value of goods and services produced in the economy. But there are a lot of transactions that happen in the economy for intermediate goods, so value of transactions is higher than the value of final output in the economy.

For example, suppose, I purchased Rs. 30 of input to produce Rs. 100 of final output, which I sold in the market. GDP will be Rs. 100, while value of transactions in the economy will be Rs. 130.

Since money keeps on moving between different hands, the same money is used for transacting again and again (also referred as velocity of circulation), so the money required for doing transactions will be less than the total value of transactions in the economy.

As on 13th March 2020, Money Supply in the economy was Rs. 165 lakh crores. While GDP of 2019-20 is expected to be Rs. 204.4 lakh crore. And the value of transactions is much more than the GDP.

47. (a)
48. (d)
Seigniorage refers to the income from money creation. It is a way for governments to generate revenue without levying conventional taxes. Seigniorage is the profit that accrues to the central banks (which then may be transferred to the central government) in the following ways:

- While issuing currency, the reserves/backup that the RBI keeps with itself, these reserves give RBI interest Income on the total amount of currency in circulation (minus cost of printing currency)
- Interest accruing from bank balances with central banks arises from funds banks have to hold with the central banks to meet their reserve requirements, either as interest-free balances (CRR) or at below market interest rates.
- the inflation tax concept which is measured as the product of the inflation rate and the monetary base. (Because of inflation, the currency note that the public is holding losses value which reduces the liability of RBI in real terms)

49. (c)
Pegged exchange rate means a country fixes its exchange rate with another country currency or a basket of currencies and when required changes it accordingly.

Suppose Nominal Exchange Rate is $1 = Rs.60 (Nominal exchange rate means how many Rs. can be purchased in $1)

For example, suppose

	India	US
Burger Price	Rs. 30	$1

In this case US will import the burgers from India as in $1 they will get Rs. 60 and in Rs. 60 they will get 2 burgers from India. So, India will export burgers to US.

But if due to inflation the burger price in India becomes Rs. 60 then exports from India will stop. So, inflation in the country make exports less competitive.
Hence, (i) statement is true.

But when price of burger in India reaches to Rs. 60 and RBI devalues the exchange rate to $1 = Rs. 120 then again exports from India will start. Because now foreigners will get Rs. 120 in $1 and in Rs. 120 they will again get 2 burgers from India.
So (ii) statement is also true.

50. (c)
The rate of rupee-dollar is determined in the forex market based on market forces of demand and supply. When rupee becomes highly volatile, then RBI **intervenes** in the forex market, to contain the volatility. But RBI does not regulate or fix the rupee dollar rate. This is called 'Managed Float' or 'Dirt Float'.

RBI regulates the Forex Market, Money Market and Govt. securities Market.

51. (a)
RBI intervenes in the forex market to contain volatility in exchange rate of Rupee with respect to dollar. There is no targeted band in which RBI tries to keep the Rupee Dollar exchange rate.
For example, if Rupee starts depreciating slowly over a period of time and it moves to $1 = Rs 85, then RBI may not intervene in the forex market.

52. (c)
Suppose Nominal Exchange Rate is $1 = Rs.60 and India and US produces just burgers.

	India	US
Burger Price	Rs. 30	$1

To calculate PPP exchange rate, we need to compare the prices of a basket of goods in India with US.
In the above case by comparing the prices of burger in India and US, we will get
$1 = Rs. 30

So, $1 = Rs. 30 is the PPP exchange rate. It implies that, whatever Rs. 30 can purchase in India, $1 can purchase in US i.e. purchasing power of Rs. 30 in India is equal to purchasing power of $1 in US.

So, if inflation rate is different in India and US, then PPP exchange rate will change. But if there is no inflation (prices remain same) or same inflation, then PPP exchange rates will remain same i.e. constant.
So, (i) statement is true.

When we use PPP exchange ($1 = Rs. 30) rate to convert the price of burger in US in Indian currency then it is Rs. 30 in US which is the same as in India also.
So, (ii) statement is also true.

53. (a)
When nominal exchange rate becomes equal to PPP exchange rate, then we say that the currencies of two countries are at purchasing power parity.

54. (b)
Suppose (Nominal) exchange rate is $1 = Rs. 60
Now if an Indian exporter exported a particular commodity (1 unit) in the international market whose price is $8, then he will get $8 and after conversion in India he will get ultimately Rs. 480.

But if the rupee is undervalued (means less valued) i.e. $1 = Rs. 64 then he can sell his product in the international market at a lesser price of $7.5 and can earn the same Rs. 480 after conversion. *(When a country devalues its currency, then exporters are able to sell their product in the international market at a lesser price **without compromising** their earnings.)*So, we also say that exporters become more competitive.

55. (b)
When trade deficit increases that means imports are increasing in the country as compared to exports. Increase in imports causes an increase in demand for dollars which results in decline in value of Indian currency.

Increase in trade deficit results in money going out of the Indian economy.

56. (d)
When foreign investors come to India, they bring dollars and this dollar they sell in forex market and demand rupees which results in increase in demand of rupee and rupee appreciates.

When exports increase, we earn more dollars from the foreign market and this dollar we sell in the forex market to purchase rupees which results in increase in demand of rupees and rupee appreciates.

When the interest rate in India increases, more foreign portfolio (debt) investors come to India to invest in fixed interest rate instruments, which results in rupee appreciation.

So, none of the statements are true.

57. (d)
58. (b)
Suppose Nominal Exchange Rate is $1 = Rs.60

	India	US
Burger Price	Rs. 30	$1

Whether India will export burgers to US or not depends on three parameters/prices

- Price of Burger in US (directly proportional, i.e. if it increases, exports to US will increase)
- Price of Burger in India (indirectly proportional, i.e. if it increases exports to US will decrease)
- Nominal Exchange Rate (directly proportional, i.e. if it increases exports to US will increase)

And all the three parameters are captured in Real Exchange Rate

$$\text{Real Exchange Rate} = \frac{\text{Price in US X Nominal Exchange Rate}}{\text{Price in India}}$$

$$= \frac{1 \text{ X } 60}{30}$$

$$= 2$$

Till Real Exchange Rate > 1, India will continue to export its burgers to US.
If Real Exchange Rate becomes equal to 1, then export & import will stop.
If Real Exchange Rate < 1, then US will start exporting its burgers to India.
So Real Exchange Rate determines export competitiveness between two countries.

But if India wants to measure its export competitiveness with all its trading partners then it calculates Real **Effective** Exchange Rate which is a weighted average (weights being the shares in foreign trade with respective countries) of the Real Exchange Rates of its different trading partners.

If real effective exchange rate appreciates that means it moves from 2 to 1 (in the example above) which means export competitiveness of Indian products will start reducing.

Please must refer the Indian Economy book 5th edition by Vivek Singh Page 24.

59. (d)

Explanation of (i) statement:

Suppose $1 was equal to Rs 70. And the price of OIL in the international market was $1 per litre. Now, if I have to import one litre OIL then first I will purchase $1 from the market by paying Rs.70 and then in $1 I will purchase one litre OIL. BUT if rupee depreciates to $1 = Rs. 80, then I will have to purchase the same $1 by paying Rs. 80 and then from $1 I will purchase one litre OIL. So, rupee depreciation did not increase my cost in dollar terms, because I can still import one litre OIL in one dollar as the price of one litre OIL has not changed and only RUPEE has depreciated. So, my cost in Rupees will increase, but the cost of import of one litre OIL still remains same in terms of dollars and that is $1

Explanation of (ii) statement:

Suppose the price of wheat in international market is, 1kg wheat = $1 and suppose rupee dollar rate is $1=Rs.70. Now when I will export wheat then first I will get $1 and this $1 I sell in market and I get Rs. 70. Now if rupee depreciated to $1 = Rs. 80 , then still I can/will sell 1 kg wheat in $1 and then while converting 1$ in rupees I will get Rs. 80. So, when rupee has depreciated, I (can) still earn the same dollars (one dollar) per kg of wheat export, but when I convert in rupees then I get more rupees (Rs. 80).

60. (c)

There is no international authority which directs that trade between two countries should happen only with some specific currencies. Any two countries are free to transact with any currency if they are willing.

Generally, any country will accept that currency for its trade (exports), if that currency is not losing value (less inflation) and it is stable and it is freely convertible in other currencies.

61. (d)

62. (d)

RBI manages the issuance of Govt. securities through "e-Kuber" platform. Earlier retail investors (like we people) were not allowed to purchase the govt securities (bonds/ debt paper) directly at the time of issuance. But now retail investors can directly purchase the Govt. securities at the time of issuance (in the primary market) and also in the secondary market.

This step will broaden the base of investors who want to invest in Govt. securities. And more the number of people/investors willing to purchase Govt. bonds will result in interest rates coming down on Govt. borrowings.

63. (a)

As commercial banks are required to keep SLR (cash, gold, government securities) of 18.25%, they keep the maximum percent of government securities. Out of cash, gold and government securities, the government securities give the best returns (interest), so they prefer this instrument. Cooperative banks also keep government securities under SLR but since cooperative banks overall share in deposit and lending is around 10 percent of the Scheduled commercial banks, so commercial banks have the highest share of government securities.

Debt securities outstanding, March fiscal year-ends, 2014-20 (₹ trillion)

	Centre			States		
	2014	2020	Change	2014	2020	Change
Scheduled Commercial Banks	16.5	25.8	9.3	5.3	11.4	6.1
—of which, nationalised incl SBI	8.8	12.7	3.9	4.1	9.8	5.7
Insurance companies	7.3	16.3	9.0	3.2	10.3	7.1
Provident Funds	2.7	3.1	0.4	1.6	7.3	5.7
RBI	6.0	9.8	3.8	-	-	-
Others	4.8	9.9	5.1	0.5	3.7	3.2
Total	37.2	64.9	27.7	10.6	32.7	22.0

64. (d)
A Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments. (*G-Secs are issued through auctions conducted by RBI. Auctions are conducted on the electronic platform called the E-Kuber, the Core Banking Solution (CBS) platform of RBI).* G-Secs carry practically no risk of default and, hence, are called risk-free gilt-edged instruments. (Govt. issues only debt securities). There are four kinds of government securities.

Government Securities (G-Sec)

Treasury Bills (Centre)

Cash Management Bills (Centre)

Dated Securities (Centre)

State Dev. Loans (State)

SDLs are allowed to be kept under SLR by banks. SDLs have maturity of more than one year.

In terms of Sec. 21A (1) (b) of 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. Accordingly, the RBI has entered into agreements with 29 State Governments and one Union Territory (UT of Puducherry) for management of their public debt.

65. (d)
In 2010, Government of India, in consultation with RBI introduced a new short-term instrument, known as Cash Management Bills (CMBs). **It is not used to fund the Fiscal deficit** but is used to meet the temporary mismatches in the cash flow of the Government of India. The CMBs have the generic character of T-bills but are issued for maturities less than 91 days.*(Traded in money market)*

Treasury bills or T-bills: These are short term debt instruments issued by the Government of India for a maturity of less than one year. Treasury bills are zero coupon securities and pay no interest. Instead, they are issued at a discount and redeemed at the face value at maturity. For example, a 91-day Treasury bill of ₹100/- (face value) may be issued at say ₹ 98.20, that is, at a discount of say, ₹1.80 and would be redeemed at the face value of ₹100/-. *(Treasury bills are traded in money market).*

Dated Securities: Dated central government securities have a tenor of more than one year up to 40 years.

66. (d)
The Reserve Bank of India gives temporary loan facilities to the centre and state governments as a banker to government. This temporary loan facility is called Ways and Means Advances (WMA).

The WMA scheme was designed to meet temporary mismatches in the receipts and payments of the government. This facility can be availed by the government if it needs immediate cash from the RBI. The WMA is a loan facility from the RBI for 90 days which implies that the government has to vacate the facility after 90 days. Interest rate for WMA is currently charged at the repo rate. The limits for WMA are mutually decided by the RBI and the Government of India.

67. (d)
Let us understand it with example:
Suppose next year (2022-23), central govt deficit is going to be Rs. 10 lakh crore, then it can plan for issuing bonds worth Rs. 10 lakh crore, which can be Treasury bills or Dated securities. But, suppose on 15th May 2022, govt had some cash requirement (even after this Rs. 10 lakh crore borrowing has been arranged) for 21 days, then Central Govt. can take loan (called ways and means advance) from RBI or it can issue a bond (called cash management bills) of maturity period 21 days. But after 21 days, govt will have to repay this. So, basically, 'ways and means advance' and 'cash management bills' are not issued for the govt's **planned** borrowing requirement (called fiscal deficit), but are used for temporary mismatch in cash receipt and cash payment (disbursement).

The difference between 'Ways and Means Advance' (WMA) and 'Cash Management Bills' (CMB) is, WMA is a kind of **loan** facility (which is not tradable) from RBI and CMB are bonds of GoI (issued through RBI) which are tradable. CMB is only for Central Govt. and WMA is for Centre and State both. Govt. pays interest on WMA at repo rate or may be more than that.

68. (d)
A bond (debt paper) holder is expected to get a fix interest regularly and principal at maturity. But if the inflation in the economy starts increasing then interest rate also increases and the (market) price of the bond decreases and bondholders lose. When the price of the bond decreases in the market, the person who will purchase the bond will have to pay less price and hence he will get more return/yield. *(The interest rate on the bond remains fixed but its price fluctuates in the market and hence the return also fluctuates. If the market price of the bond is low, then the return/yield on the bond will be high. This is because the person who will purchase the bond will have to pay less price to get the same bond).*

*For detailed understanding, you can refer the book on **Indian Economy by Vivek Singh**.*

69. (d)
When the interest rate moves up in the economy, government securities (bonds) prices goes down.
If the liquidity in the economy is surplus, the interest rate comes down in the economy resulting in higher bond prices.

Developments in money, capital and forex market also impact interest rate and liquidity in the domestic economy resulting in change in government securities prices.

70. (b)
As per the RBI Act 1934, Section 26, rupee notes (and coins) are legal tenders. It means that notes and coins cannot be refused by any person of the country for payment/discharge of debt.
(For example: Is an autowallah obliged to accept your currency note for a ride? Not necessarily! If you are yet to get into the auto, the autowallah can turn you down despite it being a legal tender. But once you make the trip, and you have incurred a debt, he cannot refuse to take your currency note.)

71. (b)
Currencies and coins are fiat money because they derive their value from government "fiat"/ order. If the coin is melted then it will not fetch the same value in the market and the paper of which the currency note is made of does not have any value in the market. Hence, Currency notes and coins are called fiat money and they do not have intrinsic value.

They are also called legal tenders as they cannot be refused by any citizen of the country for settlement of any kind of transaction. Cheques drawn on savings or current accounts, however can be refused by anyone as a mode of payment. Hence cheques are not legal tenders. So only (i) & (iii) statements are true.

72. (c)
A country or its citizens may use many modes of exchange in their daily lives. History tells us that ancient humans used salt and spices as currency. But 'Legal tender' is the money that is recognized by the law of the land, as valid for payment of debt. It must be accepted for discharge of debt. RBI Act 1934, Section 26 states that "*Every central bank **note** shall be legal tender at any place in India in payment or on account for the amount expressed therein*".

Legal tender can be limited or unlimited in character. In India, coins function as limited legal tender. Therefore, 50 paise coins can be offered as legal tender for dues up to ₹10 and smaller coins for dues up to ₹1. Currency notes are unlimited legal tender and can be offered as payment for dues of any size.

As per the RBI Act 1934, all currency notes are guaranteed by the Central Government

73. (c)
Currency in circulation consists of Notes and Coins. All the currency notes (except one rupee note) are liability of RBI. But one rupee note and coins are printed/minted by Govt. of India and hence are liability of Govt. of India.

All the currency in circulation is not part of money supply. Only that currency in circulation which is with the PUBLIC is part of money supply. The currency with bank is not part of money supply.

Currency in circulation = Currency with public + currency with bank
Even if one rupee note and coins are minted/printed by Govt. of India, all the currency notes and coins are circulated in the economy by RBI (as per RBI Act 1934).

74. (c)
The RBI Act of 1934, Section 22 gives the central bank the sole right to issue currency notes.

75. (d)

[The Government of India has the sole right to mint coins. The responsibility for coinage vests with the Government of India in terms of the Coinage Act, 1906. The designing and minting of coins in various denominations is also the responsibility of the Government of India. Coins are minted at the India Government Mints at Mumbai, Alipore (Kolkata), Saifabad (Hyderabad), Cherlapally (Hyderabad) and NOIDA (UP).

The coins are issued for circulation only through the Reserve Bank in terms of the RBI Act. Coins can be issued up to the denomination of Rs.1000 as per the Coinage Act, 1906.

*The RBI shall **issue** rupee coins on demand and the Govt. of India shall supply/mint such coins to the RBI on demand.*

Exactly taken from the below source.
Ref: https://www.rbi.org.in/scripts/ic_coins.aspx
And RBI Act 1934, section 39

76. (c)
As per section 24 of RBI Act 1934, *"Central Government, on the recommendation of Central Board of Directors of RBI, has the authority to specify the denomination of the new currency note to be issued in the country."*

77. (c)
As per the RBI Act 1934, Section 25, *"the design, form and material of bank notes shall be such as may be approved by the Central Government after consideration of the recommendations made by the Central Board of RBI."*

78. (a)
As per the RBI Act 1934, Section 26, *"on recommendation of the Central Board, the Central Government may, by notification in the Gazette of India, declare that, with effect from such date, any series of bank notes of any denomination shall cease to be legal tender".*

79. (d)
As per section 26 of the RBI Act 1934, on recommendation of the Central Board the Central Government may, by notification in the Gazette of India, declare that, with effect from such date as may be specified in the notification, any series of bank notes of any denomination shall cease to be legal tender.

80. (c)
In any particular year, suppose there is some level of output/GDP and some level of money supply in the economy. Now, next year, RBI tries to increase the money supply in the economy based on what will be the real growth in GDP next year and what level of inflation RBI wants to maintain/target (4% +/- 2%) in the economy.

81. (c)
In terms of Section 20 of the RBI Act 1934, RBI has the obligation to undertake the receipts and payments of the Central Government and to carry out the exchange, remittance and other banking operations, including the management of the public debt of the Central Govt. Further, as per Section 21 of the said Act, RBI has the right to transact Government business of the Union in India.
State Government transactions are carried out by RBI in terms of the agreement entered into with the State Governments in terms of section 21 A of the RBI Act. As of now, such agreements exist between RBI and all the State Governments except Government of Sikkim.

Thus, the legal provisions vest Reserve Bank of India with both the right and obligation to function as banker to the government.

82. (c)
RBI carries out the general banking business of the governments through its own offices and commercial banks, both public and private, appointed as its agents (called Agency Banks). Section 45 of the Reserve Bank of India Act, 1934, provides for appointment of scheduled commercial banks as agents at all places or at any place in India.

A network comprising the Government Banking Division of RBI and branches of agency banks appointed under Section 45 of the RBI Act carry out the government transactions. At present all the public sector banks and select private sector banks act as RBI's agents. Only designated branches of agency banks can conduct government banking business.

83. (d)
As a banker to bank, RBI performs the following functions:

- RBI enables banks to open their (current) accounts with RBI for maintenance of statutory reserve requirements (CRR and may be SLR)
- RBI acts as a common banker for different banks to enable settlement of interbank transfer of funds
- RBI provides short term loans and advances to banks for specific purposes
- RBI acts as lender of last resortmay be in case of a bank run situation.*(**Bank Run** is a situation that occurs when everybody wants to take money out of one's bank account before the bank runs out of reserves.)*

84. (d)
RBI comes to the rescue of a bank that is solvent (has not gone bankrupt) but faces temporary liquidity (funds) problems by supplying it with much needed liquidity when no one else is willing to extend credit to that bank. RBI extends this facility to protect the interest of the depositors of the bank and to prevent possible failure of a bank, which in turn may also affect other banks and institutions and can have an adverse impact on financial stability and thus on the economy.

85. (a)
A bank run is a situation that occurs when a large number of bank's customers withdraw their deposits simultaneously due to concerns about the bank's solvency (Solvency is the ability of a company to meet its long-term financial obligations which is essential to staying in business). As more and more people withdraw their funds, the probability of default increases, thereby prompting more people to withdraw their deposits. In extreme cases, the bank's reserves may not be sufficient to cover the withdrawals. A bank run is typically the result of panic which can ultimately lead to default. In such a situation, the RBI stands by the commercial banks as a guarantor and extends loans to ensure the solvency of the banks. This function of RBI is also called 'lender of last resort'.

RBI comes to the rescue of a bank as a 'lender of last resort' that is solvent (has not gone bankrupt) but faces temporary liquidity/funds problems.

86. (a)
In all RBI related documents, it is written that, RBI acts as lender of last resort for banks. But in case of IL&FS crisis in 2018, where it defaultedon loan papers, Mr. Viral Acharya, the ex-Deputy Governor of RBI clarified that RBI can act as lender of last resort for NBFCs also.

All NBFCs are not registered or regulated by RBI. Some NBFCs are regulated by SEBI, IRDAI etc. also

87. (c)
When RBI floats/raises loans on behalf of government then it is acting as a "Debt Manager" of government and not as a Banker to government. So (iv) statement is not true.

88. (b)
RBI has deregulated interest rate on term/ time deposits since Oct 1997.

RBI had deregulated interest rate on savings deposits since May 2011.

RBI regulates three categories of financial markets; money markets, government securities markets and foreign exchange markets.

89. (d)
Commercial Paper (CP) is an unsecured money market debt instrument issued in the form of a promissory note for less than one year. NBFCs and high rated companies also are allowed to issue commercial papers to raise short term money.

90. (d)
In money market, short term (less than one-year maturity), highly liquid and debt instruments are traded. State Development Loans (SDL) have maturity more than a year.

Cash management bills, Treasury bills and Certificate of deposits are debt instruments with less than one-year maturity.

Certificate of Deposit (CD) is a negotiable/tradable money market instrument (a kind of Promissory Note) and issued in dematerialised form against funds deposited at a bank or other eligible financial institution for a specified time period.*(It is different from the Deposit certificates that individuals get when they deposit money in bank which is non-tradable).*

91. (c)
Mergers and Acquisitions of commercial banks require the approval of Competition Commission of India (CCI) and Reserve Bank of India (RBI) both.

CCI is the "Fair Trade Regulator".

CCI looks into the competition part of such deal and RBI looks into the prudential aspects. The RBI is the sector regulator, so the health of banks is its concern. The CCI's concern is their behaviour in the market and the consumers in the market,"

If any merger/amalgamation/acquisition is happening and after the merger/amalgamation/acquisitionthe combined asset value is more than Rs. 1000 crore or Turnover (sales in a year) is more than Rs 3000 crore then they are required to take approval of Competition Commission of India (CCI) under the Competition Commission of India Act 2002.

But as per section 54 of the CCI Act, Central government may exempt from the application of CCI Act, any class of enterprises, if such exemption is necessary in the interest of security of the State or public interest. So, when SBI and its associates got merged, then Central government had waived of the approval of CCI. When SBI was acquiring 49% stake in Yes Bank then also central government waived off the CCI approval.

92. (d)
With a view to improve the Governance of Public Sector Banks (PSBs), the GoI appointed an autonomous Banks Board Bureau (BBB) which started functioning from 1st April, 2016. The Board has three ex-officio members and three expert members in addition to a Chairman. The following are the functions of the BBB

- It will be responsible for the **selection and appointment** of Board of Directors in PSBs and Financial Institutions (FIs)
- It will advise the Government on matters relating to appointments, confirmation or extension of tenure and termination of services of the Board of Directors
- It will help banks to develop a robust leadership succession plan for critical positions
- It will build a data bank containing data relating to the performance of PSBs/FIs and its officers
- It will advise the Government on the formulation and enforcement of a code of conduct and ethics for managerial personal in PSBs/FIs
- It will advise the Government on evolving suitable training and development programmes for management personnel in PSBs/FIs
- It will help banks in terms of developing business strategies and capital raising plan etc.

93. (c)
Banks Board Bureau (BBB) is responsible for the selection and appointment of Board of Directors in Public Sector Banks (PSBs) and Public Financial Institutions like LIC, NABARD, SIDBI etc.
Once BBB selects the Directors/Chairman then it is sent for approval by the Appointments Committee of the Cabinet (ACC).

94. (a)
P J Nayak committee has recommended for 'Banks Board Bureau (BBB)' as an interim arrangement till a 'Bank Investment Company (BIC)' is established by Govt. of India where ownership of PSBs will be transferred and BIC will act as a holding company and will be owned by Govt. of India
P J Nayak committee was constituted in Jan 2014 for review of governance of boards of banks.

95. (a)
As per "The Deposit Insurance and Credit Guarantee Corporation (DICGC) Act 1961", DICGC must register all commercial banks (scheduled and non-scheduled both) and Urban Cooperative banks (UCB) and State and District Central Cooperative Banks (StCB/DCCB) as an insured bank. *(StCB/DCCB are rural cooperative banks)*

And every insured bank is liable to pay premium to DICGC as may be notified by DICGC after the approval of RBI. But the premium shall not exceed fifteen paise per annum for every hundred rupees of the total amount of the deposits in that bank. Which means premium has been capped under the DICGC Act. As per the rules, premium cost is required to be borne by the bank themselves and cannot be passed on to depositors.

Since the insurance cover has been increased from the presently Rs. 1 lakh per depositor per bank to Rs. 5 lakh per depositor per bank, the insurance premium has also been increased from presently 10 paise per Rs. 100 of deposit to 12 paise per Rs. 100 of deposit.

Deposits of foreign governments, deposits of central and state governments, and inter-bank deposits are not covered/insured.

96. (c)
The objectives of setting up of payments banks is to promote financial inclusion by providing small savings accounts and payments/remittance services to migrant labour workforce, low income households, small businesses, other unorganized sector entities and other users.

The following will be the scope of activities for payment banks:

- Acceptance of demand deposits (savings or current) up to Rs. 2 lakh only but no time deposits
- **No lending activity**
- Issuance of ATM/debit cards but not credit cards
- Payments and remittance services through various channels
- Acting as Banking Correspondent (BC) of another bank
- Distribution of simple financial products like mutual funds/insurance products, etc.

Payment banks will be required to maintain Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR). The total deposits of the public must be invested in government securities and/ or deposited in other commercial banks (i.e. no lending is allowed). This makes the public deposit in payment banks safe. Payment banks will be set up as differentiated banks for serving niche interests. *(Differentiated banks have restrictions either in geography or in operation or both. Opposite of differentiated banks are universal banks).*

97. (c)
India Post Payment Bank is a public sector enterprise and comes under the Department of Posts, Ministry of Communications. It is a payment bank and accepts only demand deposits (current and savings account).

'Department of Post' is a department of Govt. of India to provide mail and various services. Now, Govt. of India (through Department of Post, Ministry of Communication) created a wholly owned PSU, 'India Post Payment Bank', to provide banking facilities.

98. (a)
The objectives of setting up of small finance banks are to promote financial inclusion by providing provision of savings vehicles and supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganized sector entities, through high technology-low cost operations. They are required to extend 75% of their loans to priority sectors and 50% of their loan portfolio shall constitute loans of up to 25 lacs.
The scope of activities for small finance banks will be basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganized sector entities and there will not be any restriction in the area of operations. They will be required to maintain CRR and SLR. They will be set up as differentiated banks for serving niche interests

Small Finance Banks are not particularly for rural areas.

RBI released guidelines for 'on-tap' licensing of Small Finance Banks. Urban Cooperative Banks and Payment Banks can apply for conversion into SFB. 'On-tap' means any time they can apply for conversion into SFB and they don't need to wait for a time window when RBI will grant licenses.

99. (a)
In normal companies/banks, Board of Directors (BoD) are independent and representatives of shareholders/owners, but not exactly the shareholders. But in cooperative banks, the Board of Directors are selected from among the shareholders themselves. Because of this, professionalism is missing from the cooperative banks and there were several cases of frauds discovered.

To bring improvement in the governance and functioning of Urban-Cooperative Banks (UCBs), a new organization structure consisting of a Board of Management (BoM), in addition to the Board of Directors (BoD), was suggested by the **Malegam Committee** (2011).*(As changing the selection/appointment process of BoD required changes in Cooperative Societies Act)*

Accordingly, **RBI published guidelines on 31st Dec 2019**, as per which, the BoD of UCBs with deposit size of ₹100 crore and above, shall constitute BoM. It shall be mandatory for such banks to constitute BoM for seeking approval to expand their area of operation and/or open new branches. These UCBs will also require prior approval of RBI for appointment of their CEOs. UCBs with a deposit size less than ₹100 crore are exempted from constituting BoM although they are encouraged to do so voluntarily. The BoM shall report to the BoD and shall exercise oversight over the banking related functions of the UCBs, assist the BoD on formulation of policies and any other related matter specifically delegated to it by the BoD for proper functioning of the bank. The BoD will continue to be the apex policy setting body and shall continue to be responsible for the general direction and control of a UCB. It will continue to look after all the administrative functions as spelt out in the respective Co-operative Societies Acts.

100. (a)
Urban cooperative banks (UCB) are also called Primary cooperative banks and are under dual regulation of Central/State governments and the RBI.

Though the Banking Regulation Act came in to force in 1949, the banking laws were made applicable to cooperative societies only in 1966 through an amendment to the Banking Regulation Act, 1949. Since then there is '**duality of control**' over cooperative banks (urban and rural both) between the State Registrar of Cooperative Societies/Central Registrar of Cooperative Societies and the Reserve Bank of India. The Reserve Bank **regulates and supervises** the banking functions and amalgamation and liquidation of UCBs/StCB/DCCB under the provisions of Section 22 and 23 of Banking regulation Act, 1949 and the non-banking aspects like registration, management, administration and recruitment are regulated by the State/ Central Governments.

PACS and long-term credit co-operatives (SCARDB and PCARDB), which are basically rural cooperative banks, are outside the purview of the Banking Regulation Act, 1949 and are hence not regulated by the Reserve Bank.

Urban Cooperative Banks are under the supervision of RBI but supervision of all rural cooperative banks including StCB/DCCB have been delegated to NABARD by RBI.

*For detailed understanding, you can refer the book on **Indian Economy by Vivek Singh**.*

101. (c)
Regional Rural Banks (RRBs) are regulated by RBI and supervised by NABARD

102. (d)
NABARD does not give direct loan to individuals but it gives loan to Commercial Banks**,** Regional Rural Banks (RRBs)**,** State Cooperative Banks & Land Development Banks **and** Non-Banking Financial Companies (NBFCs) for further lending (refinance) to the agriculture and rural sectors.
[Ref: https://www.nabard.org/english/Longterm.aspx]

103. (d)
NABARD is 100% owned by Govt. of India. Govt. of India contributed its share capital into NABARD last year also.

NABARD raises money by borrowing from RBI (Actually RBI gave Rs. 25,000 crore of special refinance facility at repo rate under AatmaNirbhar Bharat). This facility is not always available to NABARD and is on discretion of RBI.

NABARD also borrows from commercial banks and it also raises money by issuing bonds and debentures in the financial markets. NABARD also borrows from abroad in foreign currency.

NABARD also borrows money by issuing bonds which are fully serviced (interest and principal are paid) by govt. of India. The purpose of these bonds is to meet expenditure towards Govt. of India schemes by raising 'Extra-budgetary Resources' in the name of NABARD. And hence it is not counted in fiscal deficit of Govt. of India

104. (d)
MUDRA would be responsible for **refinancing** all Last Mile Financiers such as Non-Banking Finance Companies, Societies, Trusts, Companies, Co-operative Societies, Small Banks, Scheduled Commercial Banks and Regional Rural Banks which are in the business of lending to micro/small business entities engaged in **manufacturing, trading and services activities (not for agriculture).** Refinancing means MUDRA loans will be available through Banks/NBFCs/MFIs and not directly from MUDRA Bank.

MUDRA loans are available in three categories. For small business, loans upto 50000/- is available under the 'Shishu' category, beyond 50,000 and up to 5 lakhs under the 'Kishor' category and between 5 lakhs to 10 lakhs under the 'Tarun' category. These products have been designed to cater to customers operating at the lower end of the enterprise spectrum i.e. informal/unorganized sector.

105. (d)
National Housing Bank (NHB) was set up in 1988 under the National Housing Bank Act, 1987. It operates as a principal agency to promote Housing Finance Companies (HFC) both at local and regional levels and to provide financial and other support to such institutions. NHB is regulated by RBI. Earlier, NHB regulated the activities of HFCs based on regulatory and supervisory authority derived under the NHB Act 1987, but now RBI does it. It does not extend direct credit at individual level but extends indirect financial assistance by way of refinance *(i.e. NHB finances those institutions which provide finance to individual borrowers, builders etc.)*

106. (c)

Recent changes:
National Housing Bank was a wholly owned (100%) subsidiary of RBI. But in 2019, Govt. of India took over the entire stake of NHB from RBI.

Housing finance companies (HFCs) are a category of NBFCs andtill recently, HFCs were regulated by National Housing Bank (NHB). But this was changed in 2019 and now HFCs have come under the direct regulation of RBI. This may have been done because of the bankruptcy issues going on in various housing finance companies like DHFL.
*Even if housing finance companies (HFCs) were a category of NBFCs, in the news the newspapers always mentioned NBFC and HFC separately. The reason being NBFCs **were** regulated by RBI and HFC by National Housing Bank (which was regulated by RBI).*

107. (a)
Peer to Peer (P2P) Lending:
P2P intermediaries (regulated by RBI) are a class of NBFCs that provide the platform which pairs borrowers and individual lenders. With P2P lending, borrowers take loans from individual investors who are willing to lend their own money for an agreed interest rate. The profile of a borrower is usually displayed on a P2P online platform where investors can assess these profiles to determine whether they want to risk lending money to a borrower. The repayments are also made through the NBFC-P2P which processes and forwards the payments to the lenders who invested in the loan. P2P lending is also called social lending or crowd lending.

RBI guidelines regarding P2P lending:

- Fund transfer between the participants on the Peer to Peer Lending Platform shall be through escrow account *(a temporary pass through account held by a third party during the process of a transaction between two parties)* mechanisms operated by the NBFC-P2P. All fund transfers shall be through and from bank accounts and cash transaction is strictly prohibited.
- NBFC - P2P shall:
    - not raise deposits
    - not lend on its own
    - not provide any credit guarantee
    - not facilitate or permit any secured lending linked to its platform
    - shall not provide any assurance for the recovery of loans.
    - undertake due diligence on the participants;
    - undertake credit assessment and risk profiling of the borrowers and disclose the same to their prospective lenders;
    - require prior and explicit consent of the participant to access its credit information;
    - undertake documentation of loan agreements and other related documents;
    - provide assistance in disbursement and repayments of loan amount;
    - render services for recovery of loans originated on the platform.
    - The total amount of money that an investor can invest across all P2P platforms is **Rs. 50 lakhs**

108. (d)
NBFCs borrow from banks and then lend. They also issue bonds in financial markets to raise money and then this money the lend at a higher interest rate. NBFCs also borrow from abroad through debt financing (called ECB). Mutual funds also invest in NBFCs which means, NBFCs issue debt papers to mutual funds and then this money they lend.

But, the main wholesale funding sources of the NBFCs comprise mainly of:

- Banks (primarily via term loans and rest through non-convertible debentures and commercial paper); and
- debt mutual funds (via non-convertible debentures and commercial paper).

Debentures are long-term unsecured debt financial instruments (they are similar to bonds in functioning). Some debentures have a feature of convertibility into shares after a certain point of time. The debentures which can't be converted into shares or equities are called non-convertible debentures (or NCDs) and earn a higher interest rate.

Commercial Paper (CP) is an unsecured money market debt instrument issued in the form of a promissory note for less than one year.

109. (d)
NBFCs rely on short-term financing like commercial papers to fund long-term investments (long term loans to businesses). So, the tenure of liability (the commercial papers issued by NBFCs) is short and the tenure of asset (loans given by NBFCs) is long. This is called Asset Liability Mismatch (ALM). So, NBFCs are required to refinance these commercial papers at short frequencies of a few months. The frequent repricing of loans/advances (as they need to be raised again and again and interest rate keeps on changing in the market) exposes NBFCs to the risk of facing higher financing costs, and in the worst case, credit rationing. Such refinancing risks are referred as rollover risks.

Credit rationing is the limiting by lenders of the supply of additional credit to borrowers who demand funds, even if the latter are willing to pay higher interest rates.

110. (b)
A "Real estate investment trust" is a trust registered under the Indian Trusts Act, 1882 which manages a fund/ corpus where the funds are invested in real estate property. REITS are mutual fund like institutions that enable investment into the real estate sector by pooling small sums of money from multitude of individual investors. REITS are regulated by Securities and Exchange Board of India (SEBI).

Most middle-class investors presently do not invest in commercial real estate because of the big size of investment. This entry barrier will be removed through REITs as it will make the expensive real estate sector accessible to the middle-class investor (min. investment limit is Rs. 50,000). REITS will also help the real estate industry which is currently plagued with problems such as weak demand, cash constraints, stuck projects etc. Now, the developers will be able to sell their property to REITs and move on to execution of new projects.

SEBI has also approved **Infrastructure Investment Trusts (InvITs)** along with REITs which are very similar to REITs but are for infrastructure sector.

111. (d)
An **angel investor** is a person who invests in highly risky companies, typically before those companies have any revenue or profits. Angel investors are often among an entrepreneur's family and friends and invest in small start-ups and entrepreneurs. Angel investors provide more favourable terms compared to other lenders, since they usually invest in the entrepreneur starting the business rather than the viability of the business. Angel investors are focused on helping start-ups take their first steps, rather than the possible profit they may get from the business. Fund-raising with angel investors is typically done more casually, using networking and crowd funding platforms. Essentially, angel investors are the opposite of venture capitalists. Angel investors typically use their own money, unlike venture capitalists who take care of

pooled money from many other investors and place them in a strategically managed fund.

Angel Investment in India is regulated by Securities and Exchange Board of India (SEBI) under Category I of Alternative Investment Funds (AIF).

112. (d)
Alternative Investment Fund (AIF) means any fund established or incorporated in India which is a **privately pooled investment vehicle which collects funds from sophisticated investors**, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors. AIFs are registered with and regulated by SEBI. Angel Investor Funds and Venture Capital Funds comes under AIF.

113. (d)
A Sovereign Wealth Fund (SWF) is a State (Government) owned investment fund or entity that is commonly established from export surpluses, fiscal surpluses, proceeds from privatization etc. Countries generally create SWFs to diversify their revenue streams to protect and stabilize the budget and economy from excess volatility. For ex., UAE relies on oil exports for its wealth. Hence, it devotes a portion of its reserves to an SWF that invests in diversified assets that can act as a shield against oil-related risks (when oil prices plunge, govt's budgetary resources/taxes decline, and SWFs act as buffer). SWFs typically invest in multiple asset classes including publicly listed shares, fixed income, private equity, private debt, real estate, infrastructure etc.

114. (d)
Crowd funding or marketplace financing refers to a method of funding a project or new venture through small amounts of money raised from a large number of people, typically through a portal (internet/social media) acting as an intermediary. Crowd funding makes use of the easy accessibility of vast networks of people through social media and crowd funding websites to bring investors and entrepreneurs together. Crowd funding has the potential to increase entrepreneurship by expanding the pool of investors from whom funds can be raised beyond the traditional circle of owners.

115. (d)
The concept of a mutual fund is that various investors/individuals put their money in a fund and this fund is used to purchase shares or bonds of various companies thus diversifying the risk of the investors. The fund is managed by experts and individuals/investors don't trade the share/bonds directly. The fund managers decide in which companies to invest and from which companies to exit. If the share price or bond price of the companies increase then the value of the fund also increases and investors gain. If some individual wants to put money into the mutual fund then it can be done only once after the market has closed for that given day.

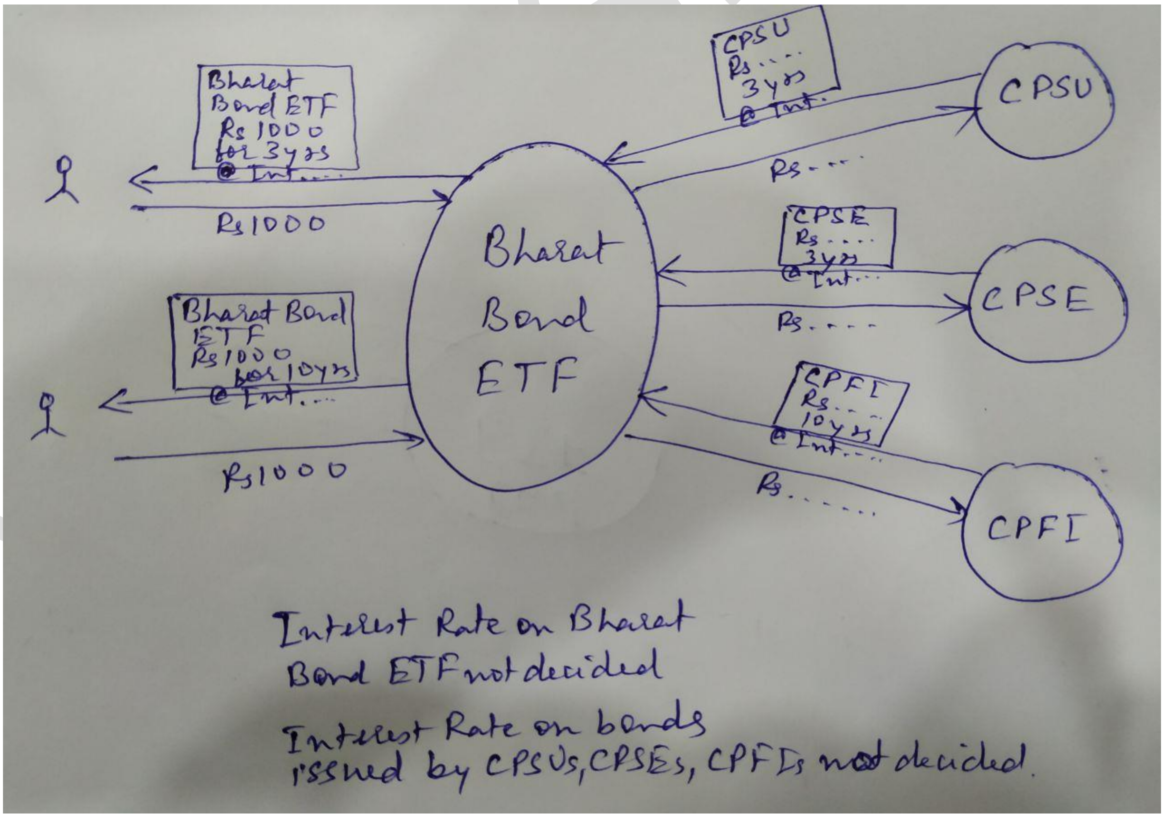
Exchange Traded Funds (ETFs) are almost similar to that of mutual funds but they differ in the sense that ETFs are traded on the stock exchange throughout the day. So, if any investor wants to purchase an ETF, they can always purchase it from the stock exchange/market throughout the day, just like the shares of any company. [So, basically you can purchase the shares of ETF from the stock exchange and ETF's assets are not physical buildings/machinery rather they have purchased shares/bonds of other companies which are assets for ETF]

The Central government announced in the budget 2018-19 that they will be creating an ETF of various central public sector companies so that to attract investors to purchase ETFs, and through which the disinvestment can be done. So, when an investor is purchasing the shares of the ETF, he is indirectly purchasing the shares of various companies from which the ETF has been created.

116. (b)
Bharat 22 is an Exchange Traded Fund (ETF) comprising shares of 22 Companies, mostly public sector companies. The ETF is well diversified with investments across six core sectors — basic materials, energy, finance, FMCG, industrial and utilities.

117. (d)
Government companies can issue bonds directly also to the investors/public but in case of "Bharat Bond ETF", various govt companies will issue bonds to "Bharat Bond ETF" and then "Bharat Bond ETF" will club these bonds and issue new bonds under the name "Bharat Bond ETF". So now when a person is investing in "Bharat Bond ETF" means purchasing the bonds of "Bharat Bond ETF" then basically he is investing in various PSUs through "Bharat Bond ETF". The money which the "Bharat Bond ETF" will get, it will pass on to the various govt companies to purchase their bonds.

The minimum size of bond is Rs. 1000, so retail public/individual can purchase and hence the "corporate bond market" will deepen (reach to more and more people). It will provide liquidity to investors as it will be traded on the stock exchange and it will be more accessible. The bonds will be issued either with 3-year maturity or 10-year maturity. For the government companies, it is a new way of finance other than the bank financing and it will expand their investor base which will ultimately increase the demand for the bonds of govt. companies resulting in lower cost of borrowing for government companies.



CPSU, CPSE, CPFI are just different categories of Public Sector companies, no need to go into it.

118. (d)

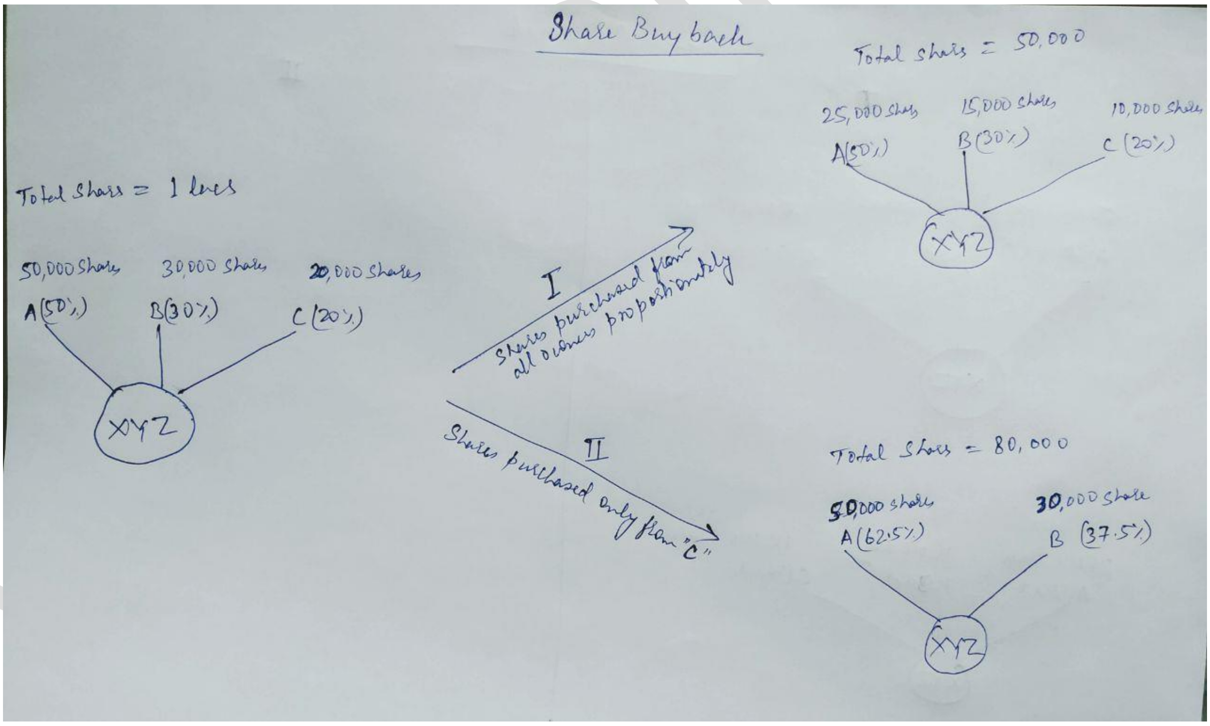
A Share Buyback (also known as a share repurchase), is when a company buys its own outstanding shares to reduce the number of shares available in the open market.

Companies with their reserves (past accumulated profit) buyback their own shares and those purchased shares are extinguished that means they will not exist. Share buyback can be of two types as explained in the figure below:

In the first case, shares were purchased from all the owners proportionately, so that after buyback, number of shares held by every owner will be less, but percentage ownership of all shareholders remains same.

In the second case, all shares were purchased from a particular owner/owners. So, after the buyback, number of shares held by the remaining owners will remain same but their percentage ownership increases.

Companies buy back shares for a number of reasons, such as to increase the value of remaining shares available by reducing the supply or to prevent other shareholders from taking a controlling stake. As the company's pay from its reserves for the buyback of shares, so after the buyback, the assets of the company reduce. In the share buyback, the previous owners are selling the shares to the company and hence they get the money, so it is a way of disinvestment also. For example, just consider C as govt. and XYZ as a PSU in the below figure.



119. (a)

The term of appointment can be 5 years, but generally the practise has been to appoint for 3 years and then extend.

120. (b)

Section 7, RBI Act 1934 says "The Central Government may from time to time give such directions to RBI as it may, after consultation with the governor of the RBI, consider necessary in the public interest".
Section 30, RBI Act 1934 says that, "If RBI fails to carry out any of the obligations imposed on it under the RBI Act, then Central government can supersede the Central Board" of RBI.

121. (c)
RBI issues various guidelines for directors of banks and also has powers to appoint additional directors on the board of a banking company. Banks need prior approval of RBI for appointment/termination of Chairman, Directors and CEO. RBI in consultation with Central Govt., can supersede the Board of Directors of Banks. Public Sector Banks (PSBs) are under dual regulation of Central Govt. and RBI. RBI's powers are curtailed regarding to PSBs, where RBI cannot remove directors and management, cannot supersede banks board and does not have the power to force a merger or trigger liquidation.

A license is required from RBI to commence banking operations, opening of new bank branches and closing of branches or change in the location of existing branches. RBI regulates merger, amalgamation and winding up of banks. (For shifting, merger and closure of urban branches, now no approval is required).

122. (a)
RBI is 100% owned by govt. of India but its surplus transfer to Govt. has fluctuated in the previous years.
Refer the Trends

123. (c)
Till the time, reserves are with RBI, it is not part of money supply. But if RBI gives its surplus reserves to government which will ultimately spend this amount will result in this extra money reaching to public resulting in higher inflation. RBI paying dividend to government is a part of budgetary resources of govt. of India and it helps in reducing fiscal deficit.

124. (d)
RBI earns income from all of the sources. RBI invests Forex to purchase US govt. bonds and lend to other Central Banks and earns interest. It also earns interest on Indian Govt securities (OMO) and it earns interest by lending to banks (Repo Operations).

125. (d)
When there is a default in the debt market, everyone wants to sell the debt paper and hold cash which results in shortage of liquidity and increase/hardening of interest rates.
Liquidity crisis may also be caused if foreign portfolio investors are running out and selling their bond holdings in the Indian bond markets.
To resolve the liquidity crisis, RBI may buy government bonds i.e. open market operations and pump liquidity in the economy.

126. (a)
'Monetary base' is the total liability of RBI and it is also called 'High Powered Money' or 'Reserve Money' or M0.

127. (d)

The currency held by public is the liability of RBI as whenever somebody comes with the currency note to the RBI, it needs to return a sum equivalent to the value of currency. So, if some old notes do not come to the banking system then it will become invalid, and RBI will never have to return equivalent value of those currency notes.

If the black money does not come back to the banking system after demonetization then RBI's liability would reduce by that amount and its net Assets (net worth) will increase. This ultimately means that the private money has been transferred to the RBI. Hence it is a kind of transfer of illicit black money to the public sector.

Demonetization may have some negative impact on GDP growth which will impact the revenues from indirect and corporate taxes.

"Black economy is the market-based production of goods and services – legal or illegal – that escapes capture in the official GDP statistics. And the tax that the government forfeits on this activity circulates as black money."

128. (d)
Monetary Base or High-Powered Money is the total liability of the Monetary Authority of India i.e. RBI.

All the currency notes and coins issued by RBI, does not matter who is holding it, is always the liability of RBI. When Government and banks deposit their money with RBI, it becomes liability of RBI. *(In the same way as when you deposit money in your bank, then the deposits become bank's liability towards you).*

*For detailed understanding, you can refer the book on **Indian Economy by Vivek Singh**.*

129. (b)
When people deposit money in banks (public deposits), then banks keep only a certain portion with them and the rest they lend. Whatever they keep with themselves is considered as reserves.
The portion that they keep as reserves can be in the form of cash or gold or they can purchase government securities (bonds) or they can also deposit with RBI.
So only (ii), (iii) & (iv) statements are true.

130. (b)
Banks are mandated to keep only a fraction of the deposits as reserves, rest they can lend and this lending creates money in the system.

For example, If I had Rs. 100 cash with me which I deposited in a bank, and say the bank kept Rs. 20 in reserves and rest i.e. Rs. 80 it lent to someone else. Now, money with me is Rs. 100 (in deposit form) and money with the other person is Rs. 80. So, now total money in the system is Rs. 180, while earlier it was only Rs. 100. And this became possible just because the person deposited the money in the bank and the bank kept only a fraction in the reserve and the rest it lent to someone else.
This is called fractional reserve banking.

In the above case monetary base is Rs. 100 and money supply is Rs. 180

Money multiplier = Money Supply/ Monetary Base
=180/ 100 = 1.8

Another case, if I would have only Rs. 50, which I deposited in the bank and the bank kept 20% reserves i.e. Rs. 10 and the rest Rs. 40 it lent then, *Money multiplier = 90/50 = 1.8*

If banks are mandated to keep all the deposited money i.e. Rs. 100 as reserves then banks would not have lent and no new money would have been created in the system. And then;
Money multiplier would have been = 100/100 = 1

*For detailed understanding, you can refer the book on **Indian Economy by Vivek Singh**.*

131. (b)
From the above example, money multiplier decreases when banks are required to keep more reserves.

From the above example, Money multiplier remains constant irrespective of change in monetary base

132. (c)
Money supply = (Money Multiplier) X (Monetary Base)

From the above formula, money supply can be increased by increasing the money multiplier or monetary base or both.

133. (d)
Money supply = (Money Multiplier) X (Monetary Base/ Reserve Money)
From the above formula, if RBI increased the reserve money (Monetary base) but still money supply is not increasing that means money multiplier is decreased.

Now money multiplier could decrease because of people holding more cash and not depositing in banks which means currency deposit ratio is increasing.

If RBI is increasing the reserve money (monetary base) but still money supply not increasing that means banks may be depositing the excess money with RBI (at reverse repo) rather than lending to the public.

You need to keep in mind that money deposited by banks with RBI is not part of money supply. Only the money with public is part of money supply.

134. (a)
Money supply = (Money multiplier) X (Monetary base)

When RBI does open market operations, then monetary base changes (RBI buys/sells govt. securities in lieu of cash), due to which money supply also changes. But it does not change money multiplier, which depends on two things:
- People's tendency of depositing money in banks (currency deposit ratio)
- Statutory reserve requirement of the banks (reserve deposit ratio)

135. (d)
Money supply is defined as the stock of money in circulation among the **public**.
So, money lying with government, RBI and interbank deposits are not considered as money supply.

136. (a)
Money supply is money with the **public** either in cash form or in deposit form (demand and time both) with the bank (and Post offices). Securities like bonds and shares are tradable instruments and their prices fluctuate and are not part of money supply.

137. (b)

Government issues only debt securities like treasury bills, cash management bills, dated securities and state development loans.

Anybody can give loan (debt) to government but they cannot own government i.e. they cannot purchase government shares. Government never issues shares.

'Government' is different from 'government companies' (PSUs) which can issue shares and bonds both.

Open Market Operations is conducted by RBI where it buys or sells govt. bonds. (debt securities)
So, (ii) & (iii) statements are true.

138. (d)

Currency in Circulation = Currency with Public + Currency with Bank

If "Currency in circulation is increasing" that means RBI is pumping more cash into the economy. And practically this cash goes to both to banks and public. This can happen in several ways:

1. RBI purchase physical gold from the market and print extra cash and pay for it. RBI's assets (physical gold) will increase and Liabilities (cash/currency) will also increase that means "monetary base" also increases.

2. RBI purchases "govt bonds" from the market and prints extra cash to pay for the bonds. RBI's assets (govt bonds) will increase and Liabilities (cash/currency) will also increase that means "monetary base" also increases.

3. RBI is purchasing extra dollars (from foreign investors coming to India or from exporters) and printing cash/currency (rupee) and paying for it. RBI's assets (dollars) will increase and liabilities (cash/currency) will also increase that means "monetary base" also increases.

Money Supply = Money Multiplier X Monetary Base

Since in the above 3 examples, "Monetary Base" is increasing hence "Money Supply" will (also) increase and "Money Multiplier" may remain constant. Money Multiplier will change only when if there is change in behaviour of people or RBI changing CRR/SLR.

139. (d)

Open Market Operations (OMO) is a monetary policy tool where RBI buys/sells government securities in the secondary (open) market to increase or decrease the money supply.
Due to foreign investments inflow or outflow, money supply in the Indian economy increases/ decreases. To prevent or sterilize the economy from such external shocks, RBI buys or sells government securities to keep the money supply unchanged. This is called sterilization or Market Stabilization Scheme (MSS) and it is not a day to day phenomenon, rather less frequently used.

140. (d)

Market Stabilization Schemeis an instrument of sterilisation, which empowered the RBI to **issue** Government Treasury Bills and medium duration Dated Securities for the purpose of liquidity absorption. This instrument of monetary management was introduced in 2004 to absorb surplus liquidity of a more enduring nature arising from large capital inflows. The scheme worked by impounding/taking the proceeds of auctions of Treasury bills and Dated Government securities in a separate identifiable MSS cash account maintained and operated by the RBI. At the same time, interest payments have to be given to the institutions who buys the Market Stabilization Bonds (MSB) (the Treasury bills and Dated securities of govt). Here, for the interest payment, the government allocates money from its budget to the RBI. This expenditure to service interest payment for MSBs is called *carrying cost*. The amounts credited into the MSS cash account by selling MSBs are appropriated only for the purpose of redemption/buy back of the Treasury Bills/dated securities issued under the MSS.

141. (c)
"In terms of Section 42(1) of the RBI Act, 1934 the Reserve Bank, having regard to the needs of securing the monetary stability in the country, prescribes the CRR for Scheduled Commercial Banks (SCBs) without any floor or ceiling rate". The other purpose of CRR is to manage liquidity (RBI can increase CRR to decrease liquidity in the economy) and it also ensures that a part of the bank's deposit is with the Central Bank and is hence, safe.

As a depositor, the CRR and SLR requirements together ensure that some portion of the deposits with Indian banks remain secure, even if banks make poor lending decisions. In absence of the CRR and SLR requirements, to make more profits bank may lend most of the deposits and if there is a sudden rush to withdraw, banks will struggle to meet the repayments to the depositors. The maximum limit for SLR is 40%.

142. (c)
One of the basic reasons of keeping CRR with RBI is to provide safety to the public deposits. It also ensures solvency of banks i.e. staying in business and proper functioning and liquidity situation.

Since banks do not earn interest on the CRR, so it is idle money for the banks which increases costs for banks.

143. (b)
Statutory/Legal Reserve Requirements means all the reserve requirements mandated for the banks and it includes both CRR and SLR. The purpose of CRR/SLR is not to prevent banks from making excessive profit but rather make people's deposit safe and liquid and allow RBI to manage liquidity in the economy. Through CRR or SLR, RBI does not specify any amount of vault cash that the banks need to keep with them. Through SLR, RBI specifies liquid assets in any form like cash, gold or govt. bonds and not any specific amount of vault cash.

144. (a)
As per Section 42 of the RBI Act 1934, *every Scheduled (included in the second schedule of RBI Act 1934, whether commercial or cooperative) bank need to maintain CRR with RBI.*

145. (d)
The monetary policy framework in India, as it is today, has evolved over the years. A new "**Monetary Policy Framework**" Agreement was signed between the Government of India and RBI in Feb 2015. As per the new monetary policy framework agreement, following are the important points: -

- The objective of the monetary policy is to primarily maintain **price stability**, while keeping in mind the objective of growth

- The monetary policy framework is operated by RBI
- The inflation target is 4% with a band of +/- 2%
- The inflation target is decided by the Government of India in consultation with RBI
- The inflation is the "Consumer Price Index (CPI) – Combined" published by Ministry of Statistics and Programme Implementation (NSO)
- The RBI shall be seen to have failed to meet the Target if inflation is more than 6% or less than 2% for three consecutive quarters
- In case RBI fails to meet the target, it will have to give a written report to Government of India explaining the reasons of failure, remedial actions to be taken and an estimated time period within which the Target would be achieved

146. (a)
The monetary policy framework aims at setting the policy (repo) rate based on an assessment of the current and evolving macroeconomic situation; and modulation of liquidity conditions **to anchor money market rates at or around the repo rate**. Repo rate changes transmit through the money market to the entire the financial system, which, in turn, influences aggregate demand – a key determinant of inflation and growth.

Once the repo rate is announced, the operating framework designed by the Reserve Bank envisages liquidity management on a day-to-day basis through appropriate actions, which aim **at anchoring the operating target – the weighted average call rate (WACR) – around the repo rate**.

Weighted average call rate is also called money market rate.

147. (c)
The inflation target is decided by the Government of India in consultation with RBI.

148. (b)
MPC has the authority to decide only the repo rate and not CRR & SLR or other things. Its decision of repo rate is binding on RBI.

149. (c)
As per RBI Act 1934, Monetary Policy Committee (MPC) has been constituted consisting of 6 members.

- The Governor of RBI—(Chairperson), Member, ex officio;
- Deputy Governor of RBI, in charge of Monetary Policy—Member, ex officio;
- One officer of RBI to be nominated by the Central Board of RBI—Member, ex officio; and
- Three persons to be appointed by the Central Government—Members.

The decisions are taken with simple majority and in case of tie-up, the Governor gets a casting vote (an extra vote).

The three members appointed by the Central Government shall hold office for a period of four years and shall not be eligible for re-appointment.

The RBI shall organise at least four meetings of the Monetary Policy Committee in a year.
As of now, RBI is conducting 6 meetings in a year, once in every two months.
150. (d)

Marginal Standing Facility (MSF): It is a facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit (2% of SLR) at a penal rate of interest which is above repo rate (MSF rate = repo rate + 0.25%). This means that if a bank is keeping the minimum SLR requirement of 18.25% and it wants money/cash from RBI then, the bank can offer say 2% of the SLR reserve (securities) to RBI and can get money/cash from RBI. This provides a safety valve against unanticipated liquidity shocks to the banking system.

(This 2% has been raised to 3% because of the COVID-19 LOCKDOWN issue which resulted in liquidity crisis). For detailed understanding, follow the telegram channel "Vivek Singh Economy".

151. (a)

The Reserve Bank has been conducting Consumer Confidence Survey (CCS) since June 2010. The survey captures qualitative responses on questions pertaining to economic conditions, household circumstances, income, spending, prices and employment prospects. The survey results are based on the views of the respondents and are not necessarily shared by the Reserve Bank of India. It is conducted in 6 rounds in a year.

152. (c)

RBI conducts quarterly 'inflation expectation survey' of households wherein RBI gauges the household's expectation regarding inflation for the next one year. These surveys are used for monetary policy purpose.

153. (c)

RBI keeps the repo rate high or increases it when the inflation in the economy increases.

When "inflation expectation" of the people is high, i.e. they are expecting that in future inflation will increase, then such a behaviour of the people ultimately leads to higher inflation in the economy due to which RBI increases the repo rate.
So, both the statements are true.
[Ref: Economic Survey 2015-16 Vol-II, Page 17, Monetary Developments]

154. (c)

Accommodative Monetary Policy: When a central bank attempts to expand the overall money supply to boost the economy when growth is slowing. This is done to encourage more spending from consumers and businesses by making money less expensive to borrow by lowering the interest rate.

A neutral monetary policy is also called "natural" or "equilibrium" rate where the policy (repo) rate is such that neither it stimulates nor restrains economic growth.

Whenever RBI conducts its monetary policy review, it also tells the general public what will be its future stand (this is also called 'Forward Guidance')i.e. going forward, in which direction the policy rate may move. If it wants to move the repo rate down in future then it will keep 'accommodative stance'. If it expects to move the repo rate up in future then it will keep 'hawkish stance'. And if it wants that it should be able move the repo rate in any direction then it keeps 'neutral stance'.

When RBI is changing its **stance** from "**accommodative**" to "**neutral**", in any monetary policy review, that means RBI is expecting that in future it may be required to change the repo (policy) rate in any direction.

When RBI is having an accommodative monetary policy stance that means in future it expects to lower the policy rate. But if it thinks that the inflation or demand in the economy is edging up then it may change its stance from accommodative to neutral so that it has the leeway to change the policy rate in even in the upward direction (or may be downward direction).

When consumer confidence in the economy is up it shows that in future the consumers will be willing to purchase more goods and services which may lead to an increase in inflation. But if the consumer confidence is down then it implies that consumers will be spending less in future.

155. (a)
When the US Federal Bank increases the interest rate, then the foreign investors sell their investments in India (mostly debt instruments) and move to US. In the process they convert the Rupee into dollars in the forex market and the demand for dollar increases and rupee depreciates.

Money supply in the Indian economy will decrease in this case because foreign investors are selling their investments and taking money out of India.

156. (c)
Rupee-dollar rate is discovered in the forex market. When importers buy dollars in the foreign exchange market, rupee depreciates as the demand of dollars increases in the forex market. But if they directly deal with RBI (and take dollars from RBI) and don't go in the forex market then it may not impact the rupee-dollar rate.

When RBI increases the repo rate, the interest rate in the market increases which may attract foreign investors in debt instruments resulting in rupee appreciation.

157. (c)
Operation Twist is when the central bank uses the proceeds/money from sale of short-term securities to buy long-term government debt papers, leading to easing of interest rates on the long-term papers.

When RBI's objective is to decrease the interest on long term lending, so that the companies are able to borrow at cheaper rate for long term to promote economic growth then RBI purchases debt papers of long-term maturity of government. So, when RBI is purchasing the debt paper, that means RBI is giving loan/money for long term, which results in easy availability of money for long term, hence decrease in long term interest rate.

Operation Twist will resolve the problem of long-term liquidity. So now enough long-term liquidity/money is available in the market. This helps in reducing interest rate on long term borrowing.

As the long-term interest rate comes down in the financial market, banks cannot keep the lending rate higher for long term due to competition in the market for lending among banks. This will then help in reducing interest rate on long term lending by banks also.

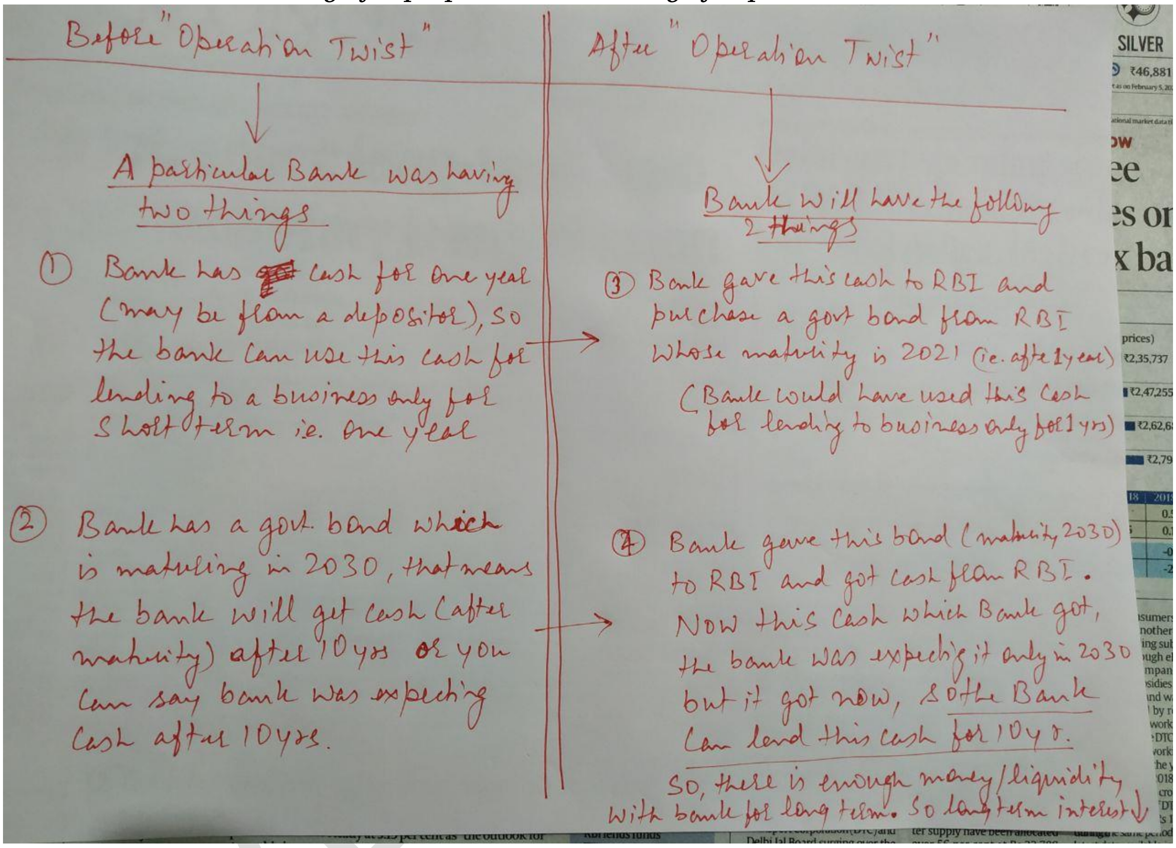
Earlier RBI had reduced repo rate several times but banks have not passed/transmitted this into lending rate. But since in the financial markets interest rate has come down due to Operation Twist, banks will be pressurized to reduce lending rate which means better monetary transmission.

If RBI will purchase long term bonds, then the price of long-term bond will go up and the yield/return will be low/soften. (If Rs. 100 bond paper (face value) with interest rate 8% is available in Rs. 110 in the market then the yield will be (Rs.8/Rs. 110)*100 = 7.27%

Operation Twist is "Open Market Operation" and it is a part of RBIs Monetary Policy.

Monetary Transmission is the pass-through of RBI's policy actions to the economy at large in terms of asset prices and general economic conditions.

Please see the below image for proper understanding of 'Operation Twist'.



158. (b)

RBI lends to banks @repo rate only up to 0.25% of bank's NDTL for overnight. RBI from time to time, on its own discretion, also lends for long term **at** or **above** the repo rate. In case RBI wants to lend above repo rate then the interest rate is decided by **auction** i.e. if banks want more money, the interest rate will go higher, if few banks are competing for RBIs money then interest rate will be less but **it is always above the repo rate**. RBI, while conducting the auction clearly specifies that bids below and equal to repo rate will be rejected. This is called "**long term repo operation** (**LTRO**)" which means RBI gives money for a fixed long term. The LTRO is generally at variable rate decided by the auction which is above repo rate but it can be done at repo rate also. (Collateral of government security is required but may not be 100%). Repo is available on a daily basis for banks but LTRO is for long term and done less frequently only when RBI notifies i.e. on RBI's discretion.

159. (c)

First understand the BASIC CONCEPT regarding MONEY SUPPLY, INFLATION and INTEREST RATE

Generally, when money supply (either in cash or in bank deposits) increases then inflation increases as more money starts chasing the (same) goods/output in the short term. But this will be true only when people are willing to spend money (which is generally true) and purchase goods and services i.e. more money chasing the output.

When inflation increases then generally interest rate in the economy also increases (nominal interest rate = inflation + real interest rate).

So, if a question is there, then you need to understand the concept and context.

NOW, let us understand this question:

The LTRO (long term lending by RBI to banks) will result in increase in money with banks and this increased liquidity/money will result in **decrease in interest rate**. *(When someone says that money has been pumped in the financial system then the first thing which happens is interest rate comes down.)* But, the increased money supply may also result in inflation which then may lead to increase in interest rate.

BUT the impact of LTRO on "**increase in interest rate**" is quite INDIRECT, AND the impact of LTRO on '**money supply**' and '**inflation**' and '**decrease in interest rate**' is quite DIRECT.

You should always try to find a DIRECT link while solving Economy questions. And you should also check that which option can be eliminated by seeing the various options.

For more clarification, watch this complete video.
https://www.youtube.com/watch?v=j9p5ezvNgW4

160. (d)
Under LTRO, RBI provides funds to the banks through auction. RBI says that I will give funds to that bank which offers maximum interest rate (above repo rate*). Of course if the funds are available in the market at 7% then under LTRO banks will quote a maximum interest rate below 7% because anyways they can get funds from the market @7%.* This increases the liquidity in the economy and brings down the interest rate and yield (interest rate and yield are directly proportional

Sometimes/rarely LTRO can be done at repo rate and that is called Fixed Term Repo Operation otherwise it is generally (variable) Term Repo Operation.

Explanation of (iii) statement.
Suppose RBI was reducing the repo rate because of which market interest rate (deposit and lending rate) was coming down. But after certain level suppose RBI does not want to reduce the repo rate BUT it wants that interest rate should come down further in the economy then RBI can pump more liquidity (through OMO/LTRO) which will ultimately result in lowering the interest rate.

161. (b)
As per the RBI Act 1934, RBI follows flexible inflation target of 4% +/- 2%. The Act says "primary objective of the monetary policy is to maintain price stability while keeping in mind the objective of growth". It means that if inflation is in control, RBI can focus on economic growth of the country and can reduce the repo rate.

The explicit mandate of monetary policy is price stability and not financial stability.

Price stability is not sufficient for financial stability as there may be less inflation but we have huge NPAs and various financial institutions defaulting. *(Like the situation in the last 4/5 years).*

162. (c)

RBI conducts fixed rate repo operation and fixed rate reverse repo operation for overnight on a daily basis. That means whenever banks want to borrow money for overnight or deposit money for overnight they can do it. MSF is also on daily basis.

But when to conduct OMO or LTRO or Reverse repo auction or repo auction are all up to RBI's discretion. To manage the liquidity in the economy RBI can conduct these operations as per its own will.

163. (d)

Base Rate was introduced in July 2010 replacing the Benchmark Prime Lending Rate (BPLR) system. Base Rate is the minimum rate below which Scheduled Commercial Banks cannot lend. RBI publishes guidelines for calculation of Base Rate and every bank calculates its own base rate.

Base rate calculation methodology was based on various factors like:

- **(Average) Cost of deposits/funds** (interest rate that bank offers to its depositors)
- Cost of maintaining CRR and SLR (if the banks are required to keep higher reserves like CRR and SLR, then they will be able to lend less money & will have to charge higher interest rate)
- Operational Costs of Banks
- Return on Net worth (investment)

From **1st April 2016**, RBI has introduced a new methodology for calculation of the Base Rates based on marginal cost of funds rather than average cost of funds. This new methodology is called Marginal Cost of Funds based Lending Rate (MCLR)

MCLR calculation methodology will be based on the following factors: -

- **Marginal cost of deposits/funds**
- Cost of maintaining CRR and SLR
- Operational Costs of Banks
- Tenor Premium (based on the time period for which loan is given)

The basic difference between the previous Base Rate and the new MCLR based rate is the change from average to marginal.

*(When RBI reduces the repo rate, generally banks reduce their deposit rate. Earlier the calculation of lending rate was based on **average cost of deposits** to the banks. So, due to reduction in repo rate and further reduction of deposit rates by banks, the average cost of deposits of the banks did not reduce immediately (it may reduce in future when new depositors will deposit money at lower deposit rate) because still banks need to pay the higher deposit rate to all its **previous** depositors.*

In the new method banks will calculate the lending rate based on marginal cost of deposits i.e. the new deposit rate. So, when RBI will reduce the repo rate and banks reduce the deposit rate, the marginal cost of deposits will get reduced and the banks will have to generally reduce the lending rates). This will help in better monetary policy transmission.

The banks shall review and publish their MCLR every month.

164. (b)
165. (c)

Every Bank calculates its own MCLR rate based on marginal cost of deposits, operational costs, reserve requirements and tenor premium. So MCLR (or Base Rate) is an "**internal benchmark**" which varies from bank to bank. Banks link their lending rate with MCLR.
But, the transmission of policy (repo) rate changes to the lending rate of banks under the MCLR framework has not been satisfactory due the various reasons like:

- Banks feared that they will lose the depositors/customers if they will reduce the deposit rate first, and since deposit rate was not reduced, MCLR (or base rate) was also not coming down.
- Government offering higher interest rates on its own small savings schemes like Kisan Vikas Patra, Sukanya Samriddhi Scheme, PPF etc.

Hence, RBI has made it mandatory for banks to link all new floating rate personal or retail **loans** and floating rate **loans** to MSMEs to an **external benchmark** effective October 1, 2019. Banks can choose one of the four external benchmarks – repo rate, three-month treasury bill yield, six-month treasury bill yield or any other benchmark interest rate published by Financial Benchmarks India Pvt. Ltd. Banks are not mandated to link their **deposit rates** with an external benchmark rate.

Now, suppose Axis Bank links its loan rates as per following:

Home Loan = repo rate + 3% (3% is called the Spread)
Education Loan = repo rate + 4%
Personal Loan = repo rate + 5%

Here, all the loans are linked to repo rate, which is an **external** benchmark, on which Axis Bank do not have any control. So, the moment RBI changes the repo rate, it will automatically be transmitted to all the lending rates at the same moment for the new loans *(Even if the bank links the lending rate with Treasury bill yield; when RBI changes repo rate, the T-bill yield also changes in the market immediately).* The purpose of linking the lending rate with an external benchmark is faster transmission of repo rate into lending rate and this mechanism is more transparent also. Adopting of multiple benchmarks by the same bank is not allowed within a loan category.

Banks are free to decide the components of spread and the amount of spread. But in general, the **spread** consists of **credit risk premium**, **business strategy,operational costs of banks** etc. While the banks will be free to decide on the spread over the external benchmark, credit risk premium can change only when borrower's credit assessment undergoes a substantial change. The other components of the spread like operating cost can be altered once in three years.

The interest rate under the external benchmark shall be reset at least once in three months. This means that if a borrower has taken loan on 1st Jan 2020 and RBI changes the repo rate on 1st Feb 2020, then the borrower may not get immediate benefit of the rate cut as the interest rate on his loan will only get revised latest by 1st April 2020 (within three months of the loan taken).

RBI has mandated **banks** to link the lending rate with an "**anchor rate**" like MCLR or repo rate *(while MCLR was internal rate of banks, but repo is an external rate).* But there is **no mandate for NBFCs** to link their lending rates.

166. (d)

167. (d)
When government deviates from the fiscal deficit target and spends more, it results in higher inflation. So even if RBI is trying to bring down the inflation, deviation in the fiscal deficit target will create issues in RBI achieving the inflation target.

To target inflation, RBI changes the repo rate which ultimately increases/decreases the interest rate, resulting in change in money supply. Through change in money supply, RBI tries to achieve its inflation target. So, hindrances in monetary policy transmission may create issues in RBI achieving the inflation target.

In case of supply side challenges like drought, floods or governance issues, just reducing the money supply may not result in bringing down the prices of commodities.

168. (d)
Monetary transmission is the pass-through of RBI's monetary policy decisions to the economy at large in terms of interest rates, asset prices, or other economic parameters etc. And monetary transmission may result in any direction i.e. interest rates or asset prices moving up or down.

All the above tools can help in impacting the interest rate in the economy.

169. (d)
In case of forex swap, RBI may give rupees to banks and can take dollars, which leads to increase in rupee liquidity in the economy, resulting in inflation. Of course, forex swaps can also be used take out the excess liquidity in the economy (RBI giving dollars to banks and taking rupee).
Increase in foreign capital inflow leads to increase in money supply leading to inflation.
General elections lead to higher spending level by government increasing inflation.

170. (d)
Recently RBI used the tool forex swap to increase liquidity in the economy under which, RBI took dollars from Banks and it paid Indian currency to banks and this transaction will be reversed after 3 years. This tool is used rarely but RBI uses this as a monetary policy tool.

Market Stabilization Scheme and Sterilization are same and used to manage liquidity in case of foreign capital inflow.

Under Liquidity Adjustment Facility (LAF), RBI does overnight as well as long term repo operations.

171. (d)
Nominal Interest Rate = Inflation + Real Interest Rate

If inflation is 5% and banks offer deposit rate 5% then nobody will deposit money in banks as whatever banks are offering will be eaten away by inflation. People deposit money in banks to earn something and this is possible only when real interest rate is positive.

So, if inflation is 5% and banks are offering deposit rate 7% then the real interest rate will be 2%. This means the depositors are actually/really getting 2% return.

When real interest rate is positive then it leads to people saving (depositing) money in banks, and somewhat reduction in their consumption.

When the inflation increases a lot and banks do not increase their deposit rate then the real interest rate may turn negative.

Inflation in the economy may be negative

So, (i) & (iv) statements are true.

172. (d)
When inflation in the economy is low, people expenses decreases and they are able to save more.

When per capital income increases it leads to higher savings in the economy.

Growth of financial intermediaries means financial institutions like banks. Increase in banks in the economy leads to increased saving behaviour.

So, all the statements are true.

173. (c)
If there is inflation in the economy it leads to loss in the value of currency i.e. currency depreciates.
Nominal interest rate (deposit rate) = Inflation + real interest rate
When inflation increases banks increase the nominal interest rate and generally real interest rate remains same.

174. (c)
Liquidity Trap is a situation where the Central Bank wants to increase the money supply in the economy in case of recession but fails to lower the interest rate as the interest rates (repo rate and bank deposit rates) almost reaches zero. This makes the monetary policy ineffective.

In such a situation people would like to hold on to their cash (may be in savings deposits in banks that is also called cash and not the fixed deposit) and may not spend money as there is almost zero or negative inflation.*(Actually, people are not willing to spend and demand in the economy declines, that is why economy enters into liquidity trap).*
So, (i), (ii) & (iv) statements are true.

175. (b)
- Creditor means the person who has given money to someone
- Debtor means who has taken money from someone
- Depositors means who has deposited money in banks or financial institutions
- Bondholders means person who is holding bonds

When a person holds physical asset whose price is denoted in Rupees then he benefits from price increase or inflation.

But a person who holds financial assets (like Rs. 100 note) or any financial instrument which guarantees fix return of cash payments in future then he loses from price rise. This is because the purchasing power of the rupee (the fixed money which he is supposed to get) decreases due to inflation.

Hence, in case of inflation, depositors, creditors and bondholders will lose.
So, only (ii) statement is true

176. (c)

177. (d)
One of the reasons of rise in prices of goods and services is due to increase in money supply. And increase in money supply can be caused to government increasing the expenditure or government increasing the salaries. When RBI purchases government security from the public it pays money to the public and ultimately increases the money supply.
So, all the statements are true.

178. (d)
When a country faces inflation, we require more money to purchase a given quantity of goods and services because the purchasing power of rupee decreases. In case of inflation generally wages increase but nothing can be said about the output.

And in case of inflation, the amount of money needed will be more to purchase the same goods and services.
So, (d) option is true.

179. (c)
If aggregate demand increases by 10 percent and aggregate supply increases by only 8 percent then it leads to an effective increase in demand of 2 percent whichresults in inflation.
When aggregate/overall output decreases then even if we assume demand as constant then it will lead to an increase in effective demand which results in higher inflation.

Higher employment increases demand in the economy and may result in higher inflation.

180. (b)
Inflation will necessarily occur in case there is effective demand in the economy. If there is increase in aggregate demand, there may not be inflation if the supply also increases.
If output decreases and demand also decreases then it may not result in inflation.
Govt borrowing and spending increases aggregate demand rather than effective demand.

181. (c)
To reduce the rate of inflation government should reduce the money supply which it can do through increase in income tax.
So, (c) option is true.
All the other options increase money supply.

182. (b)
Increase in money supply may not necessarily lead to economic growth. But when the supply of money increases, the interest rate comes down (concept of demand and supply).

183. (d)
The amount of money supply in the economy impacts prices i.e. when money supply increases inflation increases and when money supply decreases inflation decreases.
Money supply impacts GDP also, as more money is required to increase the output.

When the demand for money increases, rate of interest goes up in the economy. So, when money supply increases then rate of interest may cool/decrease in the economy and vice versa.
So, all statements are correct.

184. (a)
Deflation is bad for economic growth. Because when prices start declining people postpone their purchase decisions and companies postpone their investment decisions. This leads to decrease in demand in the economy which hurts economic growth.

Low and moderate inflation is good for economic growth as it creates demand in the economy and people are also willing to save money in banks which ultimately increases investment.

Galloping or Hyperinflation eats away the savings of the people as they spend too much money in buying goods and services which ultimately decreases investment.
Banks also do not offer higher interest rate (than inflation) in such cases and people do not keep money in banks as they do not get any real return.

So, only (ii) statement is true.

185. (d)
In case of low and moderate inflation, people are willing to save money and put in bank deposits because bank offer deposit rates higher than inflation rates. People are willing to sign long term contracts (linked with inflation index) in money terms because they are confident that the relative prices of goods and services they buy and sell will not get too far out of line and it helps in promoting business. As the prices are increasing, people are also willing to consume because if they postpone their consumption, they will have to spend more on consumption at a future date.

186. (d)
When the economy is facing deflation that means prices are decreasing.
In such a situation, whatever I can buy today in Rs. 100, the same Rs. 100 is able to purchase more in the next year. This leads to postponement of purchase decisions by the people and the demand in the economy decreases. When the demand decreases, companies defer their production and investment decisions which lead to increase in unemployment.
So, all the statements are correct.

187. (b)
Stagflation is an economic anomaly where stagnation in the economy is accompanied by high inflation (instead of low inflation due to falling demand). Triggered first in 1973 by the OPEC's fourfold increase in oil prices which raised all prices, thus slowing down economic growth.

Stagflation = Stagnation in the economy + Inflation

Generally, when economy stagnates (slows down) then inflation also comes down due to lower demand in the economy. But stagflation is an exception where economy slows down but the inflation is high. And this may be because of the steep rise in prices of some inputs required in the production process.

188. (a)

A supply shock is an unexpected event that suddenly changes the supply of a product or commodity, resulting in an unforeseen change in price. Supply shocks can be negative, resulting in a decreased supply, or positive, yielding an increased supply; however, they're often negative.

A supply shock inflation is caused because of the problem (negative supply shock) in supply of goods and services rather than change in demand.

If the exports from India increase because foreigners purchased more Indian products then it may result in shortage in supply of that product in the domestic economy resulting in supply shock inflation.

Because of increased government expenditure, more money reaches to the public resulting in increased demand and hence demand-pull inflation.

If there is more money/credit creation in the economy then it results in higher demand in the economy resulting in demand pull inflation.

189. (a)
Demand-pull inflation occurs in the economy when the aggregate demand in the economy increases more rapidly as compared to the productive capacity of economy.

Higher govt. spending and lower interest rate both will increase the demand in the economy because of increased money supply.

190. (c)
When the cost of money (interest rate) is cheaper in the economy, it helps in investment. For investment, the main cost is cost of capital i.e. the rate at which capital/money is available.

191. (d)
When the output in the economy is high, that means factories are working at full potential and employing more labour. So, (i) statement is not true.

When the unemployment in the economy is high, people have less money to purchase goods and services i.e. the demand in the economy decreases which leads to decrease in prices. So, (ii) statement is also not true.

192. (a)
As per the Fillips curve, if the unemployment starts decreasing (or employment starts increasing) then it results in higher inflation in the economy. This is because the higher employment results in more money in the hands of the people and this more money starts chasing the output in the economy resulting in higher inflation.

Phillips curve says that, **inflation is dependent on employment** and there is an inverse relationship. But it may not be vice-versa true. So, if the economy is facing higher inflation then it can't be said that it will create employment.

193. (c)

Consider an example:

	2012		2013		2014		2015
Onion Prices (Rs/kg)	10		11		11.6		12
Inflation		10%		5.45%		3.45%	

In the above example onion prices are increasing. But inflation (increase in prices) is decreasing from 10% to 5.45% to 3.45% but it is positive. This is a case of Disinflation (declining rate of inflation but the rate of inflation remains positive).
So, (i) statement is true.

Consider next example:

	2012		2013		2014		2015
Onion Prices (Rs/kg)	10		9.5		9		8
Inflation		-5%		-5.6%		-11.1%	

In the above example onion prices are decreasing, so the inflation is negative. This is a case of Deflation.
So, (ii) statement is also true.

194. (d)
Reflation is a fiscal or monetary policy designed to expand output, stimulate spending and curb the effects of deflation, which usually occurs after a period of economic uncertainty or recession.

195. (c)
Disinflation is when inflation is decreasing but prices are still increasing. So, in an economy when inflation decreases, the demand of goods and services increases and people spending increases and it supports business activity resulting in decrease in unemployment.
So, all the statements are wrong.

196. (c)
Sovereign Gold Bonds (SGB) are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by RBI on behalf of Government of India.

Suppose somebody is purchasing gold bonds worth Rs. 100 by payment in rupees, then this Rs. 100 bond will also be denominated in grams of gold as per the market price of gold at the time of purchase and the investor will earn a fix interest rate. So, an investor holding gold bonds will get the benefit of price appreciation if the price of physical gold in the market is increasing and interest both but he will lose if the price of gold in the market decreases.

The quantity of gold for which the investor pays is protected, since he receives the ongoing market price at the time of redemption/ premature redemption. The SGB offers a superior alternative to holding gold in physical form. The risks and costs of storage are eliminated. Investors are assured of the market value of gold at the time of maturity and periodical interest (@2.5% per annum paid semi-annually). SGB is free from issues like making charges and purity in the case of gold in jewellery form. It can be purchased from Scheduled Commercial Banks, Post office, BSE and NSE.

197. (d)

Gold ETFs (Gold - Exchange Traded Funds): While owning gold in physical forms like jewellery, gold coins or bars comes at a huge cost, but owning it in paper form like gold ETFs come at a price closer to the actual price of gold. The price difference between the two, i.e., physical and paper gold (gold ETF), is due to the making charges, storing costs, jeweller margin etc, which is not there in gold ETF.

Therefore, if your objective is to bank/trust on the value/price of gold increasing in future, then investing via the ETF route is the answer. Similar to mutual funds where the value of one's investment is a reflection of the value of shares/bonds in which the mutual fund is investing, in gold ETF, your investment value will fluctuate/depend on the physical price of gold in the market. And there is an advantage in case of gold ETF is that you can buy/sell your investments easily as it is being traded on the stock exchange.

The gold ETF being an exchange-traded fund can be bought and sold only on stock exchanges and thus saving you the trouble of keeping physical gold. While jewellery, coins and bars come with high initial buying and selling charges, the gold ETF costs much lower (brokerage margin is very low). The transparency in pricing is another advantage. The price at which it is bought is probably the closest to the actual price of gold in the market.

How gold ETFs work: Physical gold supports Gold ETFs as security at the back-end. For instance, when you buy a Gold ETF, the person or entity at the back-end is purchasing gold. They give guarantee to the investors about the purity of gold too. The stock exchange allows an 'Authorised Participant or Member', generally large companies/firms to handle the purchase and sale of gold to generate ETFs. Constant trading and control by the 'Authorised Members' ensure that the cost of gold and ETFs remains the same.

198. (a)

When FDI/FPI investments (especially FDI) come in the country then it helps in economic growth and these investors target export from the country resulting in export earnings under current account.

Foreign investments in Govt. securities will impact capital account.

199. (c)

Shadow banking operates outside the regular banking system and financial intermediation activities are undertaken with less transparency and regulation than the conventional banking. Shadow banks, like conventional banks undertake various intermediation activities akin to banks, but they are fundamentally distinct from commercial banks in various respects. NBFCs are example of shadow banks. The following are differences between normal banks and shadow banks.

First, unlike commercial banks, which by dint of being depository institutions can create money, shadow banks cannot create money. Second, unlike the banks, which are comprehensively and tightly regulated, the regulation of shadow banks is not that extensive and their business operations lack transparency. Third, while commercial banks, by and large, derive funds through mobilization of public deposits, shadow banks raise funds, by and large, through market-based instruments such as commercial paper, debentures, or other structured credit instruments. Fourth, the liabilities of the shadow banks are not insured, while commercial banks' deposits, in general, enjoy Government guarantee to a limited extent. Fifth, in the times of distress, unlike banks, which have direct access to central bank liquidity, shadow banks do not have such recourse.

200. (a)

The government's recapitalization (of public sector banks) programme has been integrated with an ambitious reform agenda, under the rubric of an "Enhanced Access and Service Excellence (EASE)" programme and the six pillars to achieve this include customer responsiveness, responsible banking, credit offtake, PSBs as Udyami Mitra, deepening financial inclusion, and digitalisation and developing personnel.

201. (c)

The Banking Ombudsman Scheme enables an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks. The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995. The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services like non-payment or inordinate delay in the payment or collection of cheques, drafts, bills etc.

202. (d)

The Kisan Credit Card (KCC) scheme is an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner. The scheme is under implementation in the entire country by the vast institutional credit framework involving Commercial Banks, RRBs and Cooperatives and has received wide acceptability amongst bankers and farmers.

Kisan Credit Card Scheme aims at providing adequate and timely credit support from the banking system under a single window to the farmers for their following needs:

- To meet the short-term credit requirements for cultivation of crops
- Post-harvest expenses
- Produce Marketing loan
- Consumption requirements of farmer household
- Working capital for maintenance of farm assets and activities allied to agriculture, like dairy animals, inland fishery etc.
- Investment credit requirement for agriculture and allied activities like pump sets, sprayers, dairy animals etc.

The following people are eligible for this scheme

- All Farmers – Individuals / Joint borrowers who are owner cultivators
- Tenant Farmers, Oral Lessees & Share Croppers
- Self Help Groups or Joint Liability Groups of Farmers

203. (d)

The Kisan Credit Card Scheme is being implemented by Commercial Banks, RRBs, Small Finance Banks and Cooperatives.

204. (a)

Share of Commercial banks credit to agriculture sector is around 80%.

205. (c)

A **bail-in** is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings. A bail-in is the opposite of a bail-out, which involves the rescue of a financial institution by external parties, typically governments using taxpayers money. Typically, bail-outs have been far more common than bail-ins, but in recent years after massive bail-outs, some governments now require the investors and depositors in the bank to take a loss before taxpayers.

206. (c)
RBI, under its supervisory framework, uses various measures/tools to maintain sound financial health of **banks**. Prompt Correction Action (PCA) framework is one of such supervisory tools under which RBI has specified certain regulatory trigger points in terms of three parameters, i.e. capital to risk weighted assets ratio (CRAR), net non-performing assets (NPA) and Return on Assets (RoA), for initiation of certain structured and **discretionary actions** in respect of banks hitting such trigger points. It involves monitoring of certain performance indicators of the banks as an early warning exercise and is initiated once such thresholds are breached.

Its objective is to facilitate the banks to take corrective measures including those prescribed by the Reserve Bank, in a timely manner, in order to restore their financial health. The framework also provides an opportunity to the Reserve Bank to pay focused attention on such banks by engaging with the management more closely in those areas. The PCA framework is, thus, intended to encourage banks to eschew certain riskier activities and focus on conserving capital so that their balance sheets can become stronger.

The RBI has clarified that the PCA framework is not intended to constrain normal operations of the banks for the general public like lending and depositing. But in extreme cases, RBI can put restrictions on lending activity also. The PCA framework is applicable only to banks and not extended to non-banking financial companies (NBFCs).

207. (c)
Since a lot of urban-cooperative banks (UCBs) were also facing issues, RBI has brought in "Supervisory Action Framework" (SAF) for UCBs in place of PCA for commercial banks. The three parameters (NPA level, Return on Assets i.e. profit and Capital Adequacy Ratio), based on which PCA is invoked, SAF is also invoked based on three similar parameters (NPA level, two consecutive years loss and capital adequacy ratio), but the level may be different at which SAF is triggered. SAF in UCB can also be initiated in case of serious governance issues. Once a UCB has been put under SAF, various restrictions on dividend, donation, new loans, capital expenditure etc. can be imposed, which are again similar to PCA restrictions.

208. (d)
Some banks, due to their size, cross-jurisdictional activities, complexity, lack of substitutability and interconnectedness, become systemically important. The disorderly failure of these banks has the potential to cause significant disruption to the essential services they provide to the banking system, and in turn, to the overall economic activity. Therefore, the continued functioning of Systemically Important Banks (SIBs) is critical for the uninterrupted availability of essential banking services to the real economy.

All the banks under D-SIB are subject to additional capital requirements. Banks whose assets exceed 2% of GDP are considered part of this group.

SIBs are perceived as banks that are 'Too Big To Fail (TBTF)'. This perception of TBTF creates an expectation of government support for these banks at the time of distress. Due to this perception, these banks enjoy certain advantages in the funding markets. However, the perceived expectation of government support amplifies risk-taking, reduces market discipline, creates competitive distortions, and increases the probability of distress in the future. These considerations require that SIBs should be subjected to additional policy measures to deal with the systemic risks and moral hazard issues posed by them.

The concept of D-SIB emerged after the global financial crisis of 2008. As per the framework, from 2015, every August, RBI has to disclose names of banks designated as D-SIB.

209. (a)
Recently RBI included HDFC Bank under the list of DSIB, while SBI and ICICI were already in the list.

210. (b)
RBI has created a "Payments Infrastructure Development Fund (PIDF)". This fund will be managed and administered by RBI and governed by an Advisory Council. The initial value of the fund will be Rs. 500 crore, in which Rs. 250 crore will be contributed by RBI and rest half will be contributed by Card Issuing Banks (SBI/HDFC/ICICI etc) and Card Networks. The PIDF will also receive recurring contributions to cover operational expenses from card issuing banks and card networks and if there is any shortfall, RBI may contribute.

Card Networks are basically Visa, Mastercard or Rupay etc. Card Networks determine where your card can be accepted. They act as a payment bridge between the merchant/shopkeeper and the bank. Card Networks approve and process the transactions.

The purpose of this fund will be to encourage Merchants/Retailers, so that more and more number of merchants and retailers start using the Point of Sale (PoS) Infrastructure [either in physical form, it is basically the small machines through which you swipe your debit/credit card at the shops OR in digital form means when you make payment through laptop or mobile through cards] in under-served areas like Tier 3/4/5/6 cities and in eastern States. The presence of PoS infrastructure is less in these areas and hence the transaction is more in Cash form

211. (d)
Reserve Bank of India invests the reserves in the following types of instruments:

- Deposits with Bank for International Settlements
- Deposits with other central banks
- Deposits with foreign commercial banks
- Debt instruments representing sovereign or sovereign-guaranteed liability
- Other instruments/institutions as approved by the Central Board of RBI

212. (c)
A line of credit is a preset amount of money that a bank has agreed to lend to a company/individual. The company can draw from the line of credit when it needs up to the maximum amount. The company will pay interest only on the amount used.

213. (b)
A letter of credit is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.

214. (a)
"Teaser Loans" is the unofficial term used to describe housing loans that carry ultra-low fixed rates in the initial years, but charge market-linked rates thereafter. These products were first launched in 2009-10 by SBI. This scheme was termed a 'teaser loan' scheme by market players because it lured the borrower with low rates in the initial years, only to bump up the rates later.

Home loans in India face very low incidence of default, even amid NPAs. But RBI was worried because in case of a teaser home loan, by offering borrowers ultra-low rates in the first few years, may tempt them to take on a far bigger housing bet than they can afford. In a rising rate cycle, a transition from a fixed to a floating rate can well throw a salary-earner's EMI calculation out of their range.

While such teaser products are not banned by the regulator, the standard asset provisioning requirement is higher for such loans. For normal home loans, the standard **asset provisioning** is 0.4% but for teaser loans it is 2%. RBI, to discourage such products, had increased the provisioning by five times for such loans since these loans are perceived as riskier.

215. (b)
Higher NPAs worsens the financial health of a bank. To tackle the NPA or bad assets problem, RBI has designed several mechanisms. An important among them is the Provisioning norms.

In banking lexicon, provisioning means to set aside (keep separate as reserve) or provide some funds to cover up losses if things go wrong and some of their loans turn into bad assets.

The banks need to provision some funds as a percentage of their loans/advances. For standard asset (which have not turned NPAs), the requirement of provisioning is very less (0.4%) but for NPAs, it may be quite high.

The provisioning coverage ratio is the prescribed percentage of funds to be set aside by the banks for covering the prospective losses due to bad loans – most probably from their profit. For example, if the provisioning coverage ratio is 70% for a particular category of loan, then banks have to set aside funds equivalent to 70% of those loans out of their profits.

216. (b)
Securitization is the process of pooling and repackaging of financial assets (like debt papers generally) into marketable securities that can be sold to investors. For example, an NBFC has given loan to different companies. Now these different loan papers are an asset for NBFC. Suppose all the loan papers is of Rs. 100 crores. Now, one lakh shares have been created out of this asset worth Rs. 100 each and these shares can be sold to different people. NBFCs will get immediate liquidity/money and the share price will vary depending on whether the loan is being serviced/repaid properly or not. If the companies to whom NBFC gave loan are not returning the principal or interest, the price of security/share will fall.
Banks/NBFCs can sell these loan papers directly ("Direct Assignment" with certain restrictions) or they can also create security ("Securitization") out of this loan paper and sell. Both routes are adopted when they want liquidity.
In other words, basically securitization involves repackaging of less liquid assets into saleable securities.

217. (c)

As announced in July 2019 budget presentation, Govt. on 10.08.2019 launched Partial Credit Guarantee offered by Government of India (GoI) to Public Sector Banks (PSBs) for purchasing high-rated pooled assets from financially sound Non-Banking Financial Companies (NBFCs)/Housing Finance Companies (HFCs)".

Under the above scheme Public Sector Banks can purchase the loan papers of NBFCs (only through Direct Assignment route and not through securitisation) to provide liquidity to NBFCs and manage their asset liability mismatch issue. Central govt. will provide partial credit guarantee on these assets i.e. if in future these loan papers turn NPA, then Govt. of India will pay to Public Sector Banks. But there are restrictions on what kind of loan papers of NBFCs can be purchased by PSU banks and only high rated loans is allowed up to Rs. 1 lakh crore by February 2020.

218. (a)

Capital Adequacy Ratio (CAR) is the ratio of a bank's capital to its risk weighted asset ratio. The bank has to maintain this capital so that, if there are defaults then the bank should be able to sustain. RBI mandates how much CAR has to be maintained by banks.

219. (d)

Additional Tier 1 Bonds (AT-1) bonds have several unusual features lurking in their fine print, which make them very different from normal bonds.

- One, these bonds are perpetual and carry no maturity date. Instead, they carry call options that allow banks to redeem them after five or 10 years. But banks are not obliged to use this call (redeem) option and can opt to pay only interest on these bonds for eternity.
- Two, banks issuing AT-1 bonds can skip interest payments for a particular year or even reduce the bonds' face value without getting into hot water with their investors, provided their capital ratios fall below certain threshold levels. These thresholds are specified in their offer terms.
- Three, if the RBI feels that a bank is tottering on the brink (called point of non-viability) and needs a rescue, it can simply ask the bank to cancel its outstanding AT-1 bonds without consulting its investors.

AT-1 bonds are risky but people invest as it **offers higher interest rate**. In case of Yes Bank crisis, AT-1 bonds worth Rs. 8415 were written down in March 2020. (This means now investors will not get any interest or principal in future).

Under Basel III norms, banks need to have 11.5% capital requirement in which 9.5% is Tier 1 capital and 2% is Tier 2 capital. Out of 9.5% Tier 1 capital, Additional Tier 1 capital (AT-1 bonds) can be 1.5%.

220. (b)

"Recapitalization of public sector banks" through 'recapitalization bonds' is done in the following way.

Govt. borrows money from banks by issuing them bonds (these bonds are called recapitalization bonds). Now this money/cash, Govt. uses to put again into the banks as an owner (as shareholder).

This step increases the capital adequacy ratio of the banks. This is a quite technical process and cannot be explained here properly so will try to release a video.

221. (d)

In India, any money you send overseas is subject to controls, as the government is wary of excessive outflows of foreign exchange draining its reserves and destabilising the rupee. But there has been an effort to gradually liberalise these controls.

The window that was opened up in 2004 for **individuals** to remit/send money across the border, **without seeking specific approvals**, was called the **Liberalised Remittance Scheme (LRS)**.

Under LRS, all resident individuals (in India) **can freely remit**/send $250,000 overseas every financial year for a permissible set of current or capital account transactions. Remittances are permitted for overseas education, travel, medical treatment and purchase of shares and property, apart from maintenance of relatives living abroad, gifting and donations. Individuals can also open, maintain and hold foreign currency accounts with overseas banks for carrying out transactions.

(Now anyone can say that, "Rupee is fully convertible at current account" then what is this limit of $2,50,000? See, under this scheme you can freely send the money abroad without specific government approvals that is why the name is liberalized. But if you want to send more under current account then it may be possible but you may have to take specific approval of government which is not under this scheme)

However, the rules do not allow trading in "foreign exchange" (for example Dollar and Pound trading). Sending money to certain countries and entities is also barred. Under LRS, people can't send money to countries identified as 'non cooperative' by the Financial Action Task Force. Remittances are also prohibited to entities identified as posing terrorist risks.

The LRS represents India's baby steps towards dismantling controls on foreign exchange movements in and out of the country. It has allowed large numbers of Indians to study abroad and diversify their portfolios from purely desi stocks and property.

Ideally speaking, capital controls in any form have no place in a liberalised economy. But for India, which is heavily dependent on imports of critical goods and perpetually spends more foreign exchange than it earns, it is difficult to free up remittances because of the havoc this can wreak on exchange rates.

The LRS gives you the freedom to put your money to work anywhere in the world. Until India is ready to free all capital controls, the LRS remains the most viable way for individuals to legally remit money overseas.

222. (c)

Foreign Direct Investment (FDI) happens in three ways: -

- A foreign company purchasing shares of Indian company
- A foreign company in collaboration with an Indian company establishing a new company called Joint Venture Company in India
- A foreign company establishing a subsidiary or a child company in India

223. (d)
224. (b)
225. (a)

	FDI	FPI/FII
1	It is only in equity/shares/ownership	It is both in equity and debt (loan)
2	It is through primary market	Generally, through secondary market but can happen through primary

		market
3	Generally new shares are issued and the new capital (money) comes to the company through which the company invests in new factory, machines etc.	Generally, only the owners change hands and new capital does not come to the company
4	The foreign investors purchase large shareholding and appoints Board of Directors and get involved in the decision making (active management) of the company	Foreign investors generally purchase small shareholdings and do not get involved in the management of the company
5	Foreign investors try to make the company profitable through their decision making and target the profit of the company	Foreign investors target the share price of the company and derive their gain from rise of share prices
6	It is sector specific. For example, a steel company in US will invest only in a steel company in India and try to make that company profitable through their management and decision making and get a share of the profit	It is in general capital market. For example, a foreign investor is not particular about any company/ sector in India and is willing to invest in any company which gives a chance of share price appreciation
7	It is a long-term investment as to turn the company profitable, the foreign investor needs to get invested for a long time.	It is generally short-term investment
8	Generally, the government specify a lock in period and during this period the foreign investor cannot sell his investment and hence it is quite stable	There is no lock in period and the foreign investor can return any time by selling his investment. This makes the currency volatile

226. (c)

Government has accepted the international practice regarding the definitions of FDI and FPI. Where the investor's stake is 10 percent or less in a company it will be treated as FPI and, where an investor has a stake of more than 10 percent, it will be treated as FDI. A single foreign portfolio investor can invest maximum up to 10 percent in an Indian company and all FPIs on aggregate basis can maximum invest up to 24% or the sectoral cap/ statutory ceiling as applicable for that sector under foreign investment. Government now specifies composite cap/ceiling for foreign investors (rather than separate limits for FDI and FPI) in various sectors under which all kinds of foreign investments are allowed.

Foreign Investment in an unlisted company irrespective of threshold limit may be treated as FDI. An investor may be allowed to invest below the 10 percent threshold and this can be treated as FDI subject to the condition that the FDI stake is raised to 10 percent or beyond within one year from the date of the first purchase. The obligation to do so will fall on the company. If the stake is not raised to 10% or above, then the investment shall be treated as portfolio investment. In case an existing FDI falls to a level below 10 percent, it can continue to be treated as FDI, without an obligation to restore it to 10% or more. In a particular company, an investor can hold the investments either under the FPI route or under the FDI route, but not both.

227. (d)

Refer the trends

228. (d)

FDI investment happens only in shares and FPI investment happens in shares/bonds both.

When an FDI investor comes in India to invest in shares (ownership) then he targets the profit of the company.

Now try to understand that, if a country's Nominal Growth in GDP (real growth + inflation) is higher (say 12%) that means all the companies/businesses combined growth in terms of sales/revenue is also 12% (this is because GDP growth is the growth of all the businesses combined together. For example: if a country has only one company and it sells Rs. 100 of goods in a year then that country GDP will be Rs. 100. And if sales increased by 12% that means GDP of that country increased by 12%. And the 12% increase is the combined effect of quantity increase (real) plus price increase (inflation)).

So, if a country's GDP growth (real + inflation) is higher that means all companies combined sales growth is higher. If sales growth is higher say 12% (and costs are also increasing proportionately) then profit will also grow by 12%. And if profit growth is 12% then the FDI investor who has invested in shares (and gets profit every year) will also get good growth on the amount of money/capital put into shares. BUT if the FDI investor invests in a country say US and its nominal growth is just 4% then the overall profit of all the companies combined will also grow at just 4% and hence the investor return will also grow at just 4%.

On this logic FDI investors go to those countries where growth is higher (real + inflation). And inflation should be normal say 4%. This is because if inflation will increase in double digits then do not think that FDI investor will get more return BECAUSE in that case REAL growth will reduce. So, inflation should be normal and real growth high which will make overall nominal growth high. And the Return will depend on Nominal growth.

FPI investors invest in shares and bonds both. So, FPI investors invest in shares on the same logic as FDI investors explained above and hence they look for higher growth economies. And when FPI investors invest in bonds then they search for countries where they get higher INTEREST rate. Now, this interest rate is again higher in developing economies (because of relatively higher inflation + real interest rate). Hence they look for "interest differential between two countries", which means if interest rate in US is 4% and in India it is 7% then the interest differential is 3% (7% - 4%) which is higher enough to attract FPIs in India.

So, FPIs are attracted both by higher growth and interest differential but FDI investors are attracted by higher growth only.

229. (d)
FPI comes under capital account in Balance of Payment but they bring dollars/foreign currencies and this dollar is used to finance/fund if we have deficit in current account.

When government is listing a PSU on stock exchange for disinvestment, then FPIs can also purchase the PSU's shares in the primary market. So, FPIs help in government's disinvestment plan.
FPI's pay tax on the earnings they derive from gain in shares/bonds prices, called capital gain tax.

230. (d)
Foreign Direct Investment can come through two routes viz. automatic and government approval route. More than 95% of the FDI comes in India through the "Automatic Route" where no government approval is required and are subject to only sectoral laws.

Certain sectors that are still under "Government approval route" are scrutinised and cleared by the respective departments and ministries.

In respect of applications in which there is a doubt about the Administrative Ministry/Department concerned, DPIIT shall identify the Administrative Ministry/Department where the application will be processed. In respect of proposals where the respective department/ ministry proposes to reject the proposals or in cases where conditions for approval are stipulated in addition to the conditions laid down in the FDI policy or sectoral laws/regulations, concurrence of DPIIT shall compulsorily be sought by the said Ministry. The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry sets the rules for foreign investment and makes policy pronouncements on FDI through various Press Releases.

231. (c)
FDI falls under two routes. One is 'Automatic Route' where government approval is not required and the other is 'Government Approval Route' where approval of respective ministry/department is required rather than DPIIT.

BUT, whether FDI is coming under 'Automatic Route' OR 'Government Approval Route', Government (Cabinet Committee on Economic Affairs, CCEA) approval is MUST if the FDI value is more than Rs. 5000 crores.

232. (c)
Through Masala bonds money is raised from abroad in foreign currency but the bonds are denominated in Rupee.

Masala Bonds are a kind of ECB where the bonds are issued outside India but denominated in Indian Rupees, rather than the local currency. Masala is an Indian word and it means spices. Unlike dollar bonds, where the borrower takes the currency risk, Masala bond makes the investors bear the risk.

ECB	MASALA Bonds
$1 = Rs. 70 (2019)	
$1 Bond was issued to foreign investor and the borrower (Indian company) got $1 for one year. Money is raised in foreign currency and the borrower issued Dollar denominated bond to the foreign investor.	Rs. 70 Bond was issued to foreign investor and the borrower (Indian company) got $1 (as the rupee dollar rate was $1=Rs.70) for one year. Money is raised in foreign currency but the borrower issued Rupee denominated bond to the foreign investor.
$1=Rs. 80 (2020)	
In 2020, the borrower needs to return $1 to the foreign investor and for that he will have to spend Rs. 80 to get $1. The conversion/exchange risk is of the borrower (Indian company).	In 2020, the borrower needs to return Rs. 70 to the foreign investor rather than $1. The conversion/exchange risk from Rupee to Dollar is of the foreign investor.

233. (c)
Through ECB and Masala Bonds, the money is raised in foreign currency which is then sold in the forex market to purchase rupees which leads to rupee appreciation.

Restricting FPI investments will reduce the supply of dollar and will have an opposite impact.
When we reduce imports by restricting non-essential items, it leads to reduction in demand of dollars and appreciation of rupee.

234. (d)

GIFT (Gujarat International Finance Tech) **City**

Two Zones

Domestic

*Domestic transactions denominated in **Rupee** can be undertaken here*

SEZ

- *This zone (GIFT-SEZ) has been declared as "International Financial Services Centre (**IFSC**)"*
- *GIFT-SEZ is the only place in India designated as **IFSC***
- *All transactions are in foreign currency*

- *GIFT City has two zones, one is "Domestic" and the other is "SEZ"*
- *An **IFSC** is a jurisdiction that provides financial services to non-residents and residents, to the extent permissible under the current regulations, in **any currency except Indian Rupee**.*
- *Units (entities) related to Banking, Insurance and Capital Markets are considered as IFSC units and hence Banks, Insurers and Capital Market related companies can set up their units in the IFSC (GIFT-SEZ).Regulatory bodies in GIFT IFSC – RBI, IRDAI & SEBI*
- *The IFSC in GIFT-City seeks to bring to the Indian shores, those financial services transactions that are currently carried on outside India by overseas financial institutions and overseas branches/subsidiaries of Indian financial institutions to a center which has been designated for all practical purposes as a location having the same eco system as their present offshore location (like London, Singapore etc.), which is physically on Indian soil.*
- *IFSC (GIFT-SEZ) is the only place in India which allows **offshore transactions** (i.e. it is treated as outside India transactions)*
- *Since **IFSC** is **deemed to be a foreign territory** and entities approved as IFSC unit are treated as **non-resident in India**. Therefore, RBI ODI (Overseas Direct Investment, which means investments outside India) Rules are applicable on investments in IFSC. Accordingly, Indian parties are allowed under Automatic route to make investment in IFSC entities and that shall be treated as **ODI**.*
- *Individual person resident in India are allowed to invest upto USD 2, 50,000 per financial year under Liberalized Remittance Scheme (LRS) outside India or in **IFSC***
- *Bombay Stock Exchange (BSE) has established its subsidiary in IFSC called **India International Exchange (India-INX)** where any foreign company can list its securities (shares/bonds/derivatives). For example a US based company can list its shares on India INX (various tax incentives are given like no STT, not LTCG, MAT just 9%) and the securities can be purchased by anyone from outside India or from India through ODI route up to a limit.*

235. (d)
When companies (govt. or private) borrow from abroad then it is called External Commercial Borrowing (ECB). ECB can be denominated in 'foreign currency' or it can be denominated in 'rupee' also which are called 'masala bonds'.

Even if masala bonds are denominated in 'Rupee', the money that we fetch from abroad is in dollars (or foreign currency). "Denominated in rupee" means....the Indian company will issue the bond paper to the foreign investor where it will be written "Rs. 100 bond". But the Indian company will get dollars equivalent of Rs. 100 (say $1.5). This is because Indian currency is not acceptable everywhere so the foreign investors hold dollars and give us dollars. So, at the end of the day, Indian company got dollars and when they bring it to India, it gets converted with RBI (through forex market) and RBI gets the dollars and the Indian company gets the rupee equivalent of dollars. This is a capital account transactions under BoP (as it is a borrowing) and increases our forex reserves, which can be used if India is having deficit in its Current Account. So, basically 'Masala Bonds' help in financing CAD of India. Masala bonds are a kind of ECB and ECB is basically a debt on India (but its not debt on Govt. of India).

These Masala Bonds are listed abroad. But now we have "Indian Financial Services Centre" (IFSC) in GIFT CITY SEZ which is a deemed foreign territory and foreign securities can be listed here. So, earlier to list Masala bonds we had to go to say "London Stock Exchange" but now it can be done/listed in GIFT City IFSC and money will be invested by foreign investors.

236. (d)

In practice, FDI is defined as cross-border financial investments between firms belonging to the same multinational group, and much of it is **phantom** in naturewhich means investments that pass through empty corporate shells. These shells, also called special purpose entities, have no real business activities.

237. (c)

The term "**Strategic Disinvestment**" means the sale of substantial portion of the Government share-holding of a central public sector enterprise (CPSE) of up to 50%, or such higher percentage (to the strategic partner) along with transfer of management control.

In Strategic Disinvestment, management control must be transferred to the private strategic partner. Strategic disinvestment is a way of privatisation

238. (c)

239. (d)

Check the strategic disinvestment policy of Govt. of India from the 5th edition of the Indian Economy book page no. 93.

240. (a)

As per the new policy (2019), Department of Investment and Public Asset Management (DIPAM) under the Ministry of Finance has been made the nodal department for the strategic disinvestment. DIPAM and NITI Aayog will now jointly identify PSUs for strategic disinvestment and then it is approved by CCEA.

Government has created an "**Alternative Mechanism**", which is an inter-Ministerial body to fasten the process of strategic disinvestment. It will decide the following:

- The quantum of shares to be transacted, mode of sale and final pricing of the transaction or lay down the principles/ guidelines for such pricing; and the selection of strategic partner/ buyer; terms and conditions of sale; and
- To decide on the proposals of Core Group of Secretaries on Disinvestment (CGD) with regard the timing, price, the terms & conditions of sale, and any other related issue to the transaction.

This will facilitate quick decision-making and obviate the need for multiple instances of approval by CCEA for the same CPSE.

241. (c)

Those transactions which happen between Indian residents and Foreigners or non-resident Indians (NRIs) are recorded in India's balance of payment.

In the first statement, an Indian resident is earning income from abroad from a foreign entity and in the second statement also, an Indian family is getting money free from an NRI. So, both will be recorded in India's balance of payments under current account.

242. (c)

Those transactions come under Capital Account (BoP) which creates future obligations/ liabilities or change in assets/liabilities. For example, loans, shares, deposits etc.

Global Depository Receipts (GDRs) are basically shares issued abroad by a domestic company.

International Trade Credit means credit/loan given for trade purpose abroad.

Securities are basically financial assets, so it will always be included in Capital Account. So, all are part of Capital Account of BoP

243. (a)
For detailed understanding please refer the Indian Economy book 5th Edition.

244. (d)
Masala bonds are issued outside India and money is raised in foreign currency, so it is part of our capital account. When NRIs are depositing money in Indian banks then it's a transaction between Indian residents (banks) and non-resident Indians and it creates a liability on Indian banks for future, hence it's a capital receipt.
Import of capital equipments are part of current account.

245. (a)
BoP is basically transactions of the residents of the country with the rest of the world. And transfer payments mean anything given for free.

In the (i) statement, the transaction between Indian resident and Non-Resident Indian (NRI) is for free, without any work done or consideration. So, it is a case of transfer payment and will be recorded in BoP.

In the (ii) statement, the transaction is between Indian resident (who has gone abroad temporarily) and his family in India. Both are Indian residents, so,this transaction will not be recorded in BoP.

246. (c)
If the Current Account is negative that means we are spending more and earning less (imports are more than exports), then we require foreign exchange to fund the Current Account Deficit.

This foreign exchange can come if we are surplus in Capital Account i.e. there is a net inflow in Capital Account. Or we can also use the foreign exchange reserves of our country.
So, both statements are true.

247. (c)
Currency Swap Agreement:

US	**India**
$1 = Rs. 70	
In US, the US company can raise loan at 6%, but for an Indian company doing business in US, the loan rate is 8%. So, the US company will raise loan of $1 billion at 6% and give it to the Indian company working in US. The Indian company will keep on paying the interest rate at 6% and after the term ends, it will give back the $1 billion amount to the US company.	In India, the Indian company can raise loan at 9%, but for a US company doing business in India, the loan rate is 11%. So, the Indian company will raise loan of Rs. 70 billion at 9% and give it to the US company working in India. The US company will keep on paying the interest rate 9% and after the term ends, it will give back the Rs. 70 billion amount to the Indian company.

- A currency swap is an agreement in which the two parties (multinational corporations/governments) exchange the principle amount of a loan (and the interest) in one currency for the principle and interest in another currency. At the start of the swap, the equivalent principle amounts are exchanged at the prevailing rate.

- At the end of the swap period, the principle amounts are swapped back at either the prevailing rate or at a pre-agreed rate such as the rate of the original exchange of principle amount.
- Currency swaps are used to obtain foreign currency loans at a better interest rate or as a method of hedging transaction risk on foreign currency loans.
- Currency swap agreements can be at the government and the company level both.

248. (c)

The currency swap agreement between two countries is entered between the Central Banks of the two countries. One country exchanges its national currency for that of another **or even a third one**. Let us understand this with example.

India and Japan signed currency swap agreement in 2018 worth $ 75 billion. As per the arrangement India can/will get Yen (or even dollars) from Japan worth max $ 75 billion and Japan will get equivalent Indian Rupees as per the market exchange rate at the time of transaction. The exchange will be reversed after an agreed period using the same exchange rate as per in the first transaction.

Whatever amount of Yen/dollars India will take from Japan, India will have to pay interest on that amount and whatever Rupee Japan will take from India, Japan will have to pay interest on that (depending on market interest rate). So, a bilateral currency swap is a kind of**open-ended credit line** from one country to another at a fixed exchange rate. So, under the swap agreement, India got dollars from Japan and Japan may or may not take Rupees from India. As India would be paying interest on the dollars taken from Japan, so it does not matter whether Japan took rupees from India or not. And that is why this currency swap is also called open-ended credit line facility.

This currency swap arrangement will allow the Indian central bank to draw **up to** $75 billion worth of yen or dollars as a loan from the Japanese government whenever it needs this money. The RBI can either sell these dollars (or yen) to importers to settle their bills or to borrowers to pay off their foreign loans. The RBI can also just keep these dollars with itself to shore up its own foreign exchange reserves and defend the rupee.

Actually, the rupee was falling against the dollar because of its widening current account deficit. This led to importers upping their demand for dollars far beyond what exporters bring into the country leading to further depreciation of rupee. If RBI would have gone to the market to purchase these dollars (by selling rupees) then it would have further depreciated the rupee. So, RBI approached Japan to get the dollars and hence it is a kind of out of market transaction.

Even if RBI has amassed dollars, having a $75-billion loan-on-demand (as and when needed) from Japan gives the RBI an additional buffer to fall back on, should it need extra dollars. Hence, this currency swap agreement will bring in greater stability to foreign exchange and capital markets in India.

These swap operations carry no exchange rate or other market risks, as transaction terms are set in advance. The absence of an exchange rate risk is the major benefit of such a facility. This facility provides the country, which is getting the dollars, with the flexibility to use these reserves at any time in order to maintain an appropriate level of balance of payments or short-term liquidity.

In July 2020, India and Sri Lanka signed a currency swap agreement worth $ 400 million in which India will give **dollars** to Sri Lanka (as and when needed) and in return India will/can get 'Sri Lankan Rupee' and the facility will be valid till Nov 2022 and then the swap facility will be reversed. The RBI also offers similar swap lines to central banks in the SAARC region within a total corpus of $2 billion. Under the framework for 2019-22, the RBI will continue to offer a swap arrangement within the overall corpus of $2 billion.

249. (c)
As per the Banking Regulation Act 1949 (Section 36), RBI, in public interest, can supersede the Board of Directors (management) of a banking company. This is generally done if there is mismanagement in the bank or it is on the verge of default.

As per RBI Act 1934, RBI, in public interest, can supersede the Board of Directors (management) of a non-banking financial company.
(RBI can supersede a bank's board through Banking Regulation Act 1949, but NBFCs are not covered in that Act. ***So, an amendment was done in RBI Act 1934 in July 2019, to allow RBI to supersede the board of NBFCs, in the wake of the crisis faced by various NBFCs like DHFL, IL&FS etc.)***

250. (b)
As per Banking Regulation Act 1949 (Section 36) (and not by RBI Act 1934), RBI, in public interest, can supersede the Board of Directors (management) of a banking company.

As per RBI Act 1934 (Section 30), the Central Government can supersede the 'Central Board' of RBI, and thereafter the general superintendence shall be entrusted to such agency as the government may decide and can exercise all the powers exercised by 'Central Board'.

251. (b)
Following are the amendments done in 2017 in Banking Regulation Act 1949 regarding resolution of stressed assets/NPAs

- The Central Government may, by order, authorize RBI to issue directions to any banking company to initiate insolvency resolution process in respect of a default, under the provisions of Insolvency and Bankruptcy Code 2016
- RBI may from time to time issue directions to any banking company for resolution of stressed assets

Based on the above amendments, RBI issued directions to banks (in general and not against any specific default) to move to IBC 2016 for resolution of stressed assets, then some lenders approached Court and the Supreme Court gave the following judgement dated 2nd April 2019:
"RBI can only direct banking institutions to move under the IBC Code 2016 if there is a central government authorization and it should be in respect of ***specific defaults****. Thus, any directions which are in respect of debtors in general, would be ultra vires Section 35AA of Banking Regulation Act 1949".*

So, RBI **in general** can issue guidelines for resolution of stressed assets **but it cannot force a banking company to move to IBC 2016 without Govt. of India authorization**. And in case after Govt. approval, RBI is asking a banking company to move to IBC 2016 for resolution of stressed assets, then it should be in cases of specific defaults.

Lenders do not require RBI permission to move to IBC Code 2016.

252. (d)
The IBC Code 2016 covers solvency of Individuals/personal, Corporate Debtor, Proprietorship, Partnership firms and Limited Liability Partnership (LLPs) firms. But the provisions of IBC Code are being implemented/notified in phased manner and till now only Corporate Debtors have been notified under IBC. Personal insolvencies, Proprietorship (one-man company) and partnership firms (which are not "limited")and LLPs will be done soon.

253. (a)
Committee of Creditors (CoC) consists of only financial creditors (like banks, NBFCs etc.). But the proceeds/money from the resolution process is shared by the financial and operational creditors both. Only CoC will decide how the resolution proceeds will be shared among financial and operational creditors and NCLT will not have any say. NCLT cannot interfere in the merits of the commercial decision taken by the CoC but a "limited judicial review" was possible to see that the CoC had taken into account, inter alia, the fact that the interest of all stakeholders, including operational creditors had been taken care of.

254. (a)
The resolution plan finalized by the Committee of Creditors must be approved by the NCLT (NCLT is the final approving authority). Supreme Court on 15th Nov 2019 ruled that, corporate insolvency resolution process can be extended beyond 330 days in case of exceptional cases. But ordinarily the time taken in relation to the resolution process must be completed within the outer limit of 330 days from the insolvency commencement date, including extensions and the time taken in legal proceedings.

Extension of time should be granted by NCLT/NCLAT, only in case of exceptional cases, if parties are able to prove there is very little time left in the resolution process and the delay has been caused by 'tardy' legal proceedings.

<u>Timelines in IBC</u>
In normal case, resolution process should be completed in 180 days
In complex case, resolution process should be completed in 270 days
Including litigation, resolution process should be completed in 330 days
Exceptional cases (tardy legal proceedings), resolution process may go beyond 330 days

255. (d)
IBC Code 2016 was not made applicable for the insolvency of financial service provider like Banks and NBFCs. But since some major NBFCs like DHFL, IL&FS faced crisis, government thought of bringing NBFCs **temporarily** under IBC for resolution. So, GoI, on **15th Nov 2019** notified section 227 under IBC Code which says that the IBC rules shall apply to such financial service providers or categories of financial service providers, as may be notified by the Central Government under section 227, from time to time, for the purpose of their insolvency and liquidation proceedings under these rules.

This is a temporary mechanism because for the resolution of insolvencies of Banks and NBFCs, we have a bill pending, Financial Resolution and Deposit Insurance (FRDI) Bill, which the government is planning to introduce soon.
256. (c)
Section 227 of IBC 2016 says that " *Notwithstanding anything to the contrary examined in this Code or any other law for the time being in force, **the Central Government** may, if*

*it considers necessary, **in consultation with the appropriate financial sector regulators**, notify financial service providers or categories of financial service providers for the purpose of their insolvency and liquidation proceedings, which may be conducted under this Code."*

And the rules also say that to initiate resolution of FSPs under IBC 2016, the appropriate regulator should make an application. This is not applicable in other cases where in case of default, either the creditor or the debtor (company), anyone can move for resolution under IBC 2016.
Since, section 227 got notified, Ministry of Corporate Affairs (GoI) (using the powers under section 227) consulted the regulator (RBI) and said that those **NBFCs** with asset size of more than Rs. 500 crores can be brought under IBC code for resolution. This has been done only for those NBFCs which are regulated by RBI and not for those NBFCs which are regulated by other regulatory bodies like SEBI, IRDAI etc.

257. (a)
As per the amendment done in the Insolvency and Bankruptcy Code (IBC) in November 2017, Wilful Defaulters cannot bid for the companies put up for sale during the resolution process. It also prohibits from bidding any borrower (or promoter) whose account has been identified as an NPA for over a year and has not repaid the dues. But if the borrower/promoter has made payment of all **overdue** amounts with **interest and charges**, then he can bid (submit a resolution plan) for the company.
[Ref: Economic Survey 2017-18 Vol 2 page 52]

258. (c)
Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 was enacted to regulate securitisation and reconstruction of financial assets and enforcement of security interest. The act allows banks and financial institutions to sell the security in case the debt/ loan is secured and it has become non performing. The provisions have enabled banks and financial institutions to improve recovery by exercising powers to take possession of securities (without moving to court), sell them and reduce nonperforming assets by adopting measures for recovery or reconstruction.

259. (d)
Pre-Pack Scheme:
If an MSME has defaulted and the default is of less than Rs. 1 crore then "Pre-Pack" scheme can be used under IBC 2016. Under this scheme the promoters and the creditors will take up a resolution plan to NCLT for approval rather than resolution plan suggested by outsiders through open bidding process in which case the company may go to new owners. And during this resolution process, the management of the firm (MSME) will remain with the original promoters. (Under normal IBC proceedings, the management control of the firm passes on to Resolution Professionals).
It will adhere to a fix time line of 90 days for submission of resolution plan/mechanism and 30 days for its approval by NCLT, so in total of 120 days.

Right now this scheme is applicable only for MSMEs and up to a default of Rs. 1 crore but in future other companies may also get included and the default limit can also be increased.

260. (c)
The LCR is calculated by dividing an institution (Banks/NBFCs) high-quality liquid assets (for example cash, govt. securities, securities issued or guaranteed by foreign governments etc.) by its total **net** cash outflow, over a 30-day period. In background of IL&FS and HDFL crisis, RBI on 24th May 2019 proposed introducing LCR for large

NBFCs to help tackle liquidity issues in the sector. NBFCs will have to maintain minimum high-quality liquid assets of 50% of total net cash outflows over the following 30 calendar days starting from Dec 1, 2020 and from Dec 1, 2024 100%. Suppose a bank's expected cash outflow/spending for the next 30 days is Rs. 150 and cash inflow is expected to be Rs. 50, that means net cash outflow for next 30-day period is Rs. 100. In such a case if bank is holding cash and govt. securities (which are called High Quality Liquid Assets) of Rs. 60, then LCR = (High Quality Liquid Asset)/ (Banks Net cash outflow for 30-day period) = Rs. 60/ Rs. 100 = 60%.

261. (c)

Suppose (Nominal) exchange rate is $1 = Rs. 60

Now if an Indian exporter exported a particular commodity (1 unit) in the international market whose price is $8, then he will get $8 and after conversion in India he will get ultimately Rs. 480.

But if the rupee depreciated i.e. $1 = Rs. 64 then he can sell his product in the international market at a lesser price of $7.5 and can earn the same Rs. 480 after conversion. *(When a country devalues its currency, then exporters are able to sell their product in the international market at a lesser price **without compromising** their earnings.)* So, we also say that exporters become more competitive and demand for domestic goods and services increases as the price gets reduced.

So, exporter will not earn more dollars when rupee depreciates. He will still get the same dollars or if he reduces the price, then he will get less dollars per unit of goods sold.

So, (ii) statement is false.

262. (b)

Crypto currencies are not legal tender but as such there is **no blanket ban** on trading in crypto currencies. There is a draft bill "Banning of Crypto currency and Regulation of Official Digital Currency Bill 2019", as per which holding, selling or dealing in crypto currencies such as Bitcoin could soon land you in jail for 10 years. But till now it is just in draft stage and has not become an act.

Crypto currencies acquire value as they can be generated/mined only in limited number and if more and more people would like to hold/possess it, its value increases.

*In a circular in April 2018, RBI had imposed a virtual ban on crypto currency trading in India and had directed all entities which fall under the purview of (regulated by) RBI to not deal in virtual currencies or provide services to those who want to deal in it. In **March 2020** the Supreme Court has set aside (quashed) the order, allowing trade in digital assets.*

263. (d)

The price of a product depends on its cost of production and its demand in the market both. If cost of production increases then the price of product will increase and if cost of production does not increase but if demand increases then also price will increase because suppliers will sell at higher rate. Apply the same logic for this question. The product here is money/rupee.

The lending rate in the economy may remain high, in spite of RBI reducing the repo rate because, banks may be offering higher deposit rates to the public, which is basically the cost of money for banks.

When Government offers higher interest rate on its savings schemes then banks are not willing to reduce their own deposit rate, as they fear that they will lose depositors. When banks don't reduce deposit rate, they do not reduce lending rate.

If there is liquidity crunch in the economy i.e. there is more demand for money than the supply then the suppliers of money i.e. banks may not reduce the lending rate (price of money) in spite of RBI reducing the repo rate.

264. (a)
Priority sector lending is applicable to banks and not NBFCs.
RBI recently allowed that onward lending by registered Non-Banking Finance Companies (NBFCs) including Micro Finance Institutions (MFI) for the various priority sectors will be considered as Priority Sector Lending (PSL) by BANKS.

RBI has done the above changes in order to boost credit to the needy segment of borrowers. Under the revised **on-lending model**, banks can classify only the fresh loans sanctioned by NBFCs **out of bank borrowing** as priority sector lending *(it will be considered as PSL by banks)*. Bank credit to NBFCs for 'On-Lending' will be allowed up to a limit of five percent of individual bank's total priority sector lending on an ongoing basis.

265. (c)
Refer the Indian Economy Book by Vivek Singh 5th Edition Page No. 63.

266. (d)
Just for Information: The Priority Sector Lending to agriculture sector includes **Farm Credit** (Agriculture and Allied Activities), lending for **Agriculture Infrastructure** and **Ancillary Activities**.

Start-up loans up to Rs. 50 crores are also considered under priority sector lending.

267. (c)
Refer the Indian Economy Book by Vivek Singh 5th Edition Page No. 62 and 63.

268. (a)
Investments depend essentially on real interest rate. It is the difference in the lending rate and inflation. For businessmen, it is this cost i.e. the real interest rate which matters. If it is high, businessmen will not borrow and invest.
For example, if inflation is 6% and lending rate is 10%, then real interest rate for the businessmen is 4%. For businessmen, it is the real interest rate of 4% that matters. If the real interest is high then it deters investment.

If in the economy, capacity utilization is high that means factories are running at full utilization and then the businessmen plan for increase in capacity so that in future they are able to supply the goods and services in case there is increase in demand. But, if the existing capacity is not fully utilized, then businessmen defer new investments.

269. (c)
Suppose country A imposed tariff against country B to reduce imports from B. Then it will lead to reduction in demand of currency B for import purpose, which will lead to depreciation of currency B, resulting in negating the effect of tariffs imposed.
In a market determined exchange rate, the rate of exchange between two currencies depends only on the demand and supply of the two currencies. But the demand and supply of two currencies may depend on several factors like export and import and foreign people coming in or going out of the country and so on.

270. (a)

If there is inflation in the economy then it means rupee is losing value with respect to goods and services. Now, when rupee loses value with respect to goods and services in the economy (and the only purpose of rupee is to purchase goods and services in the economy) then anyone selling dollars and demanding rupees will now demand more rupees per unit of dollar and rupee will depreciate.

But if rupee is **depreciating**, then it means rupee is losing value with respect to a specific item i.e. dollar. That does not mean rupee will lose value with respect to all the goods and services in the economy. (*Layman's explanation: If rupee is losing value with respect to onions means onion becoming costlier………. That does not mean rupee will lose value with respect to all goods and services, and prices of other goods and services will not increase.)*

271. (b)

Advance tax payment means paying a part of the yearly taxes in advance to the government. This reduces liquidity in the economy because the money moves from public to government. *(the logic is money with the government is not part of money supply in the economy)*

In case of GST, the government credits/gives back the taxes paid on inputs, to the suppliers which increases liquidity in the economy.

Front loading of government expenditure means government is spending its yearly targeted expenditure in the starting months rather than in the year end. This increases liquidity in the economy.

Recapitalization of public sector banks means government is putting money in public sector banks which increases the lending capacity of the banks resulting in increase in money supply and liquidity.

272. (c)

In international transactions, generally dollars and some other stable/hard currencies like Euro, Pound, Yen etc. are used/accepted. So, if there is a problem of international liquidity then it means non-availability of these hard currencies.

273. (d)

Whenever something is surplus, its value decreases. So, when there is surplus liquidity (money) in the economy, the value of money decreases, which means money is available at cheaper rate i.e. lesser interest rate.

And since the value of money (Rupee) has decreased, it also means that the same amount of rupee will be able to purchase less dollars i.e. rupee will depreciate. And it also means that purchasing power of rupee will decrease.

When the interest rate comes down in the economy then if you will purchase bonds then your return/yield will also be less. This you can also determine as, when the interest rate comes down in the economy, the bond prices go up and return/yield comes down.

274. (b)

Watch the following link for explanation:
https://youtu.be/j9p5ezvNgW4

275. (d)

Microfinance is a category of financial services targeting individuals and small businesses who lack access to conventional banking and related services. Microfinance includes microcredit (the provision of small loans to poor clients); savings and current accounts; microinsurance; and payment systems etc. Microfinance services are designed to reach excluded customers, usually poorer population segments, possibly socially marginalized, or geographically more isolated, and to help them become self-sufficient

276. (c)
RBI has increased the income limit for each rural household to be eligible for microfinance from Rs. 1 lakh to Rs. 1.25 lakh, and from ₹1.6 lakh to ₹2 lakh for urban and semi-urban areas. Second, RBI has also increased the lending limit per borrower from ₹1 lakh to ₹1.25 lakh. Both these eligibility measures are necessary to qualify a loan as a microfinance asset by MFIs. *(One individual can borrow from two MFIs at the most, no need to remember)*

Both measures are expected to expand the pool of beneficiaries at the bottom of the pyramid, as well as increase the flow of credit in absolute amounts through this channel.

The RBI board set up a sub-committee in 2011, under the chairmanship of Y.H. Malegam, to study issues and concerns relating to the microfinance industry. It covers a range of services which include, in addition to the provision of credit, many other services such as savings, insurance, money transfers, counselling, etc. As a consequence of the Malegam committee report, RBI decided to set up a separate category of non-banking financial institutions: Non-banking financial company-micro finance institution (NBFC-MFI).

277. (c)
ATMs set up, owned and operated by non-banks are called WLAs. Non-bank ATM operators are authorised under the Payment & Settlement Systems Act, 2007 by the Reserve Bank of India (RBI).The rationale to allow non-bank entities to set up WLAs has been to increase the geographical spread of ATMs for increased / enhanced customer service, especially in semi-urban / rural areas.

In case of Brown Label ATMs, the service providers own the hardware of ATM machine. The responsibility of identifying ATM site, lease agreement with landlord, power supply to ATM kiosk lies with the service provider. Thus, service provider takes the responsibility of maintenance of the ATM whereas sponsor bank takes the responsibility of cash management and provide connectivity to ATM to banking network.
Logo of sponsor bank is displayed on brown label ATM kiosk premises. Brown Label ATMs are most cost-effective solution for the banks. Unlike Brown Label ATMs, White Label ATMs will not display logo of any bank like SBI, CANARA BANK, PNB ETC. Logo of White Label ATM operator is like Tata Indicash, Muthoot Finance etc.

278. (c)

279. (c)
Circuit breakers are pre-defined values in percentage terms, which trigger an automatic check/halt/stop when there is a runaway move in any security or index on either direction (either increase or decrease). The values are calculated from the previous closing level of the security or the index. **Usually, circuit breakers are employed for both stocks (share of a particular company) and indices (SENSEX/NIFTY)**. That means if one company's share fluctuates too much then also circuit breakers can apply **OR** if the overall market i.e. either SENSEX/NIFTY fluctuates then also circuit breakers come into play.

The index-based market-wide circuit breaker system applies at 3 stages of the index movement, either way viz. at 10%, 15% and 20%. These circuit breakers when triggered bring about a coordinated trading halt in all equity and equity derivative markets **nationwide**. The market-wide circuit breakers are triggered by movement of either the BSE Sensex 30 or the Nifty 50, **whichever is breached earlier**. This means that if either NIFTY or SENSEX moves beyond 10% then the nationwide markets regulated by SEBI will come to halt. (But in case of a company, only the trading in that company is halted.)

Stock exchanges BSE and NSE on 23rd March 2020 halted trading for 45 minutes within less than an hour of market opening after benchmark index Sensex crashed 10% in early trade.
The Securities and Exchange Board of India (SEBI) is the regulatory body for dealing with all matters related to the development and regulation of securities market in India. SEBI was established on 12th of April in 1988. SEBI was given statutory powers on 12 April 1992 through the SEBI Act, 1992.

280. (b)
281. (d)
One of the disputed issues in taxation related to MNCs is the area of intra (group) company transactions. The pricing of goods and services between two related companies (companies belonging to the same owner or subsidiaries) is called **transfer pricing**.

Here, a parent company say in Japan may charge a convenient price from its subsidiary in India to minimise its tax payment in India. For example, suppose that Maruti Suzuki India has higher profit and has to pay higher tax to the Government of India. In this case, if Suzuki Japan charges a high price for a component it sold to Maruti, profit of Maruti will come down and the tax payment of the company to GoI will also come down. On the other hand, the revenue of Suzuki Japan will go up. Altogether, the Suzuki Motor Corporation (SMC) group improves its position; but GoI's tax revenue gets affected.

To avoid such a manipulation, tax department of India pre-sets the price charged for different components between Maruti Suzuki India and Suzuki Japan. But this price should follow "**arms-length principle**" i.e. market based. An arm's length transaction refers to a business deal in which buyers and sellers act independently without one party influencing the other. These types of sales assert that both parties act in their own self-interest and are not subject to pressure from the other party; furthermore, it assures others that there is no collusion between the buyer and seller.

At the beginning of the year, the price charged for intra company transactions will be determined in advance and will be kept for the coming five years or so. This price arrangement between Maruti and India's tax department is called **advance pricing agreement**.

An APA is a contract, usually for multiple years, between a taxpayer and at least one tax authority specifying the pricing method that the taxpayer will apply to its **related-company transactions**. These programmes are designed to help taxpayers voluntarily resolve actual or potential transfer pricing disputes in a proactive, cooperative manner, as an alternative to the traditional examination process. APAs gives certainty to taxpayers, reduce disputes, enhance tax revenues and make the country an attractive destination for foreign investments. These agreements would be binding both on the taxpayer as well as the government. Similarly, they lower complaints and litigation costs.

282. (b)
When there is liquidity crisis with a bank, then RBI acts as "Lender of last resort" and provides loan at a particular interest rate to the bank.

But when there is a major mismanagement in the bank and there are chances of major default/bankruptcy, then RBI, in consultation with Govt. of India, can supersede the "Board of Directors" of banks in public interest. *(But RBI may not supersede the Board of PSU banks).* Once RBI supersedes the Board of Directors (management), then it appoints an "Administrator". This is done as per the "Banking Regulation Act 1949" Section 36ACA.

So, (i) statement is false as, RBI supersedes a bank's Board under "Banking Regulation Act 1949" and not under RBI Act 1934

In case of Yes Bank Crisis, RBI superseded the management of Yes Bank and **it also acted as lender of last resort and provided** 90-day loan AT BANK RATE of 5.4% (at that time Bank Rate was repo plus 0.25%, which comes out as 5.15% + 0.25% = 5.4%), **plus** 3% (so basically RBI charged 5.4% + 3% = 8.4% as penalty) to meet the immediate liquidity needs of the Yes Bank.

Under the Lender of Last Resort, RBI gives loans against eligible securities to financial institutions (Banks and NBFCs both) in emergencies.

Question may not come specific to Yes Bank Crisis but this information is essential.

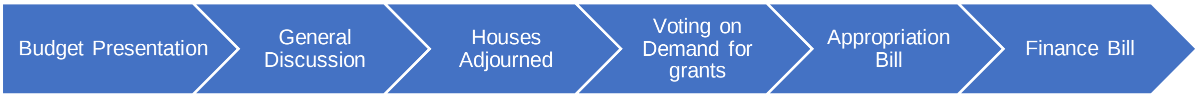
283. (d)

284. (c)
Supplementary Demand for Grants: If the amount authorized to be expended for a particular service for the current financial year is found to be insufficient for the purpose of that year or when a **need has arisen** during the current financial year for supplementary or additional expenditure upon some 'new service' not contemplated in the budget for that year then the President causes to be laid before both the Houses of Parliament another statement showing the estimated amount of that expenditure which is called "Supplementary Demand for Grants".

Demand for Excess Grants: If any money **has been spent** on any service during a financial year in excess of the amount granted for the service for that year, the President causes to be presented to Lok Sabha a demand for such excess (which is called "Demand for Excess Grants"). All cases involving such excesses are brought to the notice of Parliament by the CAG through a report on the Appropriation Accounts. The excesses are then examined by the Public Accounts Committee which makes recommendations regarding their regularisation in its report to the House.

*The "**Supplementary Demands for Grants**" are presented to and passed by the House **before** the end of the financial year while the "**Demands for Excess Grants**" are made after the expenditure has actually been incurred and **after** the financial year to which it relates has expired.*

285. (c)
Budget is discussed in two stages - the general discussion followed by detailed discussion.



1st Feb
31st March

Detailed Discussion

On 1st Feb, Finance bill is also introduced after budget presentation.

286. (a)

The Public Finance (Central) Division, under Department of Expenditure, Ministry of Finance is responsible for preparation of outcome budgets in consultation with the NITI Aayog. This output-outcome framework (outcome budget) is prepared for all Centrally Sponsored Schemes (CSSs) and Central Sector Schemes(CSs) dealing with identified measurable outcomes in the relevant medium-term framework and physical and financial outputs are targeted on a year to year basis.

For example, suppose if government is budgeting Rs. 30,000 crores for the LPG subsidy for FY 2020-21 then under the outcome budget it may set a target that it is planning to distribute LPG cylinders to 10 crore households.

287. (a)

The "Outcome Budget" reflects the endeavour of the Government to convert "Outlays" into "Outcomes" by planning expenditure, **fixing appropriate targets and quantifying deliverables of each scheme.** The "Outcome Budget" is an effort of the Government to be transparent and accountable to the people. Outcome budget is presented in the parliament.

288. (b)

The RBI transferred its (accumulated) surplus reserve to its annual income and then this annual income was transferred to Govt. of India asdividend. Dividend from PSUs (RBI is a PSU which is 100% owned by Govt. of India) is considered as non-tax revenue receipts.

289. (a)

Grants in aid by the Centre to the States will always be revenue expenditure for the Centre. Whether States spend it on capital expenditure or revenue expenditure, does not matter.

290. (c)

Royalty from onshore (on land) oilfields goes to the State Governments as State governments are the owners of the minerals beneath the land in their territory. From offshore (within sea) oilfields, royalty goes to Central Government as Central Govt. is the owner of the offshore fields. So, (iii) statement is not true.

291. (b)

Spectrum auction is a revenue receipt as the spectrum which is asset of Govt. of India is not completely sold out during the auctions rather it is given on lease for 20/30 years of time period.

Revenues of IRCTC are receipts of IRCTC and not of Govt. of India. IRCTC is a PSU.

292. (b)

There are certain capital receipts of the Central Government which does not create debt/liability on it. For example, when the government is selling its shares in PSUs it is capital receipts but is not creating debt on Govt. rather it is decreasing its assets.
In the same way recovery of loans is capital receipt but does not create debt.

But, if the Govt. issues securities (treasury bills) then it will be debt creating capital receipts. And money received in Public Account are liabilities for Govt. of India and are considered as debt creating capital receipts.

293. (c)
Money received in Public Account of India creates liability on Govt. of India and hence it's a part of capital receipt/budget.

India Post Payment Bank is a PSU and expenditures done by Govt. to create a PSU (an asset) will come under capital budget/expenditure of Govt. of India.
A PSU purchasing a capital equipment is not part of Govt. of India budget.

294. (d)
Those receipts/expenditures of the government which changes the liability or the assets (physical or financial) of the Govt. comes under capital budget.

Expenditure on acquisition of assets like roads or buildings come under capital expenditure.
Loans received increases the liability and loans given by govt. increases the assets of govt., hence capital budget.

295. (c)
In case of Sovereign Gold Bonds, government issues/creates the gold bond and in return it gets money from the public. This money will come under capital receipt because the gold bond is a kind of liability for the govt. which the govt. must pay in future. Principal payment will come under capital expenditure and interest payment will come under revenue expenditure.

The physical gold which the govt. receives from the pubic in case of gold monetization scheme becomes a liability for the govt. (in return for the physical gold, govt issues a paper which is basically liability for the govt.) which the govt. will have to pay in future either in physical gold form or in cash.

296. (b)
Dividend paid by PSUs is revenue receipts of govt. of India. RBI is also a body corporate and owned by govt. of India and its dividend is also revenue receipts for govt. of India. PSUs business earnings are not part of govt. of India receipts rather it belongs to the PSU. Sale of govt. land will be capital receipt for govt. because govt's assets get reduced.

297. (b)
The central government budgeted expenditure for 2021-22 is Rs. 34.8 lakh crore and the projected GDP for 2021-22 is Rs. 222.9 lakh crore, so it comes around 15% of GDP.

Revenue Receipts is Rs. 17.9 lakh crore
Capital Receipts is Rs. 16.9 lakh crore

In accordance with the views of the 15th FC, Central Govt. has allowed a normal ceiling of fiscal deficit of States at **4% of GSDP for 2021-22**. Additional borrowing ceiling of

0.5% of GSDP will also be provided subject to conditions. States will be expected to reach a fiscal deficit of 3% of GSDP by 2023-24, as recommended by 15th FC.

The fiscal deficit in 2020-21 is 9.5% which is supposed to come down to 6.8% in 2021-22. Govt. plans to continue the path of fiscal consolidation and intend to reach a fiscal deficit level below 4.5% of GDP by 2025-26.

298. (d)
Please refer the Indian Economy Book 5th edition Page no 413.

299. (a)
Most of the taxes in the country are imposed on value (Quantity X Price) and not on quantity. So, tax revenue collection depends on the value of production i.e. Nominal GDP

300. (a)

$$\text{Tax buoyancy} = \frac{\%\ \text{Change in Tax Revenue}}{\%\ \text{Change in Nominal GDP}}$$

If nominal GDP growth is 12% and Tax revenue growth in a particular year is 15% then tax buoyancy will be 15%/12% = 1.25. It tells what is the growth in tax revenue with every percentage change in GDP. If tax buoyancy is greater than one then it is good for economy.

301. (c)
Receipts under Public Account account mainly flow from the sale of Savings Certificates, contributions into General Provident Fund, Public Provident Fund, Security Deposits and Earnest Money Deposits (a kind of security deposits) received by the government. It also includes schemes like Kisan Vikas Patra, Sukanya Samridhi Scheme etc. In respect of such deposits, the government is acting as a Banker or Trustee and refunds the money after the completion of the contract/ event.

All government borrowings through Treasury bills and Dated securities goes to Consolidated fund of India.

302. (d)
Small Savings Scheme:
The way people deposit money in banks, in the same way there are various schemes through which people can deposit (mostly fixed deposits) money with "Govt. of India" for a fixed tenure and can earn interest and after maturity they get the principal also. But Govt. of India offers these schemes through various Public and Private sector banks and also through Post Offices, and the money goes into "Public Account of India" and is kept separately under "National Small Savings Fund (NSSF)". The rate of interest on these "small savings schemes" has been aligned with G-Security rates of similar maturities. The interest rate is generally a little bit higher than what is offered by banks on fixed deposits and that is why people get attracted but there are certain limits on how much u can keep and no need to go into all that detail.

So, every year Govt. of India receives money in NSSF (under Public Account of India) and it also pays out to those people whose deposits are maturing. The money which Govt. of India receives in NSSF is invested in various Public Agencies like FCI, NHAI, Air India etc. and in central and state govt. securities. (Basically the NSSF fund is used to lend money to Public agencies and Central and State govt.). And whatever interest is received under NSSF (by lending to Public Agencies and central & state govt.), is used to pay interest to the depositors/subscribers of NSSF. The following are the eight small savings scheme run by Govt. of India.

- Post Office Savings Account
- National Savings Recurring Deposit Account
- National Savings Time Deposit Account
- National Savings Monthly Income Account
- Senior Citizens Savings Scheme Account
- Public Provident Fund Account
- National Savings Certificates (VIII Issue) Account
- Kisan Vikas Patra Account
- Sukanya Samriddhi Account

303. (c)

Fiscal Deficit = Total Expenditure - Total Receipts except borrowing
= (Rev Exp. + Cap Exp.) - (Rev Rec. + Cap Rec. except borrowing)
= (Rev Exp. - Rev Rec.) + (Cap Exp. - Cap Rec. except borrowing)
= Revenue Deficit + Cap Exp. - Cap Rec. except borrowing
= Total borrowing
= Net borrowing at home + borrowing from RBI + Borrowing from abroad

Let us understand with an example.
Suppose, government's total expenditure = 17 lakh crore
and receipts = 13 lakh crore

Then government will have to borrow (17 lakh crore -13 lakh crore) 4 lakh crore to meet its expenditure. And this 4 lakh crore is called the fiscal deficit. That is why fiscal deficit is also equal to the total borrowing i.e. 4 lakh crore.

But this 4 lakh crore which government borrows **becomes part of capital receipt** for the government and it must be included in capital receipts. So, in actual sense government's total receipts will become 17 lakh crore (i.e. 13 lakh crore + 4 lakh crore borrowing).

Hence, in the above example:
Fiscal Deficit = Total expenditure - total receipts **except borrowing**
Otherwise the difference of total expenditure and total receipts will always be zero.

304. (a)

Fiscal Deficit is equal to total borrowing and the borrowing is part of capital receipts which create debt. So fiscal deficit is equal to debt creating capital receipts.

305. (a)

Here, budget deficit means fiscal deficit.
Rationalization of subsidies means reducing leakages and wastages in subsidies.

306. (d)

When government incurs fiscal deficit, then it spends more in the economy resulting in increase in total/aggregate demand. But if total supply also increases, then inflation may not increase. So, government's fiscal deficit will necessarily increase aggregate demand but may not increase effective demand.
So, (i) statement is true.

When the economic capacity is fully (100%) utilized and government spends more then demand increases in the economy but supply may not immediately increase and the companies will have to set up new capacity which may increase cost, resulting in inflation.

But if the economic capacity is underutilized, because of less demand and then government spends more then the increase in aggregate demand will be met by increased supply, and there may not be inflation.

So, fiscal deficit may or may not cause inflation.

307. (d)

When government postpones its fiscal deficit target or when fiscal deficit increases then interest rate in the economy goes up because government borrows more (demand supply concept). When interest rate in the economy goes up bond prices comes down and the return/yield on bonds goes up.

308. (b)

Fiscal Deficit is govt of India's borrowing either from domestic sources or from abroad. So, when Govt. of India issues bonds to borrow money, it can be purchased by FPI's also. But FDI is into equity/shares and not in debt instruments.

309. (a)

When government incurs fiscal deficit, the expenditure leads to increase in total demand in the economy. RBI is not allowed to lend to Government for long term for fiscal deficit (except in exceptional circumstances) as per the FRBM Act 2003.

310. (d)

A 'stimulus' is an attempt by policymakers to kick start a sluggish economy through a package of measures. In case of fiscal stimulus, the Government increases its spending and or slashes tax rates to put more money in the hands of consumers.

A monetary stimulus will see the central bank expanding money supply or reducing the cost of money (interest rates), to spur consumer spending.

311. (c)

Government's fiscal policy can have impact on both current account and capital account under Balance of Payment.

If Government increases spending then the demand in the economy will increase which may result in increase in imports resulting in current account deficit.
Change in customs duty can also have impact on current account.

Government's change in tax policies may impact FDI/FPI and other investments under capital account.

312. (c)

Government's fiscal policy has big role in stabilizing the economy during business cycles. The two important phases of business cycles are **boom** and **recession**. A recession should not be allowed to grow into a deep recession. Similarly, a boom should not explode bigger. We may say that amplifying the business cycle is dangerous (growing boom and deepening recession). Practically fiscal policy responses using taxation and expenditure can go in two ways in response to the business cycle: Countercyclical and pro-cyclical.

Business Cycle / **Fiscal Policy**	**Boom**	**Recession**
Pro-Cyclical	Expenditure increases Tax decreases	Expenditure decreases Tax increases
Counter Cyclical	Expenditure decreases Tax increases	Expenditure increases Tax decreases

313. (b)

Fiscal Consolidation policy is an effort by the Government to bring down fiscal deficit. It is an effort to reduce public debt, raise revenues and bring down wasteful expenses.

314. (d)

"Monetisation of Deficit" means Govt. borrows from RBI through printing of new currency notes to finance its deficit. So, RBI will print new currency notes and give to Govt. and govt. will give a receipt/proof to RBI that Govt. has taken this much amount of money from RBI. This receipt/proof is called govt. bonds/securities. This is a primary market transaction between the issuer (Govt.) of bonds and investor (RBI).

So, because of this the following changes happen in RBI's balance sheet. As the new currency notes given to govt. are liability for RBI, so liability of RBI increases and simultaneously RBI gets the govt's bond which will be asset for RBI. So, RBI's Asset and Liability both will increase by the amount of new printed currency notes.

And 'Monetary Base' is defined as the liability of RBI. And since liability increased because of printing new notes, so Monetary Base will increase. Of course this will also increase the money supply in the economy (once the money reaches to the public) resulting in inflation and higher inflation may result in macroeconomic instability.

This is allowed as per FRBM act 2003 only but only in exceptional circumstances.

315. (d)

Expansionary fiscal policy results in money reaching to the public directly, resulting in inflation which may lead to depreciation of currency.

Expansionary monetary policy may also result in increasing money supply in the economy (and inflation) resulting in depreciation of currency.

***Monetisation of Deficit** means government of India will issue bonds to RBI and RBI will print extra cash and give it to government. In RBI's balance sheet, the Govt. bonds will look as ASSETS and the printed currency notes (given to govt.) will become LIABILITY for RBI. In future, Govt will repay back to RBI, but till that time, the bonds issued by the govt will be a debt for government.*

This extra cash when govt. spends will go into the economy and may lead to inflation which may lead to depreciation of currency.

Debasement (of currency) refers to lowering of the currency value done by printing more currency notes. Debasement gives more money to the government for spending purpose to meet their financial obligations but it results in inflation (for the people) in the economy leading to depreciation of currency.

316. (a)

Before 1997, Government of India used to finance its deficit directly from RBI by issuing ad hoc Treasury Bills to RBI. This is called (direct) monetisation of deficit from RBI.

But this practise was stopped in 1997 by signing a historic agreement between Govt. of India and RBI and a scheme of 'Ways and Means Advance' (WMA) was started wherein govt. can take advances to accommodate temporary mismatches in the government's receipts and payments. So, basically direct monetisation of deficit was stopped.

And, it was agreed that henceforth, the RBI would operate **only in the secondary market** through the Open Market Operation (OMO) route. The implied understanding also was that the RBI would use the OMO route not so much to support government borrowing but as a liquidity instrument to manage the balance between the policy objectives of supporting growth, checking inflation and preserving financial stability.

317. (d)

Tax base is defined as the total value of the financial streams or assets on which tax can be imposed by the government. For example, in case of income tax, the tax base is the minimum amount of annual income that can be taxed by the government (taxable income). If this minimum amount (tax threshold) is lowered, this will automatically increase (widen) the tax base; if it is raised, the tax base will be narrowed. In case of GST, tax base is the value of goods and services on which GST is imposed. In case of property tax, tax base is the value of property on which property tax is imposed. Because the size of the tax base influences the taxable revenues that are available to a government, the size and growth of the tax base is crucial to the planning efforts of any government.

318. (d)

Suppose GST on car of Rs. 5 lacs is Rs. 1 lakh. Now if I purchase one car then I will pay Rs. 1 lakh tax and if my income is Rs. 10 lacs then tax as a percentage of my income will be:

$$\frac{1 \text{ lakh} \times 100\%}{10 \text{ lakhs}} = 10\%$$

Suppose the same car a rich person purchases whose income is Rs 10 crores then tax as a percentage of his income will be:

$$\frac{1 \text{ lakh} \times 100\%}{10 \text{ crores}} = 0.1\%$$

So, a rich person pays less tax as a percentage of his income, hence GST is regressive. In similar way all indirect taxes are regressive in nature.

Income tax is progressive, as poor people need to pay less tax rate as compared to rich people.

319. (a)

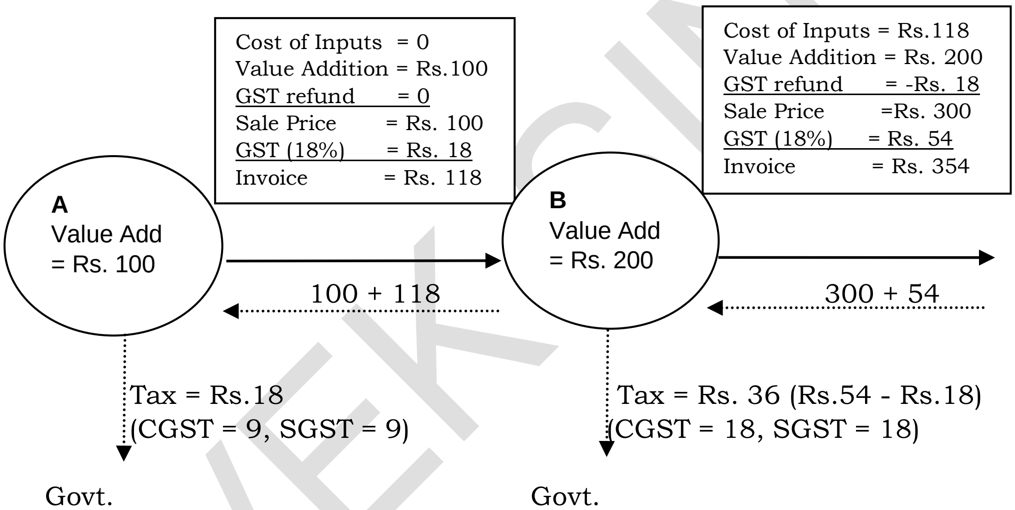
Govt. of India has specified ceiling rates on excise duties/taxes on petroleum products under the Excise Act 1944. So, every time when govt. is changing the duty/taxes then it is not supposed to amend the law. Rather, through the "Finance Act", Govt amends the ceiling rates on these products mentioned in the Excise Act (1944). This allows Govt. to move within that ceiling rate (just through its gazette notification) but it cannot increase the duties/taxes beyond the ceiling rate without amending the law.

In March 2020, when the Finance Bill 2020 was introduced in the Parliament, then after a few days on around 23rd March 2020 Govt. introduced an amendment in the Finance Bill 2020, to increase the ceiling rate of these duties (excise on petrol and diesel) and then government increased the excise duty on petrol and diesel.

5% GST is imposed on LPG cylinders.

320. (c)
321. (d)
322. (d)
323. (b)

Consider an example to understand GST in a better way (GST rate 18%):



In the above example, A is doing value addition of Rs. 100 and selling the product to B in Rs. 118 and paying Rs. 18 GST to the government. B is doing value addition of Rs. 200 and is paying Rs. 36 GST to the government. *Since GST is a value added tax, so every entity in the value chain shall pay to the government tax only on their value addition.* **Practically** B shows the invoice of Rs. 354 to the government and pays a tax of Rs. 54 to the government but when it produces the tax receipt obtained from A to the government worth Rs. 18 then government credits/refunds Rs. 18 to B. This is called **Input Tax Credit Mechanism** as the taxes paid by B on the purchase of inputs from A i.e. Rs. 18 is credited by the government back to B.

Since there is only one tax i.e. GST and credits of input taxes paid at each stage is available in the subsequent stage of value addition **across India** (whereas in case of VAT input credit was available only within the State), hence it will prevent the dreaded cascading effect of taxes. This is the basic feature and advantage of GST.

Important aspects regarding implementation of GST:

- If A belong to one State (say UP) and B and the consumer belong to another State (say Bihar) then all the State GST i.e. Rs. 9 and Rs. 18 (=Rs. 27) will be passed on to the State where the product is being consumed by the consumer i.e. Bihar and the State where A belongs i.e. UP will not get any SGST. This is why GST is also called **consumption based and destination-based tax** as all the SGST is passed on to the consuming State i.e. Bihar.

- If A and B belong to different states then rather than GST, IGST will be levied by the Centre on the transaction between A and B which is again equal to the sum of CGST and SGST and ultimately distributed to the Centre and the consuming State equally. Practically everything remains same, only the tax name changes to Integrated GST (IGST)

- If B, rather than selling the product to the consumer in India, exports the products then IGST will be imposed as IGST is levied on inter-State supplies. The GST paid in the entire value chain and the IGST paid at the border is refunded/credited back to the suppliers. So effectively there is no tax on exports and hence we say that exports are "zero rated" supplies. Supplies to SEZs are also zero rated.

- If a trader is importing a product into India then he will have to pay first customs duty and then IGST on the imported product as imports are also considered to be Inter-State supplies.

324. (d)
Integrated GST (IGST) is levied by Centre on inter-state supply of goods and services and on imports and exports (on exports effectively there is no tax) of goods and services. The IGST rate is equal to CGST and the SGST/UTGST rate. The tax revenue is shared equally among the Centre and the consuming State/UT.

325. (a)
Revenue neutral tax rate means that the average GST rate should be such that the indirect tax revenues of the government after the implementation of GST should not be impacted as compared to before implementation of GST. And that such GST rate was estimated by ex-Economic Advisor as on an average 16%. That means if we keep GST rate on an average 16%, then whatever revenue collection was there before GST will not get impacted after GST. Actually, Before GST, States indirect tax revenues were growing at 14%, so in GST we have tried to keep such a GST rate (16% revenue neutral rate) so that even after GST, states revenue should continue to grow at 14% and if does not happen, then States will be compensated for the first five years.

326. (c)
When Central govt was planning to introduce GST, States were worried that after the implementation of GST the tax revenue of States may fall and they will not have the freedom under GST to impose extra taxes or increase the tax rate. So, Central government calculated the tax revenue growth of State's indirect taxes from 2012-13 to 2013-14, 2013-14 to 2014-15 and 2014-15 to 2015-16,i.e. for three years and the result was on an average growth of 14%. So, Govt. of India promised states and UTs that if after implementation of GST the States/UTs Indirect Revenue growth will be less than 14% annually from 2015-16 (base year) onwards, then the Govt. of India will compensate states/UTs. Accordingly, The GST Compensation to States Act 2017 (GoI Act) was enacted. The GST council recommends on what items (mostly luxury and demerit goods) cess will be imposed and at what rate. The compensation cess will be levied for five years.

In 2019-20, Central government has compensated more than Rs. 1 lakh crore to states.

Govt of India levies and collects the Cess in Consolidated Fund of India and then it is transferred under "GST Compensation Fund" in Public Account of India (because it is not Govt. of India's money and it belongs to States) and then it transfers to States/UTs.

327. (c)
Government of India levies 'National Calamity Contingent Duty' (NCCD) on top of Excise and Customs duty, which goes to 'Consolidated Fund of India' and then this amount is appropriated (i.e. Appropriation bill for this amount is passed) and is transferred to the National Disaster Response Fund(NDRF)established under Public Account of India.

328. (c)
GST has led to reduction in number of taxes and now the same tax rate is applicable across all the country on all goods and services. This is called harmonization of taxes. On exports, Govt credits back the GST paid to suppliers and hence effectively there is no GST on exports which is also called zero rated.

329. (a)
Exports, imports and movement of goods from one state to another state is treated as interstate supply for the purpose of GST. On imports, first customs duty is imposed and then Integrated GST (IGST) is also imposed.

330. (d)
Electronic Way Bill (E-Way Bill) is a document issued by a carrier giving details and instructions relating to the shipment of a consignment of goods like name of consignor, consignee, the point of origin of the consignment, its destination, and route. If the value of goods transported is more than worth Rs. 50,000/- then e-way bill should be generated. E-Way Bill is basically a compliance mechanism wherein by way of a digital interface the person causing the movement of goods uploads the relevant information prior to the commencement of movement of goods and generates e-way bill on the GST portal. E-way bill is a mechanism to ensure that goods being transported comply with the GST Law and is an effective tool to track movement of goods and check tax evasion. The E-Way bill under the GST regime replaces the Way bill (which was a physical document) which was required under the VAT regime for the movement of goods.

331. (d)
Composition levy is an alternative method of levy of tax designed for small businesses whose turnover is up to Rs. 1.5 crore (and above 40 lacs). The objective of composition scheme is to bring simplicity and to reduce the compliance cost for the small businesses. Moreover, it is **optional** and the eligible person opting to pay tax under this scheme can pay tax at 1% flat rate, of his turnover, instead of paying tax at normal GST rate. Similarly, small service providers with turnover of Rs. 50 lakhs can opt for composition scheme and pay GST at 6%. In case of composition scheme, the businesses can't claim input tax credit.

332. (d)
When government borrows more, then there may be a decrease in private investment due to reduction in the amount of savings available to the private sector. This is because if the government decides to borrow from the private citizens by issuing bonds to finance deficits, these bonds (which are risk free) compete with corporate bonds and other financial instruments for the available supply of funds. If people decide to buy government bonds, the funds remaining to be invested in private sector will be less. Thus, some private/corporate borrowers will get "**crowded out**" of the financial markets

as the government claims an increasing share of the economy's total savings. This also increases the interest rate for the private sector.

333. (c)
Opposite of crowding out is "**crowding in**" where private investment increases as debt financed government spending increases. If the economy is in slowdown phase or the demand in the economy is less, then an increased government spending boosts the demand for goods which in turn increases the private sector demand for new output sources such as factories, equipment. Thus, the private sector crowds in to satisfy increasing consumer needs.

334. (d)
In a covid-19 like situation which has resulted in both demand and supply side shocks there are unutilized resources and economy is not operating at full capacity. In such a situation if government increases its spending it will result in crowding in of private sector rather than crowding out.

Crowding out generally happens when the economy is running at full capacity and government increases the spending.

In case of counter cyclical approach, government increases the expenditure during slowdown/recession. So, in the present recession/slowdown due to Covid-19, government can increase the expenditure by frontloading it which means whatever it had earlier planned; now it can spend the money as early as possible.

335. (c)
If the (nominal) growth rate in the economy is higher than the (nominal) interest rate at which government borrows money then the increased (tax) resources through higher growth helps in repayment of debt and leads to lowering of debt. Higher growth also results in increasing the GDP which results in debt sustainability due to lower debt/GDP ratio.
Rollover risk comes into picture when the debt is about to mature and there is no money to repay that debt. In that case the company/Govt. needs to borrow money to repay the debt.
When the maturity profile of the debt is short term then there is a rollover risk.

336. (d)
When the import duty on raw materials is quite higher than the import duty on finished goods then it makes the domestic manufacturers less competitive because then traders start importing manufactured goods in the country rather than manufacturing the goods domestically.
India levies the highest duties on import of raw rubber and one of the lowest duties on import of finished rubber goods i.e. tyre. This has created inverted duty structure.

337. (c)
Inverted Duty Structure: Suppose there is a supply chain, A——->B——>Consumer. Now if the product which A sells to be has more GST rate say 18% and the product which B sells to the consumer has less GST rate say 12%, then we will say that the chain (or the final product) is having "inverted duty structure". Ideally the raw material should have less tax rate and final products should have more tax rate, but if this is not followed then it creates an inverted duty structure.

So, suppose I purchased paper as raw material where GST rate is 18% and then converted into book (where GST rate is 5%) and sold the book to the consumer. Now while purchasing paper I paid more GST but I will collect less GST from the consumer.

Now, I will claim my GST refund which I paid while purchasing the paper (18%) and Govt. will reimburse to me the input tax credit. This is effectively reducing the GST collection of the Govt. on the entire value chain to just 5%.

It is quite technical and if u did not understand, please ignore, if possible video will be provided.

338. (d)
The Aadhaar (Targeted Delivery of Financial and other Subsidies, Benefits and Services) Act 2016 is an Act to provide for, as a good governance, efficient, transparent, and targeted delivery of subsidies, benefits and services, the expenditure for which is incurred from the Consolidated Fund of India or Consolidated Fund of States (States were allowed to transfer benefit through an amendment done 2019), to individuals residing in India (for more than 182 days) through assigning of unique identity numbers.

As per section 7 of Aadhar Act:
"The Central Government or, as the case may be, the State Government may, for the purpose of establishing identity of an individual as a condition for receipt of a subsidy, benefit or service for which the expenditure is incurred from, or the receipt therefrom forms part of, the Consolidated Fund of India, require that such individual undergo authentication, or furnish proof of possession of Aadhaar number or in the case of an individual to whom no Aadhaar number has been assigned, such individual makes an application for enrolment:
Provided that if an Aadhaar number is not assigned to an individual, the individual shall be offered alternate and viable means of identification for delivery of the subsidy, benefit or service."

Pursuant to the Act, government made Aadhaar Regulations 2016:
"Any Central or State department or an agency which requires an individual to undergo authentication or furnish proof of possession of Aadhar number as a condition of receipt of any subsidy, benefit or service pursuant to Section 7 of the Aadhar Act, shall ensure enrolment of its beneficiaries who are yet to be enrolled, through appropriate measures."

339. (c)
Pump priming is the action taken to stimulate an economy, usually during a recessionary period, through government spending and tax reductions or interest rate reduction etc. The term pump priming is derived from the operation of older pumps - a suction valve had to be primed with water so that the pump would function properly.

340. (a)
Refinancing means replacing an existing loan with a new loan that pays off the debt of the old loan. So, when a government's debt (public debt) is due, to refinance it, the govt can issue/sell new bonds to raise money.

Alternative definition of refinance: A refinance occurs when an individual or business revises the interest rate, payment schedule, and terms of a previous credit agreement. Debtors will often choose to refinance a loan agreement when the interest rate environment has substantially changed, causing potential savings on debt payments from a new agreement. A refinance involves the re-evaluation of a person or business's credit terms and credit status.

341. (d)
Deficit financing is the budgetary situation where expenditure is higher than the receipts. The expenditure revenue gap is financed by either printing of currency or

through borrowing. Nowadays most governments both in the developed and developing world are having deficit budgets and these deficits are often financed through borrowing. Hence the fiscal deficit is the ideal indicator of deficit financing. Deficit financing is very useful in developing countries like India because of revenue scarcity and development expenditure needs.

Since government spends more than receipts, it leads to increase in demand and may result in inflation also.

342. (d)
State Governments maintain the Consolidated Sinking Fund (CSF) with the Reserve Bank of India which acts as buffer for repayment of their liabilities. State Governments can avail of Special Drawing Facility (SDF) from the Reserve Bank against the collateral of the funds in CSF at a certain interest rate which is below repo rate.

343. (c)
If the price of a product increased from Rs. 30 to Rs. 40 i.e. an increase of Rs. 10. For a poor person earning Rs. 1000, it is 1% tax, but for a rich person earning Rs. 1,00,000, it is 0.01% tax. So, as a percentage of his income, poor person is paying tax 1% but rich person is paying tax only 0.01%.Hence its regressive (tax % is less for rich people and more for poor people)

344. (c)
Progressive tax means for higher income tax rate is high. Now in personal income tax (PIT), we have different slabs. For example, for Income Slab of less than Rs. 2.5 lakh 0% tax rate. For Rs. 2.5 to 5 lakhs income slab the tax rate is 5% etc. For income of above Rs. 10 lakh the rate is 30%, which means who earn Rs. 15 lakhs, he also pays 30% and those who earn 30 lakhs, they also pay 30%. But if we create another slab that income above Rs. 20 lakhs the rate will be 35%, then it will be more progressive.

Redistribution of income means taking money from the rich and giving it to poor. When money is with rich people it may not increase their consumption much because they are already consuming everything but when it reaches to the poor, they will be able to consume more with the same money, which increases the demand of goods and services in the economy. So, income redistribution helps in stimulating economy.

345. (c)
Indian Company means a company registered in India under The Company's Act 2013.
A Foreign Company means a company registered outside India.
A Domestic Company means an Indian Company or it can be a Foreign Company but it should have made arrangements for the declaration and payment of Dividend in India under Income Tax Act 1961.
The 25.17% tax rate is applicable to **Domestic Companies** only.

Standard Tax Rate = 22%
Surcharge = 10% of 22% = 2.2%
Cess = 4% of (22% + 2.2%)= 0.968%
Effective Tax Rate = 22% + 2.2% + 0.968%= 25.168%= **25.17%**

This rate of 25.17% is applicable to those companies which do not opt for various exemptions provided by government (and hence there will be no MAT). Govt. gives lot of tax exemptions because of which even if the official tax rate was 30% plus cess and surcharge, effectively the tax rate was 25-26% after claiming various exemptions. But it was giving a wrong image to the outside world that India has such a high rate of 30%. So, govt. removed the exemptions and brought the official tax rate down to 25.17%.

To promote manufacturing, for new manufacturing firms set up after 1st October 2019 and commencing its operations before 31st March 2023, the Standard Corporate Income Tax is 15% (after Cess and Surcharge it will be 17.01%).

346. (b)
Before 2016, only those companies who were registered in India (resident status) used to pay tax in India as per the Income Tax Act 1961. This is because those companies who used to earn from a business activity in India, they had to register their business/office here, then only they could do business in India.

But with the advent of Information Technology, it became possible that "Google" corporation is registered in US and has a resident status in US but their source of Revenue is from India through digital ads on their websites and others. So, Income Tax Act 1961 was not applicable to the income generated to "Google" (as they did not have any registered office in India and their status was Non-resident in India) through sale of advertisements in India. So, to tax such income generated to such firms, in 2016 India brought "EQUALISATION LEVY" also called "GOOGLE TAX".

There are various kinds of services under equalisation levy and the clauses under the Income Tax Act 1961 have been made effective with different dates. Three years back, the "sale of digital services (ads)" was notified. And now from 1st April 2020, "EQUALISATION LEVY" is applicable on e-commerce firms also.

So, if an e-commerce firm (say Amazon which is registered in US, and in India its status is non-resident) earns a REVENUE (profit is different from revenue) of say Rs. 100 from its online platform by sale to Indian people (Indian resident) then out of Rs. 100 they need to give Rs. 2 (2%) to Govt. of India as equalisation levy. On digital ads, the rate is 6% (pls don't go into rates).

See, if Amazon would be registered in India then they would automatically pay "Corporate Income Tax" on their profits as per the Income Tax Act 1961.

"EQUALISATION LEVY" is a Direct Tax and is levied on "REVENUE" and not "Profit". And this is because for India it will be very difficult to calculate the profit of Amazon as it has lot of operations in US and other countries as well.

347. (b)
Public Finance (Central) Division under Department of Expenditure, Ministry of Finance in consultation with the Budget Division, Department of Economic Affairs, Ministry of Finance decides the outlay for Centrally Sponsored Schemes (CSS) and Central Sector Schemes.

348. (b)
Central government gives grant to States to implement Centrally Sponsored Schemes (CSCs). And for Central Government (almost) all the expenditure is revenue expenditure.

For example, the budgeted amount for the CSC (core of the core) MGNREGA for the year 2020-21 is Rs. 61,500 crore and is revenue expenditure for Govt. of India. And since it is a GRANT from Govt. of India side to States, so it must be Revenue exp for Govt. of India. But States can spend this as revenue or capital expenditure in creation of assets. If States spend this on capital expenditure, then Centres "Effective Revenue Deficit" will get reduced by that amount.

Effective Revenue Deficit = Revenue Deficit - Grants given to States for capital expenditure

Till 2013-14, Funds for CSS were routed through two channels, the consolidated fund of the States and directly to the State/ District Level Autonomous Bodies/Implementing Agencies. In 2014-15, direct transfers to State implementing agencies were discontinued and all transfers to States including for the CSS are now routed through the Consolidated Funds of the States.

349. (c)

The Public Finance Management System (PFMS) comes under the office of Controller General of Accounts, Ministry of Finance. It is an end-to-end online solution for processing payments, tracking, monitoring, accounting, reconciliation and reporting. The Centre has integrated the treasuries of almost all states into the PFMS to track fund utilization up to the last mile as well as transfer funds "just-in-time" for central schemes. Integration of State treasuries has virtually wiped out indefinite parking of central funds at the state level.

350. (d)

- The tax revenues (for ex UTGST) collected from the Union Territories without Legislature goes to the Consolidated Fund of India and is not part of the divisible pool.
- Cost of collection of taxes means the cost incurred by the Central Government in the collection of taxes is also excluded.
- Cess and Surcharge and National Calamity Contingent Duty are also not shared with states.

The following is an image from the XV Finance Commission Report:

> 2.9 The pool of tax resources of the Union Government to be shared with the States – the divisible pool – excludes the following items from gross tax revenue: cost of collection of taxes, cesses and surcharges including the GST compensation cess, tax revenue of the Union Territories and transfer from the National Calamity Contingency Duty (NCCD) to the National Disaster Response Fund (NDRF). Taking the difference between the projected gross tax revenue and the items to be excluded from the divisible pool, we have estimated that the divisible pool will be around 82.2 per cent of the gross tax revenue in both 2019-20 and 2020-21. The corresponding

351. (d)

Refer Indian Economy by Vivek Singh 5th edition Page no. 164.

352. (b)

'Income distance' has been computed by taking the distance of each State from the State having highest per capita GSDP. In this case, Goa has the highest per capita GSDP followed by Sikkim. Since they are small and outlier States, the State with the third highest per capita GSDP – Haryana – has been taken as the benchmark to avoid distortions.

This ensures that states with less income get a higher share in order to allow them to provide services comparable to those provided by the richer ones.

353. (a)

Table 6.5: Inter se Shares of States

State	Share (%)
Andhra Pradesh	4.047
Arunachal Pradesh	1.757
Assam	3.128
Bihar	10.058
Chhattisgarh	3.407
Goa	0.386
Gujarat	3.478
Haryana	1.093
Himachal Pradesh	0.830
Jharkhand	3.307
Karnataka	3.647
Kerala	1.925
Madhya Pradesh	7.850
Maharashtra	6.317
Manipur	0.716
Meghalaya	0.767
Mizoram	0.500
Nagaland	0.569
Odisha	4.528
Punjab	1.807
Rajasthan	6.026
Sikkim	0.388
Tamil Nadu	4.079
Telangana	2.102
Tripura	0.708
Uttar Pradesh	17.939
Uttarakhand	1.118
West Bengal	7.523
	100

354. (a)
Public Debt of **Govt. of India** is Central Government's internal and external debt. Treasury Bill is Govt. of India's debt because these are bonds issued by GoI.

ECB and FDI relates to companies and PSUs. And NRI deposits are in banks and it is not a debt of Govt. of India.

So, only (i) statement is correct.

355. (d)
India's external debt includes the debt of the Central Government, State Governments, companies (ECB), NRI deposits, debt investments in India like FPIs purchasing bonds etc. So, all the statements are true.

356. (d)
As on end Dec 2020, India's external debt to GDP ratio stood at approximately 21.4%. And out of it, Sovereign debt (Govt. of India's external debt) was around 3.5%. Total India's external Debt as of end Dec 2020 stood at $563.5 billion (21.4% of GDP) and out of it around more than $200 billion was commercial borrowing.

Please refer the Indian Economy Book 5th edition by Vivek Singh for detailed understanding.

357. (c)

Govt. of India's external debt also called 'sovereign debt' includes FII/FPI investments in Govt. securities and loans under Multilateral and Bilateral assistance.

World Bank consists of IBRD and IDA. So, Govt. of India has borrowed almost 67.8% from IBRD (22.9%) and IDA (44.9%) combined.

The following figure represents multilateral and bilateral debt in percentage terms from different institutions/countries.

Figure 3:4: Multilateral debt as at end-March 2020

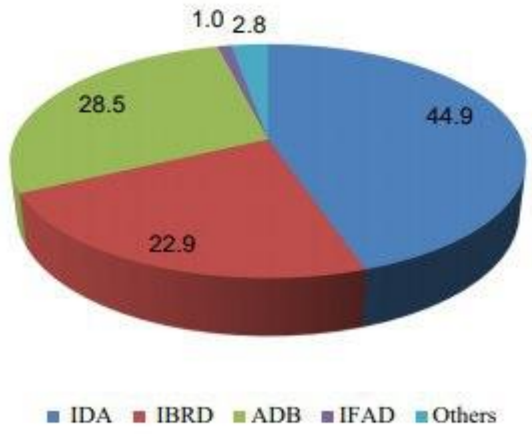
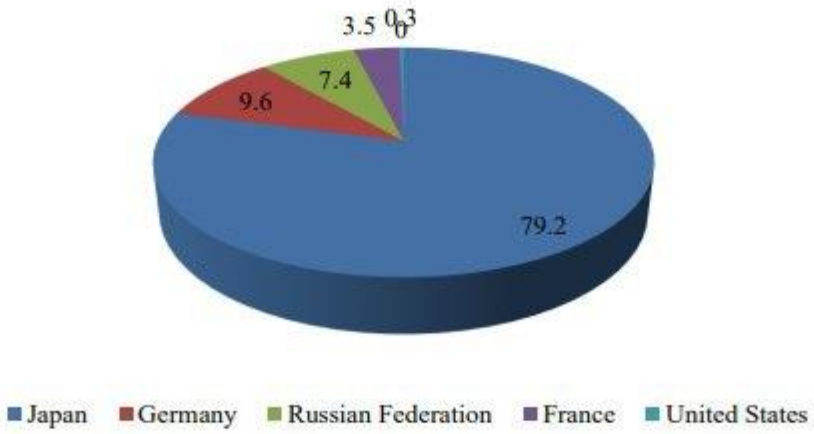


Figure 3:5: Bilateral debt as at end-March 2020



358. (c)
For the first statement pls check the trends.

As on end Dec 2020, the total debt of Govt. of India was Rs. 109 lakh crore and out of this, public debt is Rs. 99 lakh crore

359. (d)
As per Fiscal Responsibility and Budget Management (FRBM) Act 2003, RBI has been prohibited from subscribing Central government securities in the primary market (except in exceptional circumstances). This has been done so that government should raise money from the market at market interest rate rather than from RBI at cheaper rate.

Central government is not allowed to borrow from RBI to fund its fiscal deficit but if there is a temporary mismatch in government's cash disbursement and cash receipts then, government can take advance (called ways and means advance) from RBI.

360. (a)
New provisions were introduced in FRBM Act 2003 (through Finance Act 2018) and Escape Clause (in which govt. can deviate the targets of FRBM act 2003) was added: (for some conditions slippage was allowed earlier also) Following is the new escape clause:

"On grounds of national security, act of war, national calamity, collapse of agriculture severely affecting farm output and incomes, structural reforms in the economy with unanticipated fiscal implications, decline in real output growth of a quarter by at least three per cent. points below its average of the previous four quarters"
And in the above conditions, central govt. can deviate fiscal deficit by 0.5%.

As per XV Finance Commission Chairman, no approval of Finance Commission is required to amend the FRBM rules of centre or States.

Some additional information:
*[[As per article 293 of Constitution, A State may not without the consent of the Government of India raise any loan **if there is still outstanding** any part of a loan which has been made to the State by the Government of India or by its predecessor Government.*

Like Centre, every state has also fixed Fiscal deficit limit of 3% as per their law.

Now as such its nowhere written that if States want to breach the 3% Fiscal Deficit limit then they require Central Govt approval. But everywhere and in Economic Survey of this year also it is written that "Centre has approved extra borrowing by states and it has allowed states to borrow beyond 3% of their FD).

*This Central Govt. approval **was required** because practically every State till now has some sort of debt from Central Govt. and as per article 293 above, States require centre approval if there is some debt due from the Centre.]]*

361. (d)
As per the FRBM Act 2003, Central Government debt includes the following:
- Total outstanding liabilities of the Central Government on the security of Consolidated Fund of India, including external debt. (This is also called Public Debt)
- The outstanding liabilities in the Public Account of India
- Such financial liabilities of any corporate or other entity owned or controlled by the Central Government, which the government is to repay or service from the Annual Financial Statement. (This is also called off-budget liabilities, explained later)

362. (c)
The country's forex reserves as of 9th April 2021 stood at $581 billion, and India's external debt stood at $563.5 billion as in end Dec 2020. So, if we want to pay of the complete external debt, it is possible as forex reserves is more than the external debt.

Just for information: All external debt is denominated in foreign currencies and hardly $1 billion is in rupee debt (Masala bonds), so it has to be paid only through our Forex reserves).

The country's one-year import of goods and services for FY 2020-21 is expected to be less than $600 billion. So again, our forex reserves covers imports also.
For detailed understanding check the Indian Economy Book 5th edition page no. 147.

363. (a)

Forex reserve has 4 parts. As on 9th April, 2021 it stands following:

Forex reserves ($ 539.5 billion) = foreign currency assets ($ 455.2 b) + gold ($ 35.3 b) + SDR ($ 1.5 b) + RTP ($ 4.9 b)

You can see that foreign currency assets (FCA) are more than 90% of forex and (physical) gold is 6 % and SDR and RTP are less than 1%.

Foreign currency assets include US Dollars, Euro, Pound and Yen which are easily accepted worldwide, but mostly it is US dollars.

So, our Forex reserve has several currencies, gold, SDR and RTP but our forex is expressed in terms of US dollars.

So now, suppose we have in our forex reserve, one billion pound also. And the dollar pound rate is: $ 1 = pound 0.8 . So, one billion pound will be $ 1.25 billion in our forex reserve.

Now suppose pound appreciates to $1 = pound 0.75. So, now the same one billion pound will be $ 1.33 billion in our forex. And RBI will say that our forex increased (from $1.25 billion). But if dollar appreciates say, $ 1 = pound 1, then one billion pound will be just $ 1 billion in our forex and RBI will say that ourforex reserve decreased (from $ 1.25 billion).

So, if other currencies in our forex appreciate, then our forex reserve increases.
And if other currencies depreciates (or dollar appreciates with respect to other currencies) then our forex reserve decreases.

364. (d)

First we need to understand few things.
Whatever the Govt. and other entities borrow from abroad acts as a debt/liability for our country.
And if we purchase shares of a company abroad then these **shares are assets for us** (our country) and liability for the other country/company. And hence all the FDI investments (it happens through shares) happening in India is a liability for the company in India and liability for the country also.
If my company has borrowed from abroad then the debt paper which the foreign bank will be holding, it is an asset for the foreign country/bank and liability for my company/country.

[For detailed explanation, please read chapter 2 of the 5th edition of the Indian Economy book by Vivek Singh]

NIIP measures the difference between our nations (includes individual, companies, Govt.) stock of foreign assets and foreigner's stock of our nation's asset.

If the FDI inflow in our country is increasing then it is increasing liability on our company/country or in other way we can say that it is increasing the foreigner's stock of our nation's asset.

If our country has borrowed more from abroad or if FDI investment is more in our country then it is a burden for us and in future we will have to service this by paying interest/principal/dividend.

365. (c)
If you have purchased shares/equity of a company then it is the liability of the company towards you.

India's external liabilities include all the investments made in India either in the form of debt or equity. So, it will include everything FDI, FPI (debt and equity both), External Commercial Borrowing, Govt. of India borrowings from abroad, NRI deposits in India.

Total external liabilities are around 41% of GDP, in which both debt and equity are around equally distributed.

366. (d)
When Centre does not have the budgetary resources to fund its various schemes/programmes then it asks its agencies to borrow and fund these programmes. For example, for the public distribution scheme, FCI borrows from National Small Savings Fund (NSSF) under Public Account of India. Similarly, HUDCO and NHB borrow to fund the affordable schemes of the government, NABARD borrows for irrigation and rural housing programmes of the Govt.

But NTPC borrows for its own projects and not to implement govt. schemes and it functions on purely commercial terms. But the same is not true for FCI/HUDCO and NABARD.

Ideally, Centre should borrow for these schemes and should give it to the implementing agencies. But it asks its various agencies to take the loan in their name which is then not shown in the Centre's budget. These Off-Budget Borrowings (also called extra budgetary resources) allows the Centre to reduce the immediate impact on its fiscal deficit. These however add to the overall public debt of Govt. of India. CAG has expressed concern over it and if these off- budget borrowings would have been included in the budget then the Centre's fiscal deficit would have been much more.

But in 2020-21 and 2021-22 budget, Centre has included most of the off-budget borrowings in its account and hence its fiscal deficit has increased to 9.5% for 2020-21 and 6.8% for 2021-22.

367. (c)
The investment by Central Public Sector Undertakings (CPSUs) is financed through the following two modes:

- Budgetary support provided by the Central Government
- IEBR raised by CPSUs on their own

Internal and Extra Budgetary Resources (IEBR) comprises of internal resources, and extra-budgetary resources. Broadly, the internal resources comprise of retained profits – net of dividend to Government and carry forward of reserves and surpluses. **And extra-budgetary resources are the sum of domestic and foreign loans raised directly by the CPSUs but repaid by government.**

368. (c)
In the budget 2019-20 government had proposed electronic or e-assessment scheme which was notified in September 2019 and to implement this scheme government launched "National e-assessment Centre" (based in Delhi) on 7th October 2019.

There are around 7.5 crore direct taxpayers. They pay tax and file return (tax document). Taxpayers use various ways to avoid paying taxes and showing their income way below the actual income. So, government has set certain parameters to pick for assessment/review of these cases. For example, those tax payers whose income is quite high (say 30 lakhs) but tax payment is very less supposing only 2 lakhs OR suppose in any particular savings account more than Rs. 10 lakhs got deposited in a financial year etc.

Now suppose there are 5 lakh such cases. Now out of these 5 lakh cases government may pick randomly 50,000 cases for review/assessment (as all cannot be reviewed because of resource constraint). So, government will send notice and you will have to give clarifications. And govt may scrutinise such cases in quite detail and if some wrong doings were found, you may be penalized.

Earlier (before e-assessment scheme was launched), these cases were selected by tax officials and there used to be face to face meetings between tax officials and taxpayers and where taxpayers were used to be harassed. But now all such cases will be randomly picked by computer and no face to face grilling would happen but only through electronic mode of communication. So, this will improve transparency and efficiency, and governance and thus improves the quality of assessment and monitoring.

Income Tax Act 1961 was amended to introduce this scheme which implies it is for direct taxes. Recently the Income Tax Act 1961 has been amended to introduce faceless appeal also.

369. (c)
The 'Vivad se Vishwas' Scheme was announced during the Union Budget, 2020-21, to provide for dispute resolution in respect of pending income tax litigation. The objective of *Vivad se Vishwas* is to *inter alia* reduce pending income tax litigation, generate timely revenue for the Government and benefit taxpayers by providing them peace of mind, certainty and savings on account of time and resources that would otherwise be spent on the long-drawn and vexatious litigation process.

As per the scheme, taxpayer is required to pay 100% of the disputed tax amount and 25% of the disputed penalty or interest or fee. This scheme covers taxpayers whose case appeals are pending at any level.

370. (c)
Refer the Indian Economy Book 5th Edition Page No. 243.

371. (d)
Refer the Trends.

372. (b)
Horticulture production surpassed food grain (wheat, rice, pulses and coarse grains) production since 2012-13. In 2019-20, horticulture production was 320 MT and food grain production was 297 MT.
India is the largest producer of milk and second largest producer of rice, wheat, sugarcane and fruits and vegetables.

373. (a)

374. (c)
Jute is extracted from the bark of the white jute plant and is a natural fibre with golden and silky shine and hence called the "Golden Fibre". Jute is one of the most affordable natural fibres and considered second only to cotton in amount produced and variety of uses of vegetable fibres.

The leading world's jute producing countries are **India (largest)**, Bangladesh, China and Thailand. **Bangladesh is the largest exporter** of jute fibre. West Bengal, Assam and Bihar are the major jute growing states in the country, which accounts for about 98 percent of the country's jute area and production.

375. (c)
National Jute Board as an apex body of the Ministry of Textiles, Govt. of India is responsible for promotion of jute and jute products in India and abroad. It is established under National Jute Board Act 2008.
The Government under the Jute Packaging Materials (Compulsory use in Packing Commodities) Act, 1987 specifies the commodities and the extent to which they are mandatorily packed in Jute Packaging Materials. For the jute year 2020-21, 100% of the food grains and 20% of sugar were required to be mandatorily packed in jute bags.

376. (d)
CACP takes into account all the factors while recommending MSP. It may be noted that cost of production is an important factor that goes as an input in determination of MSP, but it is certainly not the only factor that determines MSP.

377. (d)
Govt. announces MSP which is at least 50% over "**All-India weighted average Cost of Production**". (MSP for all over India is same). Now, the cost of production can be calculated in 3 ways.

1) **A2: (Average of actual paid out costs):** It will include expenses on purchase of inputs, electricity, fertilizers, etc. If someone has taken land/equipment on lease and he is paying rent that will also be included. And if a farmer has hired labour then that cost will also be included. But if someone is using family labour then since the farmer is not actually paying from his pocket, so it will not be included in cost. That is why the term says **actual paid out costs**.

2) **A2 + FL (Covers actual paid out cost + imputed value of family labour)**: In this case, if the farmer is using family labour then what we calculate is if the farmer will have to hire the same labour from the market then how much he will have to pay and then it is added in **A2**. This is called imputed value of family labour.

3) **C2 (More comprehensive and includes for the rentals and interest foregone on owned land and fixed capital assets on top of A2 + FL):** This means that if a person has his own land then of course he is not paying rentals and there will be no cost included in either "A2" or "A2+FL". But here in "C2" we will add the cost assuming that if the farmer has to take the same land on rent then what would be the cost, even if he is actually not paying any rent.

Govt. provides MSP of at least 50% above the "**A2 + FL**" cost.

So, from the above we can see that (i) statement is true and (ii) statement is not true. Post harvest activities are not included in the cost hence (iv) statement is not true.

Let us understand the depreciation on agriculture equipments.

If I am a farmer and producing wheat and I purchased a TRACTOR in year 2020-21, whose price is Rs. 6 lakhs. And suppose I use this tractor for 10 years and after that it is of no use. Now, I should not include the entire Rs. 6 lakhs amount to calculate my cost of production in the year 2020-21. Otherwise my cost will look too high (this is not good accounting practise). And since I will also be using this equipment for the entire 10 year period, so, ideally I should say that my annual cost of equipment is Rs. 60,000 (6 lakhs/10 years). Basically average distribution of the equipment cost. This Rs. 60,000 is called depreciation (cost).

Now, the cost of equipment is part of "A2". Because it is the cost incurred (actual paid out) by the farmer. But all the cost is not subtracted in one particular year rather its cost is uniformly distributed over the entire life of the equipment and that cost is called DEPRECIATION (cost).

So, if someone asks that A2 includes the cost on equipment purchase..........then the answer is YES
And if someone asks that A2 includes depreciation of equipment ....then the answer is again YES.

Because practically both means the same thing.

378. (d)
"**Mechanism for marketing of Minor Forest Produce (MFP) through Minimum Support Price (MSP) and Development of Value Chain for MFP**" is a Centrally Sponsored Scheme (CSS), under ministry of Tribal Affairs. The scheme has been started with the objective of providing fair price to MFP gatherers and enhance their income level and ensure sustainable harvesting of MFPs.

The Minimum Support Price (MSP) for Minor Forest Product (MFP) is reviewed/revised once in every three years by the Pricing Cell under the Ministry of Tribal Affairs.

Tribal Cooperative Marketing Development Federation of India (TRIFED) acts as the Central Nodal Agency for implementation and monitoring of the scheme through State level implementing agencies. State designated agencies undertakes procurement (generally in case, market price falls below MSP) of notified MFPs directly from MFP gatherers (individual or collectives) at haats notified procurement centres at grass root level at prefixed Minimum Support Price and ensure full & timely on the spot payment to MFP gatherers. Central government provides financial support in the ratio 75:25 (Centre: State) for procurement, infrastructure creation, storage capacity, processing units for these MFPs.

The MSP declared by Govt. of India shall be reference MSP for fixing MSP and State government shall have latitude of 10% of MSP declared by Govt. of India i.e. State can fix MSP up to 10% higher or lower than MSP declared by Govt. of India.

Last time the MSP was revised in Dec 2018. But in light of the COVID-19 crisis, and the potential of the scheme to offer the much-needed support to the tribal MFP gatherers, the Ministry revised MSP (in May 2020) in respect of the MFP items (49 items) currently covered under the scheme.

TRIFED was established in August 1987 under the Multi-State Cooperative Societies Act, 1984 by the Government of India as a National level Cooperative body. TRIFED plays the dual role of both a market developer and a service provider, empowering them with knowledge and tools to better their operations in a systematic, scientific manner and also assist them in developing their marketing approach. TRIFED is involved actively in capacity building/training of the tribal people through sensitisation and the formation of Self Help Groups (SHGs).

Van Dhan Yojana

Pradhan Mantri Van Dhan Yojana or Van Dhan Scheme launched on 14th April, 2018 by the Prime Minister Narendra Modi with Ministry of Tribal Affairs as nodal department at central level and TRIFED as nodal agency at national level, is a well thought master plan for the socio-economic development of the tribal population of the country. Its crucial steps are enumerated below –

- Targeting livelihood generation for tribal gatherers and transforming them into entrepreneurs.
- Through the scheme, government aims at improving tribal incomes through value addition of tribal products and the economic development of tribals by helping them in optimum utilisation of natural resources
- Idea is to set-up tribal community owned Van Dhan Vikas Kendras (VDVKs) in predominantly forested tribal districts.
- A Kendra shall constitute of 15 tribal SHGs, each comprising of up to 20 tribal NTFP (non-timber forest produce) gatherers or artisans i.e. about 300 beneficiaries per Van Dhan Kendra.
- 100% Central Government Funded with TRIFED providing Rs. 15 lakhs for each Van Dhan Kendra with 300 members.
- Providing skill up-gradation and capacity building training, and set up primary processing and value addition facilities in the tribal regions through VDVKs.

379. (a)

As a lot of states in the in post-independence period restricted leasing of agricultural land, it has started hurting agricultural productivity. Central Government got a model act drafted on land leasing by an expert panel under the NITI Aayog in April 2016 and has forwarded it to States to implement it.

Important features of the model Act:

- The model law enables tenant farmers and share croppers to avail bank credit, crop insurance and disaster relief benefits.

- The model law will allow consolidation of farm land so that small plots of land that are economically unviable can be leased out *(using tractors and farm equipment is not economically viable for small plots of 2-3 acres)*.Large operational holdings will reduce the cost of cultivation and increase profitability of farming.
- The duration of the lease and the consideration amount will be decided mutually by the owner and the tenant.
- There will be no ceiling on the amount of land that can be leased out or consolidated as the state wants market forces to determine the size of operational holdings.
- Under the new law, land can also be leased out for allied activities like livestock or animal husbandry for a maximum period of five years.
- The Model Act proposes quicker litigation process in case of disputes, by suggesting recourse through criminal proceedings and special tribunal. The dispute settlement will be taken up at the level of the Gram Sabha, Panchayat and Tehsildar and are kept outside the jurisdiction of courts.

380. (d)
In e-NAM sale, traders from all over India could bid and whoever quotes highest price, the farmer can sell his produce to that trader (it may be across the state). Then farmer will receive the payment in his account and then only the trader can take the physical produce from the mandi. Transportation charge will be on traders account. *(Because of the transportation cost involved, e-NAM would not be able to ensure that the people get the agri-commodity at the same price across the country. E-NAM will help that the farmers get the same price across different mandis).*

Even if a farmer wants to sell his produce online through e-NAM, presently, he needs to take the produce in physical APMC mandi and then login to the online portal. Govt is working on the modalities so that the farmers will be able to sell their produce online sitting at their home through their mobile with their physical produce at home, but it may take a year or more.
But on **2nd April 2020**, new features were enabled in e-NAM through which:

- Farmers stocking their produce in registered warehouses and having Electronic Negotiable Warehouse Receipts (e-NWR), will be able to trade on e-NAM without physically bringing their produce in the APMC mandis
- FPOs can trade their produce on e-NAM, from their collection centre without bringing the produce to APMC mandi.
- E-NAM platform has been made inter-operable with ReMS platform of Govt. of Karnataka
- E-NAM is getting integrated with other platforms to provide transportation and quality services

381. (a)
Participatory Guarantee System (PGS-India) programme is being implemented by Ministry of Agriculture through the National Centre for Organic Farming. It is a self-certification process for organic crops which involves a peer-review approach and is supported through the Paramparagat Krishi Vikash Yojana. Here, farmers play a role in certifying whether the farms in their vicinity adhered to organic cultivation practices.

382. (c)
Food Safety and Standards Authority of India (FSSAI) regulates organic foods in India. FSSAI in Nov 2017, published regulations on organic food which regulates manufacture, sale, distribution and import of organic food in India. As a consequence, any food to be sold as 'organic' in India will have to be certified under **either** of the two prevailing

systems. The two systems are National Programme for Organic Production (NPOP) and the Participatory Guarantee System for India (PGS-India).

<u>Organic Products</u>

- PGS – India (Self-Certification) (Ministry of Agriculture & Farmers Welfare)
- NPOP (Third Party Certification) (Ministry of Commerce & Industry)
  - APEDA
  - NAB

Prior to application of these regulations, only food products meant for export have to be certified and that too under the NPOP system. The PGS-India system is meant for domestic market only. Drafted with an objective of addressing the problem of fraud and mis-labelling in food claimed as 'organic', *the organic regulations allow import of organic food into India without being re-certified in India if the organic standards of the exporting country have been recognised as equivalent to NPOP.*

Apart from operationalising these regulations, FSSAI has also developed a common logo for organic food from India called '**Jaivik Bharat**' which would integrate the logos of both—the NPOP system and PGS-India.

383. (d)

The Krishi Vigyan Kendras (KVKs) scheme is 100% financed by Govt. of India and the KVKs are sanctioned to Agricultural Universities, Indian Council of Agricultural Research (ICAR) institutes, related Government Departments and Non-Government Organizations (NGOs) working in Agriculture.

KVK, is an integral part of the National Agricultural Research System (NARS), and aims at assessment of location specific technology modules in agriculture and allied enterprises, through technology assessment, refinement and demonstrations. KVKs have been functioning as Knowledge and Resource Centre of agricultural technology supporting initiatives of public, private and voluntary sector for improving the agricultural economy of the district and are linking the NARS with extension system and farmers. The mandate of KVK is Technology Assessment and Demonstration for its Application and Capacity Development.

KVKs also produce quality technological products (seed, planting material, bio-agents, livestock) and make it available to farmers, organize frontline extension activities, identify and document selected farm innovations and converge with ongoing schemes and programs within the mandate of KVK.

384. (d)

A Producer Organisation (PO) is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen. A PO can be a producer company, a cooperative society or any other legal form which provides for sharing of profits/benefits among the members. Ownership control is always with the members/farmers and management is through the representatives of the members. The main aim of PO is to ensure better income for the producers through an organization of their own.

Farmers Producer Organization (FPO) is one type of PO where the members are farmers. Small Farmers' Agribusiness Consortium (SFAC) and NABARD is providing support for promotion of FPOs.

385. (d)
All landholding farmers' families, which have cultivable landholding in their names are eligible to get benefit under the PM-KISAN scheme, in which government gives Rs. 6000 annually in three instalments of Rs. 2000 each. The following category of farmers are not eligible:

- Institutional land-holders

Farmer families in which one or more of its members belong to following categories:
- Former and present holders of constitutional posts
- Former and present Ministers/ State Ministers and former/present Members of Lok sabha/ Rajya sabha/ state Legislative Assemblies/ State Legislative councils, former and present Mayors of Municipal corporations, former and present Chairpersons of District Panchayats.
- All serving or retired officers and employees of Central/ State Government Ministries /Offices/Departments and its field units Central or State PSEs and Attached offices /Autonomous institutions under Government as well as regular employees of the Local Bodies
- All superannuated/retired pensioners Rs.10,000/-or more
- All Persons who paid Income Tax in last assessment year
- Professionals like Doctors, Engineers' Lawyers, Chartered Accountants, and Architects registered with Professional bodies and carrying out profession by undertaking practices.

Through PM-KISAN scheme, money will reach in the hands of the poor farmer which will ultimately increase the demand in the rural areas and may result in higher inflation. The inflation may be less but there will be impact.

386. (d)
Govt. had made an announcement in the Union Budget 2020-21 to build a seamless national cold supply chain for perishables in Agriculture and Animal Husbandry sector, inclusive of milk, meat and fish. Accordingly, Ministry of Railway launched/started the country's First Kisan Rail between Deolali (in Maharashtra) and Danapur (Bihar) station on 8th July 2020. Till now more than 100 Kisan Rails have been launched.

Kisan Rail helps in transporting the produce of farmers to different parts of the country at a nominal cost (subsidized by Govt). Kisan Rail are trains with multi commodities, multi-consignors and multi consignees. These trains run between fixed Origin–Destination pairs with en-route stoppages, and loading/ unloading are permitted at any of the en-route stoppage. The Origin–Destination pairs, routes, stoppages, and frequency of the train are decided jointly by the Ministry of Agriculture & Farmers' Welfare and Ministry of Railways.

The first-mile arrangements including aggregation (bringing together) of consignments through FPOs, warehousing, setting-up of temperature-controlled storages, etc. shall be coordinated by the Ministry of Agriculture & Farmers' Welfare (MoA&FW). The Ministry will provide details of Production Centres on the Kisan Special Routes along with seasonality of produce. MoA&FW will also ensure that information regarding Kisan Rail is duly disseminated among all the stake-holders, such as mandis, farmers' co-operatives, NGOs, etc. Action required for ensuring that adequate back-end infrastructure is available shall also be ensured by the Ministry of Agriculture & Farmers' Welfare.

387. (c)

Agriculture contributes around 16.5 % in GDP, out of which fishing is around 1% and livestock is around 5%, crops around 9.5% and forestry around 1%.

388. (b)

The PPVFR Act 2001 provides for the establishment of an effective system for protection of plant varieties, the rights of farmers and plant breeders and to encourage the development of new varieties of plants. The breeder will be entitled for benefit-sharing (royalty) under this Act as decided by the PPVFR Authority.

The farmer shall be deemed to be entitled to save, use, sow, resow, exchange, share or sell his farm produce including seed of a variety protected under this Act in the same manner as he was entitled before the coming into force of this Act, provided that the farmer shall not be entitled to sell branded (packaged) seed of a variety protected under this Act.

389. (d)

As per the Protection of Plant Variety and Farmers Rights Act, 2001 Section 45, "National Gene Fund" has been constituted to receive (or give) contributions from:

- The Breeder will have to pay royalty which will go to the National Gene Fund
- If someone gives a claim that the genetic material possessed by him was used in the development of the seed variety by the breeder then the claimant will get benefit sharing from the National Gene Fund

390. (d)

Ref: Economic Survey 2019-20, Vol-II, Page 215

391. (a)

Private Entrepreneurs Guarantee (PEG) Scheme was formulated in 2008, for construction of storage godowns in Public Private Partnership (PPP) mode through private entrepreneurs, Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs) to overcome storage constraints and ensure safe stocking of food grains across the country. Assessment of additional storage capacities required under the scheme is based on the overall procurement/ consumption pattern and storage space already available.

Under PEG scheme, no funds are allocated by Central Government for construction of godowns and full investment is done by the private parties/CWC/State Agencies by arranging their own funds and also the land. After a godown is constructed and taken over, FCI gives a guarantee of rent for 10 years in the case of private investors and for 9 years in case of CWC/SWCs/State Agencies, irrespective of quantum of foodgrains stored.

392. (b)

Food Corporation of India sells surplus stocks of wheat and rice under Open Market Sale Scheme (Domestic) at pre-determined prices through e-auction in the open market from time to time to enhance the supply of food grains during the lean season and thereby moderate the open market prices specially in the deficit regions.

393. (c)

Central Issue Price (CIP) is the price at which food grains (wheat and rice) are issued to the state governments/ UTs from the central pool at uniform prices for distribution under TPDS. CIP is fixed by Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution. CIP for rice and wheat has been fixed at Rs. 3/kg and Rs. 2/kg respectively in the National Food Security Act 2013, which should be revised in three years.

The eligible households get the food grains at the same price of Rs. 3/kg rice, Rs. 2/kg wheat and Rs. 1/kg coarse grains.

394. (d)
The provisional data for the 20th Livestock Census 2018 was released in Oct 2019 by the Dept. of Animal Husbandry and Dairying under the "Ministry of Fisheries, Animal Husbandry and Dairying". As per the data, West Bengal has the largest number of cattle (in the previous census UP had the largest cattle population) and Tamil Nadu has the largest number of poultry. Livestock population increased by 4.6% over Census 2011-12.
Livestock is commonly defined as domesticated animals raised in an agricultural setting to produce labour and commodities such as meat, eggs, milk, fur, leather, and wool.

Livestock (major species) includes Cattle (cows & ox), Buffalo, Sheep, Goat, Pig, Mithun, Yak, Horses & Ponies, Mule, Donkey, Camel etc. which stood at 54 crore in the latest census.

395. (c)
In integrated pest management, Economic Threshold Limit is the insect's population level or extent of crop damage at which the value of the damaged crops exceeds the cost of controlling the pests.
Central Institute of Cotton Research (CICR), Nagpur, in June 2019 said that the Pink Bollworm infestation on cotton crops has crossed the "Economic Threshold limit" in some parts of Maharashtra.

396. (b)
Let us understand with an example:
Suppose the imported LPG cylinder price (i.e. international market price) is Rs. 800/cylinder. And govt announced that it will give Rs. 300/cylinder as subsidy through Direct Benefit Transfer (DBT). So, the consumers will purchase the cylinder from Oil Marketing Companies (OMC) like IOCL/BPCL at Rs. 800/cylinder and government will transfer Rs. 300/cylinder in consumers account.

Now, if the international price increases to Rs. 900/cylinder, then there are three options:

1) Consumers pay Rs. 900/cylinder and government transfers Rs. 400/cylinder in account as DBT. But it will increase the overall subsidy bill of the government, which government don't like.

2) Consumers pay Rs. 900/cylinder and government still transfer Rs. 300/cylinder in consumers account, but it will increase the price per cylinder Rs. 600 (=Rs. 900 - Rs. 300) to the consumer from the earlier price of Rs. 500 (=Rs. 800- Rs. 300). For political and social reasons, govt. may not like this also.

3) Government forces OMCs (LPG cylinders are supplied through OMCs) to sell the cylinder still at Rs. 800/cylinder (a kind of forced regulation), So consumers pay Rs.

800/cylinder and they will get Rs. 300 in account from Govt. This will not increase govt. subsidy bill and consumers will also be happy. But it impacts finances of OMCs.

If government will choose the 3) option, then for OMCs it is a loss of Rs. 100/ cylinder. And this is called "**Under-recovery**" per cylinder.

Generally, because of political and social compulsions govt. uses this 3) option leading to huge under recoveries by OMCs. Till the time price of crude/gas is benign/moderate, the under recovery may be very less or nil but when it increases, under-recovery of OMCs increases.

397. (c)
The subsidy amount is transferred into fertilizer's company account upon verification of sale to farmers through Aadhaar. The price of Urea is **regulated** by Central Government and it is Rs. 5.36/kg and the per kg **subsidy** by the government **varies** with the market fluctuations in the price of Nitrogen and other costs.

398. (c)
Nutrient Based Subsidy" is applicable for Phosphatic and Potassic (P&K) fertilizers only and not for Urea which is a Nitrogenous fertilizer. Govt. fixes the subsidy annually based on the per kg of nutrient present in the fertilizer. As the **subsidy** given by the Govt. is **fixed**, so the market price of the fertilizers varies with the change in international prices. So, market prices are **not regulated** by the government rather it is decontrolled.

399. (d)
Minimum Export Price (MEP) is the price below which exports are not permitted. MEP is imposed to curb the exports so that to prevent disruptions in domestic supply and to prevent rise in prices. It is done keeping in mind the interest of consumers.
For example, suppose in the international market the price of onion is $500/tonne, then the govt may announce MEP $550/tonne. That means no exporter can export below $550/tonne and practically no one will purchase onion from Indian exporter above $550 because international price is just $500/tonne. So basically it prevents export.

Minimum Import Price (MIP) is the price below which imports are not allowed. MIP is imposed to curb imports and protect domestic producers (mostly farmers). So, suppose because of any reason international price has come down to say Rs. 15/kg of wheat and domestic price is Rs. 18/kg. Then the cheaper wheat can enter into Indian market and then no one will purchase wheat from Indian farmers. So, to protect them govt. can announce MIP of say Rs. 20/kg. That means no importer from India can import below Rs. 20/kg. And practically no one from India would like to import above Rs. 20/kg because Indian wheat is already available at Rs. 18/kg.

400. (c)
MEP/MIP restrictions are imposed under "The Foreign Trade (Dev. & Reg.) Act 1992" and this Act can also be used to put quantitative restrictions on trade.

401. (c)
To facilitate the procurement of food grains (wheat and paddy), FCI and various state agencies in consultation with the State governments establish a large number of purchase centres at various mandis and key points. The procurement policy is **open ended**. That means, whatever (without any limit) wheat and paddy are offered by farmers, within the stipulated period & conforming to the specifications prescribed by

Government of India, are purchased at Minimum Support Price (MSP) by the Government agencies including Food Corporation of India (FCI) for Central Pool.

Central Govt. procures wheat and rice/paddy in two ways:

- One way is "**Centralized Procurement System**" where either FCI procures or it asks States to procure and hand over the stock to FCI and FCI pays for it. And then FCI stores and distributes under NFSA.
- The second is "**Decentralized Procurement System**" where Centre has asked States to procure, store and distribute under NFSA and other welfare schemes and Centre (FCI) pays to States.

402. (c)

A warehouse receipt is a document which proves ownership of a given commodity that is stored in a recognized location, like a warehouse or a godown. Negotiable warehouse receipts (NWRs) allow transfer of ownership of a commodity stored in a warehouse without having to deliver the physical commodity.

Government of India enacted the Warehousing (Development & Regulation) Act 2007 under which it has constituted the Warehousing Development and Regulatory Authority (WDRA) under Ministry of Consumer Affairs, Food and Public Distribution for the implementation of the provisions of the Act. The main objectives of the Act are to make provisions for the development and regulation of warehouses, negotiability of warehouse receipts and related matters. Any person commencing or carrying on the warehousing business and intending to issue Negotiable Warehouse Receipts (NWRs) has to get the warehouse registered with the Warehousing Development & Regulatory Authority (WDRA). The WDRA checks the warehouse on various parameters and then issues a booklet containing the NWRs. The warehouse then issues these receipts to customers (farmers and people who have stored their produce in the godowns). As these receipts are recognized by the government, banks can easily grant loans against them. The farmer gets an officially recognized receipt against which he can take loan from bank for further farming activities or alternatively sell his produce to a third person by endorsing the receipt, without even taking physical possession.

As per the Act, as on November 2017, WDRA has notified 123 agricultural commodities and 26 horticulture commodities for issuing NWRs. In September 2017, Government launched the Electronic Negotiable Warehouse Receipts (e-NWRs).

403. (c)

The Price Stabilization Fund (PSF) was set up in 2014-15 under the Department of Agriculture, Cooperation & Famers Welfare (DAC&FW) to help regulate the price volatility of important agri-horticultural commodities like onion, potatoes and pulses were also added subsequently. The PSF scheme was transferred from DAC&FW to the Department of Consumer Affairs (DOCA) w.e.f. 1st April, 2016.

The scheme provides for **maintaining a strategic buffer of aforementioned commodities for subsequent calibrated release to moderate price volatility** and discourage hoarding and unscrupulous speculation. For building such stock, the scheme promotes direct purchase from farmers/farmers' association at farm gate/Mandi. The PSF is utilized for granting interest free advance of working capital to Central Agencies like NAFED (National Agricultural Cooperative Marketing Federation of India Ltd.) and SFAC (Small Farmers Agri-business Consortium), State/UT Governments/Agencies to undertake market intervention operations. Apart from domestic procurement from farmers/wholesale mandis, import may also be undertaken with support from the Fund.

404. (d)

"The Essential Commodities Act 1955 provides for the regulation and control of production, distribution and pricing of commodities which are declared as essential for maintaining or increasing supplies or for securing their equitable distribution and availability at fair prices. Exercising powers under the Act, various Ministries/Departments of the Central Govt. and under the delegated powers, the State Governments/UT Administrations can issue orders for regulating production, distribution, pricing and other aspects of trading in respect of the commodities declared as essential"

Generally, in the past (Pulses price crossed Rs. 200 in 2016) when the prices of basic commodities have increased, Central Govt. have brought those commodities under the Essential Commodities Act 1955 and then respective State Governments put stocking limits. But, **in an unusual move on 29th Sept 2019**, Central Govt. directly imposed a holding limit of 100 quintals on retailers and 500 quintals on wholesale onion traders across the country.

So basically, under the Essential Commodities Act 1955, Central Govt. has delegated the powers for the implementation of the Act to States but that does not mean that Central Govt. can't implement on its own.

So, to give relief to the consumers from high prices of onions, Central govt. offloaded 50,000 tonnes of buffer stock (which Central Govt. holds through Price Stabilization Fund Scheme) of onions across the country. Mother Dairy and Cooperatives like NAFED and NCCF sold the buffer stock at a cheaper rate of Rs. 23.9/kg in Delhi and other States.

National Agricultural Cooperative Marketing Federation of India Ltd. **(NAFED)** was established on 2nd October 1958. NAFED is registered under the Multi State Co-operative Societies Act 2002. NAFED was setup with the object to promote Co-operative marketing of Agricultural Produce to benefit the farmers. Agricultural farmers are the main members of NAFED, who have the authority to say in the form of members of the General Body in the working of NAFED. **NAFED works in coordination with Ministry of Agriculture**. NAFED is the Nodal agency to implement PSF scheme.

National Cooperative Consumers Federation of India Limited **(NCCF)** was established on 16th October, 1965 to function as the apex body of consumer cooperatives in the country. It is registered under the Multi-State Co-operative Societies Act, 2002. It operates through a network of 29 Branch Offices located in different parts of the country. Main objectives of the NCCF are to provide supply support to the consumer cooperatives and other distributing agencies for distribution of consumer goods at reasonable and affordable rates. **NCCF works under the Ministry of Consumer Affairs, Food and Public Distribution**.

405. (d)

SAMPADA (Scheme for Agro-Marine Processing and Development of Agro-processing clusters) is a Central Sector scheme with an allocation of Rs. 6000 crore for the period 2016-20. The objective of the scheme is to supplement agriculture, modernize processing (of marine and agri-produce) and decrease agri-waste.

SAMPADA is an **umbrella** scheme incorporating ongoing schemes of the government like Mega Food Parks, Integrated Cold Chain and Value Addition Infrastructure, Food Safety and Quality Assurance Infrastructure, etc. and also new schemes like Infrastructure for Agro-processing Clusters, Creation of Backward and Forward Linkages, Creation of Food Processing & Preservation Capacities and Operation Greens.

The SAMPADA is a comprehensive package to give a renewed thrust to the food processing sector in the country. It aims at development of modern infrastructure to encourage entrepreneurs to set up food processing units based on cluster approach, provide effective and seamless backward and forward integration for processed food industry by plugging gaps in supply chain and creation of processing and preservation capacities and modernization/ expansion of existing food processing units.

The objective of SAMPADA scheme is to supplement agriculture, modernize processing (of marine and agri-produce) and decrease agri-waste. It is implemented by ministry of Food Processing Industries.

406. (d)

In the budget speech of Union Budget 2018-19, a new Scheme "Operation Greens" was announced on the line of "Operation Flood", with an outlay of Rs.500 crore to promote Farmer Producers Organizations (FPOs), agri-logistics, processing facilities and professional management. Accordingly, the Ministry of Food Processing Industries (MoFPI) has formulated a scheme for integrated development of Tomato, Onion and Potato (TOP) value chain.

The scheme will have two-pronged strategy of Price stabilization measures (for short term) and Integrated value chain development projects (for long term).

<u>Short term Price Stabilization Measures:</u> NAFED will be the Nodal Agency to implement price stabilization measures. MoFPI will provide 50% of the subsidy on the following two components:

- Transportation of Tomato Onion Potato (TOP) Crops from production to storage
- Hiring of appropriate storage facilities for TOP Crops

<u>Long Term Integrated value chain development projects</u>

- Capacity Building of FPOs & their consortium
- Quality production
- Post-harvest processing facilities
- Agri-Logistics
- Marketing / Consumption Points
- Creation & Management of e-platform for demand and supply management of TOP Crops

In Oct. 2020, Ministry of Food Processing Industries gave 50% subsidy on transportation of notified fruits and vegetables through '**Kisan Rail'** trains. **Kisan Rail** helps in transporting the produce of farmers to different parts of the country at a nominal cost (subsidized by Govt).

In the budget 2021-22, it has been announced that Operation Greens will be enlarged to include 22 perishable products.

407. (c)

Technical textiles are textiles materials and products manufactured primarily for specific scientific functions and industrial applications rather than for its look and beauty (aesthetic properties) is described as technical textiles. In a nutshell, technical textiles is any fibre, yarn or fabric produced with a particular purpose and finish for a well-defined end use.

Function wise, Technical textiles are categorized into four main aspects:

1) Mechanical functions: Pliability, resilience, tenacity and resistances are considered
2) Exchange functions: Substitutes, materials used for separation, heat transfer, and absorptions are looked for

3) Utility (for day to day living) functions: Eco systems and health care products are wisely pooled together to form utility functions
4) Protective functions: It includes fabrics which protect/shield us against electrical, IR, UV and chemical harshness

Indian textile segment is estimated at $16 billion which is approximately 6% of world market size of $250 billion. Penetration level of technical textiles is low in India at 5-10%, against 30-70% in advanced countries. However, the annual average growth of the segment is 12% in India, as compared to 4% world average growth.

CCEA approved setting up of "National Technical Textiles Mission" at a total outlay/budget of Rs. 1480 crore, (it was proposed in the budget 2020-21) which will be implemented for four years starting from 2020-21 and will have four components:

- **Component I:** It will focus on **research and development and innovation**
- **Component II:** The mission will focus on promotion and **development of domestic market**, targeting an average growth of 15-20%
- **Component III:** This component aims at **export promotion** of technical textiles
- **Component IV:** This component will promote **technical education** at higher engineering and technology levels

408. (d)
Jaivik-kheti portal is a unique initiative of Ministry of Agriculture (MoA), Department of Agriculture (DAC) along with Metal Scrap Trade Corporation (MSTC) to promote organic farming globally. It is a one stop solution for facilitating organic farmers to sell their organic produce and promoting organic farming and its benefits.
Jaivik-kheti portal is an E-commerce as well as a knowledge platform.
Buyers can now avail organic products at their door step through the portal at much lower prices.
Ref: *https://www.jaivikkheti.in/aboutus/*

409. (c)
As per the National Food Security Act 2013, Central Government does procurement (at MSP), transportation from one State to another (from one FCI depot to another FCI depot), and storage cost is borne by the Central Government through FCI. Then the Central Government (from the Central pool) gives the food grains to States at Rs. 3/kg rice, Rs. 2/kg wheat and Rs. 1/kg coarse grains.

Then the State does intra state movement/transportation of food grains and moves the food grains from FCI depots to Fair Price Shops (including its handling, dealers margin etc.) and the cost for all this is **shared** between the Central Government and the State Government as per the sharing pattern and norms for expenditure on this account as per rules framed under NFSA.

410. (c)
To protect the precious data of the government's premier research body Indian Council of Agricultural Research (ICAR), Agriculture Minister launched (on 11th Aug 2020) a data recovery centre 'KRISHI MEGH' (National Agricultural Research & Education System -Cloud Infrastructure and Services) set up in Hyderabad. Currently, the main data centre of the ICAR is at the Indian Agricultural Statistics Research Institute (IASRI) in Delhi. ICAR's current centre is in a seismic zone and hence there is always a threat of losing the data. A data recovery centre in a safe place will always be better to save our precious agriculture related data.

The data recovery centre (Krishi Megh) has been set up at National Academy of Agricultural Research Management (NAARM), Hyderabad. Krishi Megh will integrate the ICAR-Data Centre at ICAR-IASRI, New Delhi with the Disaster Recovery Centre at the ICAR-NAARM, Hyderabad. Krishi Megh has been set up under the National Agricultural Higher Education Project (NAHEP), funded by both the Government of India and World Bank.

NAARM, Hyderabad has been chosen for Krishi Megh as it lies in a different seismic zone with regard to the Data Centre at ICAR-IASRI in New Delhi. Hyderabad is also suitable as skilled IT manpower is available along with other suitable climatic conditions such as low humidity level which is controllable in the data centre environment.

411. (d)

National Mission on Agricultural Extension & Technology (NMAET), launched during the 12th plan period, consists of 4 Sub Missions:

1. Sub Mission on Agricultural Extension (SMAE):
2. Sub-Mission on Seed and Planting Material (SMSP):
3. Sub Mission on Agricultural Mechanization (SMAM):
4. Sub Mission on Plant Protection and Plant Quarantine (SMPP):

Sub-Mission on Agricultural Mechanization (SMAM) focuses on farm mechanization. The Sub-Mission is mainly to cater to the needs of the small and marginal farmers and to the regions where availability of farm power is low to offset the adverse economies of scale and high cost of individual ownership through institutional arrangements such as **Custom Hiring Centres**, mechanization of selected villages, subsidy for procurement of machines & equipment, etc.

Custom Hiring Centres (CHCs) are basically a unit comprising a set of costly, advance and bigger farm machinery, implements and equipment (used for tillage, sowing, planting, harvesting, reaping, threshing, plant protection, inter cultivation and residue management) meant for custom hiring by farmers on rental basis who could not afford to purchase the high-end agriculture machineries and equipment. Govt. through SMAM is providing funds/subsidy to Rural level entrepreneurs, SHGs etc. to set up CHCs.

412. (a)
Inclusive growth is typically fuelled by market-driven sources of growth with the government playing a facilitating role. Inclusive growth focuses on both the pace and pattern of growth. How growth is generated is critical for accelerating poverty reduction, hence it focuses on productive employment rather than income redistribution.

413. (c)
Both statements are true as per Economic Survey 2020-21, Volume 1 Chapter 4.

Asset inequality may be higher because asset is accumulated over period of time (ultimately resulting in higher difference) while consumption is on a daily/annually basis.

414. (c)
Poverty gap is the ratio by which the mean income of the poor falls below poverty line as a proportion of poverty line.

Poverty gap is used to reflect the intensity of poverty.

415. (d)

The National Sample Survey (NSS), conducted by National Statistical Office (NSO) is a national socioeconomic survey conducted in **annual rounds** with a cycle of **rotating topics**. For example, the purpose of the 71st round of the National Sample Survey (NSS) conducted in 2014 was to develop indicators on health and education. The purpose of the 68th round (July 2011 – June 2012) of National Sample Survey was household consumption expenditure.

The household Consumption Expenditure Survey (CES), generally comes after every five years (quinquennial) during these annual rounds of NSS.

The NSS Consumer Expenditure Survey (CES) generates estimates of household Monthly Per Capita Consumer Expenditure (MPCE) and the distribution of households and persons over the MPCE classes. It is designed to collect information regarding expenditure on consumption of goods and services (food and non-food) consumed by households. The results, after release, are also used for rebasing of the GDP and other macro-economic indicators.

416. (a)

India's labour force is around 50 crore which includes people who are employed or not employed but actively searching for job. Working age population is more than the labour force because a lot of persons may not be part of labour force but are in working age population for example house wives or a person taking a break from his job.

Employment rate is defined as the number of people employed as a percentage of labour force.

Labour force participation rate is defined as the number of persons in the labour force as a percentage of working age population.

417. (b)

If an individual has quit his job and stays at home that means he is part of the working age population but he is **not part of the labour force** because he is neither employed nor unemployed. He is not unemployed because he is not searching for job.

418. (c)

If an individual has quit his job and starts searching a new job that means he is part of the labour force and that is why labour force participation rate will not change.

419. (b)

Economic Census is conducted by NSO, MoSPI and has no fixed periodicity and presently the 7th Economic Census is being conducted (2019). Economic census gives insights on the economic activities being carried out across the country, their geographical distribution, the number and distribution of workers, types of ownership and sources of finance. It covers all structures across the country, whether residential or commercial including informal/unorganized units but excludes certain economic activities such as crop-production, plantation activities, illegal activities, public administration and defence, and activities of extra-territorial organisations.

Periodic Labour Force Survey is conducted by National Statistics Office (NSO) to produce **annual** statistics of employment and unemployment characteristics for both rural and urban areas, along with quarterly estimates for urban areas. Earlier it was conducted after five years.

Household consumption expenditure survey is conducted by National Statistical Office (NSO), after every five years and generates estimates of household Monthly Per Capita Consumer Expenditure.

Census (of the population) is conducted by Registrar General and Census Commissioner under Ministry of Home Affairs after every 10 years. The 2020 census will be digital.

Annual Survey of Industries (ASI) is the most important source of industrial statistics of the registered organized manufacturing sector (Factories registered under Factories Act 1948) of the economy and extends to the entire country. It is conducted annually by MoSPI.

420. (d)
Employment and Unemployment Surveys (EUS) conducted by NSSO were the primary source of labour market data at National and State level in India. Regular EUS were conducted quinquennially (after every five years) since 1972. Considering the importance of availability of labour force data at more frequent intervals, the Ministry of Statistics and Programme Implementation constituted a committee on Periodic Labour Force Survey (PLFS). Now, National Statistics Office (NSO) is conducting PLFS to produce **annual** statistics of employment and unemployment characteristics for both rural and urban areas, along with quarterly estimates for urban areas. The first annual report based on the data collected in PLFS during July 2017- June 2018 was published in May 2019.

The PLFS is designed with two major objectives for measurement of employment and unemployment.

- The first was to measure the dynamics in labour force participation and employment status in the short time interval of three months for only the urban areas.
- The second was for both rural and urban areas, to measure the labour force estimates on key parameters on an annual basis such as labour force participation rate, worker population ratio etc.

421. (c)

422. (b)

423. (b)
Structural unemployment occurs for a number of reasons - workers lacking the requisite job skills, change in government policy or change in technology, or they may live far from regions where jobs are available but are unable to move there or simply unwilling to work because existing wage levels are too low. So, while jobs are available, there is a serious mismatch between what companies need and what workers can offer.

Structural unemployment exists when there are jobs available and people willing to do work, but there is not sufficient number of people qualified to fill the vacant jobs.

424. (c)
Frictional unemployment arises due to people moving between jobs, career or location or people entering and exiting the labour force or workers and employers having inconsistence or incomplete information. Actually, people first leave job and then they try to find a new job according to their choice and this process takes some time to apply for new jobs and for employers to make a selection and hence they remain unemployed

for this transition period. That is why frictional unemployment is also called as transitional unemployment and it is always present in the economy.

425. (b)
These kind of job losses are because the economy is facing fundamental/structural changes and that is why it is a structural unemployment.

426. (d)
Because of the Covid-19 pandemic factories got shut and workers were laid-off or reduced. This will result in cyclical unemployment because as soon as the factories will again start functioning the workers will be hired again.

Because of the Covid-19 pandemic, some industries/factories will permanently get closed like various small industries and informal business and it may result in rise of formal businesses like a street food seller may get replaced by 'Zomato'. This will result in structural unemployment.

As Covid-19 pandemic resulted in reverse migration to rural areas, this labour will again crowd into agriculture and rural family business which already have enough labour and do not require any more resulting in an increase in disguised unemployment.

427. (b)
Disguised unemployment arises because more labourers work in the factory/land than are required. And hence productivity i.e. production per unit of labour will be less.
So, (ii) statement is correct.

In such case if we add more capital then production may increase but if we add more labour then production will not increase.

So, marginal productivity of capital = $\frac{\text{change in production}}{\text{change in capital}}$ will be positive

but marginal productivity of labour = $\frac{\text{change in production}}{\text{change in labour}}$ will be zero

428. (d)
When the economy slows down or in recession (due to reduced demand) then production in the economy decreases and employers lay off workers which causes cyclical unemployment.

It is a case of reduced demand, so it generally leads to deflation.
So, (ii) statement is true.

It can be tackled by increasing the demand in the economy. RBI can increase the demand through expansionary monetary policy i.e. reduction in repo rate. And government can also increase the demand in the economy by expansionary fiscal policy i.e. increase in government expenditure or reduction in taxes. Through both these policies, more money reaches to the people and demand in the economy increases.
So, (iii) & (iv) statements are also true.

429. (d)
Underemployment is a situation in which a worker is employed, but not in the desired capacity, whether in terms of compensation, skill level, experience, education or their

availability. While not technically unemployed, the underemployed are often competing for available jobs. Underemployment is a social problem that affects job growth, poverty level, economic growth and emotional health of underemployed workers.

430. (d)
"Demographic Dividend" is the dividend/benefit that a country derives because of the demographic change and it is measured in terms of **additional Per Capita Income Growth**. *[Ref: Economic Survey 2016-17, Vol I, Page 33]*

431. (b)
Employment Elasticity (of growth) is a measure of percentage change in **employment** associated with 1 percentage change in economic growth.

Employment elasticity = % change in employment/ % change in economic growth

An employment elasticity of 0.01 implies that with every 1 percentage point growth in GDP, employment increases by just .01 percent. Employment elasticity is falling consistently from 0.4 in 1990s to 0.2 in 2014 and then 0.1 now.

When new investments happen in economy then economic growth happens and it also leads to more job creation. But if the economic growth is happening because the (factory) capacity utilization is increasing in the economy (assuming that earlier because of some reasons the capacity utilization low) rather than new investments then it may not create much jobs.

432. (d)
In an endeavour to improve the information flow and bridge the demand-supply gap in the skilled workforce market, the Ministry of Skill Development and Entrepreneurship (MSDE), on 10th July 2020, launched 'Aatamanirbhar Skilled Employee Employer Mapping (ASEEM)' portal (https://smis.nsdcindia.org/) to help skilled people find sustainable livelihood opportunities. ASEEM is an AI-based digital platform to bridge demand-supply gap of skilled workforce across sectors. The portal will map details of workers based on regions and local industry demands.

ASEEM will be used as a match-making engine to map skilled workers with the jobs available. The portal and App will have provision for registration and data upload for workers across job roles, sectors and geographies. The skilled workforce can register their profiles on the app and can search for employment opportunities in their neighbourhood. Through ASEEM, employers, agencies and job aggregators looking for skilled workforce in specific sectors will also have the required details at their fingertips. It will also enable policymakers take more objective view of various sectors.

433. (c)
Employee Provident Fund (EPF) consists of 12% employee salary and 12% is contributed by employer. Out of the 12% employer contribution, 8.33% goes to Employee Pension Scheme (EPS). Under Pradhan Mantri RojgarProtsahan Yojana, the 8.33% employer contribution is reimbursed by the government to the employer which motivates the employer to higher more worker. This scheme is applicable for any sector worker, whose wage is up to Rs. 15000. From 1st April 2018 Govt. is paying the full employer contribution of 12%.

434. (c)
India's insurance penetration is 3.76% and insurance density is $78 which is quite low while the global average is 7.26% and $818 respectively.

435. (a)

Life insurance provides protection against life risk. **General insurance** is a general term used for all the insurance plans that safeguard things **other than life**, such as your valuables against theft, natural disasters, accidents, etc.

In 1956 **Life Insurance sector** was nationalized through the Life Insurance Corporation Act 1956 and Life Insurance Corporation (LIC) came into existence in the same year which absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector.

436. (c)

General Insurance business was nationalized in 1972 with the passing of the General Insurance Business (Nationalisation) Act 1972 but became effective from 1st January, 1973.

Following the recommendations of the **Malhotra Committee** report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an statutory autonomous body to regulate and develop the insurance industry (life and general insurance both) in April 2000.

The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market. **The IRDA opened up the market in August 2000.**

437. (c)

Industrial Development Bank of India (IDBI) was constituted under Industrial Development Bank of India Act, 1964 as a Development Financial Institution (DFI) and came into being on July 01, 1964.

It continued to serve as a DFI for 40 years till the year 2004 when it was transformed into a (Public Sector) Bank.

Now, LIC is the majority shareholder in IDBI bank and RBI has classified it as a private sector bank.

438. (c)

439. (a)

- Population growth in India has been slowing in recent decades from an annual growth rate of 2.5% during 971-81 to an estimated 1.3% as of 2011-16 and is projected to slow down to 1% during 2021-31 and under 0.5% during 2031-41.

- A key driver of the above trend has been the steady decline in India's Total Fertility Rate (TFR) since the mid-1980s. TFR declined from 4.5 in 1984 to 2.3 in 2016*(The Total Fertility Rate is defined as the total number of children that would be born to each woman if she were to live to the end of her child-bearing years)*

- Replacement level fertility is usually marked at 2.1. But the required replacement level fertility for India is higher than the usual benchmark of 2.1. The reason is the skewed sex ratio, because of which a woman would have to give birth to more than 2.1 children in order for the population to replace itself. Estimates suggest that the effective replacement level fertility after taking into account the skewed sex ratio could be around 2.15 to 2.2 for India with a sex ratio of 1.11 (Replacement level fertility is the level of fertility at which a population exactly replaces itself from one generation to the next.)

- India's TFR is projected to fall well below replacement level fertility by 2021 to 1.8 (from 2.3 in 2016). But there will be **positive population growth** in the next two decades due to,

  (a) Population momentum (it occurs because it is not only the number of children per woman that determine population growth, but also the number of women in reproductive age which is more for India.), and
  (b) Continued rise in life expectancy

440. (a)
Absolute poverty is when you are unable to buy or pay for basic living needs such as basic food, water, simple housing, simple clothing. Relative poverty is when you are unable to buy or pay for food, water, housing, clothing etc that others are able to spend.

441. (c)
Lorenz curve was developed by Max O Lorenz in 1905 for representing inequality of the wealth distribution of a country or province. The Lorenz curve is used to show what percentage of a nation's residents possess what percentage of that nation's wealth. While the Lorenz curve is most often used to represent economic inequality, it can be used to represent inequality in any system.

The Kuznets curve is a hypothetical curve that graphs economic inequality against per capita income over the course of economic development. In the 1950s and 1960s, Simon Kuznets hypothesized that as an economy develops, market forces first increase then decrease the overall economic inequality of the society, which is illustrated by the inverted U-shape of the Kuznets curve.

442. (a)
The Head count ratio (HCR) is the proportion of a population that exists, or lives, below the poverty line. The Poverty headcount ratio at national poverty line (percentage of population) in India was last reported at 21.9% in 2011-12 as per Tendulkar committee.

443. (a)
Wage rates for workers under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005 are notified and revised annually based on **Consumer Price Index-Agricultural Labourers (CPI-AL)** by the Central Government in accordance with the provisions of Section 6(1) of the Mahatma Gandhi NREGA. The revised wage rates are made applicable from 1st April of the year.

A Committee under the chairpersonship of former Additional Secretary, Ministry of Rural Development was constituted to study among other things the appropriate index for revising MGNREGA wages. The Committee recommended using **Consumer Price Index-Rural** instead of the existing CPI-AL for revising MGNREGA wages every year. The Committee also recommended use of annual average instead of the existing practice of using December month index only. The recommendations of the Committee are under consideration in consultation with the Ministry of Finance *(This is the status as on January 2019. No information is available whether it has been approved or not, that's why I am assuming that till now it has not been approved).*
Ref: https://www.thehindubusinessline.com/economy/mgnrega-wages-up-about-11-yet-at-least-40-lower-than-minimum-wages/article31197140.ece

Different States can have different MGNREGA wages depending on their minimum wages.

444. (c)
Read all the important provisions from the Indian economy book 5th edition.

445. (c)
Read all the important provisions from the Indian economy book 5th edition.

446. (c)
Read all the important provisions from the Indian economy book 5th edition.

447. (c)
Read all the important provisions from the Indian economy book 5th edition.

448. (c)

449. (a)
National Statistical Office (NSO) conducted the first "Time Use Survey" (TUS) in India during January – December 2019.

The primary objective of Time Use Survey (TUS) is to measure participation of men and women in paid and unpaid activities. TUS is an important source of information on the time spent in unpaid care giving activities, volunteer work, unpaid domestic service producing activities of the household members. It also provides information on time spent on learning, socializing, leisure activities, self-care activities, etc., by the household members. The TUS survey captures how much time is spent by each member (above 6 years) of the household on different activities in twenty four hours time slot.

450. (c)
World Bank classifies the world's economies based on estimates of gross national income (GNI) per capita based on **nominal exchange rate**. The GNI per capita estimates are also used as input to the World Bank's operational classification of economies that determines lending eligibility. As per the 2018 data, the following is the classification of world economies:

➢ High Income		$12,535< GNI per capita
➢ Middle Income	Upper Middle	$4,045 < GNI per capita < $12,535
	Lower Middle	$1,036 < GNI per capita < $4,045
➢ Low Income		GNI per capita < $1,036

India belongs to the "Lower Middle" group as its GNI per capita is $1972 (Rs. 192.4 lakh cr/ 135 crore population = Rs. 1.42 lakh = $1972) in terms of nominal exchange rate.
As per the PPP exchange rate, India's GNI per capita is $7300.

451. (b)
India's GDP for 2019-20 is around Rs. 203.4 lakh crore (and GNP Rs. 201.4 lakh crore) and population around 135 crores. So, its per capita GDP is Rs. 1.51 lakh

In dollar, India's GDP is around $2.9 Trillion and per capita GDP is around **$2100**

China's GDP is around $14 Trillion and population around 140 crore. So, per capita GDP is around **$10,000**

452. (c)

Free Trade Agreements (FTA): A free trade agreement is a preferential arrangement in which members reduce tariffs on trade among themselves, while maintaining their own tariff rates for trade with non-members.

Customs Union (CU): A customs union is a free trade agreement **(FTA)** in which members apply a common external tariff (CET) schedule to imports from non-members.

Common Market (CM): A common market is a customs union **(CU)** where movement of factors of production is relatively free amongst member countries.

Economic Union (EU): An economic union is a common market **(CM)** where member countries coordinate macro-economic and exchange rate policies.

453. (a)

These are bilateral agreements entered between countries to avoid double taxation of income with respect to social security taxes. United States has entered into Totalization Agreements with several countries. These agreements must be taken into account when determining whether any alien is subject to the U.S. Social Security/Medicare tax, or whether any U.S. citizen or resident alien is subject to the social security taxes of a foreign country.

Any alien who wishes to claim an exemption from U.S. Social Security taxes and Medicare taxes because of a Totalization Agreement must secure a Certificate of Coverage from the social security agency of his home country and present such Certificate of Coverage to his employer in the United States.

India has till now not signed Totalization Agreement with US. But it will pitch for a 'totalization pact' to protect interests of professionals of Indian origin who contribute more than $1 billion each year to the US social security through federal taxes without availing any benefits in return.

454. (a)

455. (a)

The WTO recognizes as Least-Developed Countries (LDCs) those countries which have been designated as such by the United Nations.

There are no WTO definitions of "developed" and "developing" countries. Members announce for themselves whether they are "developed" or "developing" countries. However, other members can challenge the decision of a member to make use of provisions available to developing countries. (UN declares a list of developing economies also)

Under the normal WTO trade laws, the WTO members must give equal preferences to trade partners. There should not be any discrimination between countries. This trade rule under the WTO is called the Most Favoured Nation (MFN) clause/principle. The MFN instructs non-discrimination i.e. no favourable treatment to a particular country. At the same time, the WTO allows members to give **special and differential treatment** to developing and LDC countries (like zero or less tariff imports). This is an exemption to MFN principle. The Generalized System of Preferences (GSP) given by developed countries including the US is an exception to MFN.

Under GSP, developed countries offer preferential trade treatment on a **non-reciprocal** basis to products originating in developing countries. The reason for the non-reciprocal arrangement was to provide differential and more favourable treatment with a view to incentivising developing countries and promote their fuller participation in global trade.

Effective from 5th June 2019, US terminated India's designation as a 'beneficiary developing country' under the GSP programme.

456. (b)
Generic Drugs: A generic drug is a medication that has exactly the same active ingredient as the brand name drug and yields the same therapeutic effect. It is the same in dosing, safety, strength, quality, the way it works, the way it is taken, and the way it should be used. Generic drugs do not need to contain the same inactive ingredients as the brand name product, say colour or taste can be different.

However, a generic drug is generally marketed after the brand name drug's patent has expired, which may take up to 20 years. So, during the protection period of 20 years, the patent owner tries to recover its cost which it has spent on research and development and the drug is quite costly during this time as it is produced only by the patent owner under its brand name and others can't manufacture and sell. After the protection period is over, any company can sell the generic versions of the drug and there is fierce competitive which ultimately reduces the price of the drug.

But the (Indian Patent Act 1970) patent laws provide a remedy to the high price issue of branded drugs in the form of licenses to the generic manufacturers even during the protection period of 20 years. This remedy is available in the form of voluntary and compulsory licensing of the drug.

1. Voluntary License: Under this arrangement, a patent holder may give license (on its own) to the third party to manufacture, import and distribute generic versions of the pharmaceutical product and much more. The licensee of the patent will act as an agent of the company. The terms in a voluntary license may set price ranges, royalty from the distribution of the sales etc. [There is no legal provision given under Patent Act 1970 for voluntary license as this license access is done through mutual contractual agreement.]

2. Compulsory License: If the patent owner is exploiting its monopoly position and not manufacturing and supplying the branded drugs in the market or if the drug is not being made available at a reasonably affordable price in the market then government can give compulsory licenses in two ways:

- If a manufacturer himself approaches the government that he can produce the drug (generic versions) at a very cheap price, but only after the negotiation between patent owner and manufacturer has failed for voluntary license. [Section 84 of Patent Act 1970]

- In case of National emergency (pandemic like Covid-19) or extreme urgency, Govt can give notification that it will give compulsory licenses to any manufacturer who wants to manufacture generic versions of the drug with such terms and conditions. [Section 92 of Patent Act 1970]

But in both the cases of compulsory license mentioned above, the manufacturer (the compulsory license holder) will have to pay royalty to the patent owner as decided by the government.

457. (c)
The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational

measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF is therefore a "policy-making body" which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

The FATF monitors the progress of its members in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally. In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

FATF has put Pakistan on its 'watch list' or 'grey-list' till June 2020 and has been asked to comply with the action plan to control funding to terrorist groups. Grey-listing Pakistan may result in a downgrade of its debt ratings, making it more difficult for it to tap into international bond markets.

458. (c)
FDI inflows in India from top four countries in 2019-20:

Singapore $12.6 billion (1)
Mauritius $7.5 billion (2)
Netherland $5.3 billion (3)
Cayman Islands $3.5 billion (4)

In 2020-21 (between April 2020 and September 2020), India received the maximum FDI equity inflows from **Singapore** (US$ 8.30 billion), followed by the US (US$ 7.12 billion), Cayman Islands (US$ 2.10 billion), Mauritius (US$ 2.0 billion), the Netherlands (US$ 1.49 billion).

In 2020-21 (between April 2020 and September 2020), **Gujarat** received the maximum FDI equity inflows of US$ 16.0 billion, followed by Maharashtra at US$ 3.61 billion, Karnataka at US$ 3.66 billion and Delhi at US$ 2.66 billion.

Data for the full 2020-21 year is not available.

459. (a)

460. (c)
Duty credit scrip is an important export promotion incentive (under Foreign Trade Policy 2015-20) provided by the government to exporters in which government gives tax incentives to the exporters. The government gives a receipt/paper to the exporter worth some percentage (2% to 5%) of the export value. This paper the exporter can use to adjust against tax payment for example import duty on raw materials used for exports or other taxes on manufacturing processes.

461. (c)
462. (c)

Remission of Duties or Taxes on Exported Products (RoDTEP)

Before GST, any taxes on import (customs duties) of inputs required to manufacture exported products were refunded through Merchandise Export of India Scheme (MEIS) by giving Duty Credit Scrips to exporters. This means if I export goods worth Rs. 100 crores then govt used to give me a paper (Duty Credit Scrip) worth Rs. 2crore (some % of export value) which I could use to pay/adjust my customs duties on import of raw materials. There were certain exemptions on domestic taxes also in case of exports.

But WTO said that the MEIS scheme is not compliant with the WTO trade rules (no need to go into it) and in 2020 it was replaced by **Remission of Duties or Taxes on Exported Products (RoDTEP)**.

Under GST regime, Govt. exempts GST/IGST (taxes paid in case of domestic production and import of raw materials) in case of exports and this is called "exports are zero rated". Because first exporters pay GST/IGST (the standard rate) to the government and then they provide a proof to the government that it is a case of export (sold abroad) and the government reimburses the entire GST hence effectively no tax on exports.

However, certain products are outside GST and the taxes/duties/levies imposed on these products are still not refunded in case of exports even in the present GST regime. These taxes are VAT on fuel used in transportation, Mandi tax, taxes on electricity, petroleum products etc (which becomes embedded in the product price). Under the new RoDTEP scheme, t**hese taxes will be refunded to exporters in their ledger accounts with Customs.** The credits can be used to pay basic customs duty on imported goods/raw materials. The scheme is available for all kinds of exports from 1st Jan 2021.

A quite complex scheme.

463. (c)

"Certificate of Origin" (CO) is a document declaring in which country a commodity/ product was manufactured. The CO contains information regarding the product, its destination, and the country of export. It is required by many international treaty/ agreements for cross border trade. CO helps in determining whether certain goods are eligible for free import or it will be subject to duties.

"**Rules of Origin**" are used in international trade which contains provisions to check the origin of a particular product. For example, if India puts high import duty on goods coming from China but less duty on goods coming from Japan, then it may be possible that a product coming from Japan has most of the value addition/ manufacturing being done in China first and then it moved to Japan where hardly 10% of the value addition was done and then it is being imported in India. This is done to avoid high import duty by China and is possible if India do not have any "Rules of Origin" to check the real source of a product.

So, generally countries specify "Rules of Origin", for example import duty will be applicable as per that country where more than 50% of value addition is done. Then such diversion is not possible. To give effect to the "Rules of Origin", a "Certificate of Origin" is issued.

For exports to countries with which India has Free Trade Agreements (FTA), exporters have to show a certificate that the consignment originated in India. Recently, government launched a common digital platform for the issuance of certificates of origin and now these certificates can be obtained online and all the issuing authorities will be on the same panel.

464. (a)

Export Credit Guarantee Corporation (ECGC) Ltd. is wholly owned by Government of India, was set up in 1957 with the objective of promoting exports from the country by providing credit risk insurance and related services for exports. Over the years it has designed different export credit risk insurance products to suit the requirements of Indian exporters. Because of the insurance cover provided by ECGC, banks extend timely and adequate export credit/loan facilities at cheaper rates to the exporters. To avail the insurance cover from ECGC, the exporters pay nominal premium to ECGC. Earlier the ECGC used to give a cover of 60% of the loss to banks. But under the new scheme “**NIRVIK**”, 90% coverage of the “principal and interest of the loan” for pre and post shipment credit will be given.

465. (c)
According to the latest release by the World Gold Council, U.S. leads the country list with total gold reserves of 8,133.5 tonnes followed by Germany with 3,366.8 tonnes. While the IMF is ranked third with a holding of 2,451.8 tonnes, it is followed by countries such as Italy (2,451.8 tonnes), France (2,436.1 tonnes), Russia (2,219.2 tonnes), China (1,936.5 tonnes), Switzerland (1,040 tonnes) and Japan (765.2 tonnes) before India at the 10th spot (635 tonnes).
Among the countries, India stands at 9th, if you remove IMF from the list.

466. (a)

467. (a)

468. (d)

469. (b)
BRICS bank has five members but any country which is a member of United Nations is eligible to become a member of BRICS bank.

470. (d)
When a country joins IMF, it is assigned QUOTA which is based on the country's GDP (50%), openness (30%), economic variability (fluctuations in current and capital account) (15%) and international reserves (5%). Quotas are denominated in Special Drawing Rights (SDRs), the IMF's unit of account. India’s quota is 2.76% and China is 6.41% while US is 17.46%

A member's quota subscription determines the maximum amount of financial resources the member is obliged to provide to the IMF. A member must pay its subscription in full upon joining IMF: up to 25% must be paid in SDRs or widely accepted currencies (US dollar, Euro, Yen, Pound, Yuan) while the rest 75% is paid in the member's own currency. Quota is supposed to be reviewed after every five years.

The amount of financing a member can obtain from the IMF is also based on its quota. For example, a member can borrow up to 200 percent of its quota annually and 600 percent cumulatively. However, access may be higher in exceptional circumstances. IMF grants loans only to member countries.

Quotas is used to determine the following:
- Subscription (maximum amount of financial resources that a member is obligated to provide to the IMF),
- Voting power/rights in IMF decision making,
- Member country's share of SDR allocations
- Borrowing capacity (financial assistance a member may obtain from the IMF)

471. (d)
SDR allocation to a member country is dependent on QUOTA assigned to the member country which depends on the country’s GDP and few other parameters.

The IMF allocates each member country SDRs which acts as a debt for the member country.

SDRs are not present in hard currency and are thus called paper gold or notional currency and can be held only by Govt. entity.

472. (d)
World Bank has two sources of funds:
- Share capital of each member country based on their share in GDP
- Issuance of bonds in the international financial markets

Out of the above two sources, main source is issuance of bonds (debt finance)

IMF has again two sources of funds
- QUOTA (every member country has put/subscribed funds)
- Borrowing from specific member countries

Out of the above two sources, mains source is QUOTA

473. (d)
Under WTO agreements, countries cannot normally discriminate between their trading partners. In general MFN means that every time a country lowers a trade barrier (import duties) or opens up a market or gives some country a special favour, it has to do so for the same goods or services from all its trading partners - whether rich or poor, weak or strong. According to the WTO, though the term MFN "suggests special treatment, it actually means non-discrimination." However, exemptions allowed to this rule include free trade pacts and special benefits to poor nations.

India accorded the MFN status to Pakistan in 1996 as per India's commitments as a member of the WTO but Pakistan never gave India MFN status. After the Pulwama attack, India also cancelled the MFN status granted to Pakistan under the provisions of 'security exception' clause in GATT under WTO.

Article 21(b)(iii) of GATT states that "Nothing in this Agreement shall be construed to prevent any contracting party (including India in this case) from taking any action which it considers necessary for the protection of its essential security interests taken in time of war or other emergency in international relations."

US in March 2018 also increased duties against China, India and few other countries using the "national Security" clause.

474. (d)
The Agreement on TRIMs of the WTO is based on the belief that there is strong connection between trade and investment. **Restrictive measures on investment are trade distorting**. Several restrictive measures on investment are prohibiting trade and hence are not allowable like local content requirement, export obligation, domestic employment, technology transfer requirement etc.

475. (d)
Work Programme on e-Commerce under 'Doha Development Agenda':
Members have agreed to maintain the current practice of not imposing customs duties on electronic transmissions until the next Ministerial Conference. Some countries, particularly from the developed world, are demanding a 'permanent moratorium' on imposing duties on electronic transmissions. **India is against such a move** and has put pre conditions for extension of such a moratorium. The 'moratorium', which was included in the 1998 'Declaration on Global E-commerce,' at the trade body's second Ministerial Conference, stated that "member countries will continue their current

practice of not imposing customs duties on electronic transmission". **This moratorium — which is 'temporary' in nature — gets extended at every biennial MC.**

WTO has agreed to continue the work under the Work Programme on e-Commerce since based on the existing mandate. (India is against any attempt by developed countries to push for negotiations on setting global rules on e-commerce, as domestic rules on e-commerce are in a flux. And at present, India's e-commerce entities lack the strength to compete with giants in China and the developed countries).

476. (b)
When a government is giving subsidies to its exporters then the importing country can put extra tariff/duty (other than its normal customs/import duty) on those products entering into their market. This extra duty is called "**Countervailing Duty**". It is country specific and is also called **anti-subsidy duty**.

Anti-dumping Duty: When the goods are exported by a country (say A) to another country (say B) at a lower price as compared to the prevailing price in the country A, then this is called dumping. And to stop this, the country B is allowed to put extra duty/tariff (other than its normal customs/import duty) on imports coming from country A. This extra tariff is called "Anti-Dumping Duty".

Anti-dumping is a measure to rectify the situation arising out of the dumping of goods and its trade distortive effect. Thus, the purpose of anti-dumping duty is to rectify the trade distortive effect of dumping and re-establish fair trade. The use of anti-dumping measure as an instrument of fair competition is permitted by the WTO. In fact, anti-dumping is an instrument for ensuring fair trade and is not a measure of protection per se for the domestic industry. It provides relief to the domestic industry against the injury caused by dumping. It is country specific.

477. (d)
Safeguard Duty are applied when there is a surge in imports of a particular product irrespective of a particular country/ies. Safeguard duty is a WTO compliant temporary measure that is brought in for a certain time frame to avert any damage to a country's domestic industry from cheap imports.
In 2018, India imposed safeguard duty for two years on solar modules to stimulate domestic production.

478. (d)
Trademark is typically a name, word, phrase, logo, symbol, design, image or a combination of these elements. A trademark is a sign that you can use to distinguish your business' goods or services from those of other traders. Through a registered trade mark, you can protect your brand (or "mark") by restricting other people from using its name or logo. Once acquired, a trade mark can last indefinitely. Trademark owner can be an individual, business organization or any legal entity. In India, trademarks are protected through "The Trade Marks Act 1999".

Basically, trademarks are treated as an asset. Therefore, it is transferable from one person to another. An Assignment of a trademark is a permanent process, whereas licensing is treated as a temporary process. An assignor is a person who transfers the ownership rights and the assignee is the person who acquires the ownership.

479. (d)
Broadly speaking, any confidential business information which provides an enterprise a competitive edge may be considered a trade secret. The subject matter of trade secrets is

usually defined in broad terms and includes sales methods, distribution methods, consumer profiles, advertising strategies, lists of suppliers and clients, and manufacturing processes.
Contrary to patents, trade secrets are protected without registration, that is, trade secrets are protected without any procedural formalities. Consequently, a trade secret can be protected for an unlimited period of time unless it is discovered or legally acquired by others and disclosed to the public. As per the TRIPS, the following are prerequisites for a trade secret.

- The information must be secret (i.e. it is not generally known among, or readily accessible to, circles that normally deal with the kind of information in question).
- It must have commercial value because it is a secret
- It must have been subject to reasonable steps by the rightful holder of the information to keep it secret (e.g., through confidentiality agreements)

480. (c)
PM-Kisan scheme is not linked to production i.e. the farmers will get the subsidy even if they do not produce hence it is non-distorting and will belong to "Green Box".

And Peace Clause is still valid and continuing till a permanent solution to the issue of agricultural subsidies is arrived at.

481. (b)
Multilateral Convention to Implement Tax Treaty Related Measures (MLI)
On 25th June, 2019, India has deposited the instrument of ratification to OECD, Paris along with its final position in terms of Covered Tax Agreements (CTAs), reservations, options and notifications under the MLI, as a result of which MLI entered into force for India on October 1, 2019 and its provisions will have effect on India's DTAAs from FY20-21 onwards. It will prevent Base Erosion and Profit Shifting (BEPS), which will pave way for amendments to double taxation avoidance agreements (DTAA) with the countries signatories to the convention to plug revenue leakages.

482. (d)
'**World Bank Group'** consists of five organizations:
- International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)
- International Finance Corporation (IFC)
- The Multilateral Investment Guarantee Agency (MIGA)
- The International Centre for Settlement of Investment Dispute (ICSID)

IBRD and IDA jointly are called '**World Bank'**.

483. (d)
Chak-Ho, black rice variety of Manipur was recently granted GI tax. It has been used by traditional medical practitioners as part of traditional medicine. This rice takes the longest cooking time of 40-45 minutes due to the presence of a fibrous bran layer and higher crude fibre content.

Terracotta (work) of Gorakhpur is a centuries old traditional art form, where the potters make various animal figures like horses, elephants, camel, goat and ox with hand-applied ornamentation.

Kashmiri Saffron (केसर) was also granted GI tag in July 2020.

Kashmir saffron is renowned globally as a spice. It rejuvenates health and is used in cosmetics and for medicinal purposes. The unique characteristics of Kashmir saffron are its longer and thicker stigmas, natural deep-red colour, high aroma, bitter flavour, chemical-free processing, and high quantity of crocin (colouring strength), safranal (flavour) and picrocrocin (bitterness). It is the only saffron in the world grown at an altitude of 1,600 m to 1,800 m above mean sea level, which adds to its uniqueness and differentiates it from other saffron varieties available the world over.

Iran is the largest producer of saffron and India is a close competitor.
Recently Government granted GI tag for the "Tirur betel leaf" variety because of the specific chemical atribute called eugenol in betel leaves as it gives the leaf a special desirable quality for chewing and influences its smell and taste.

484. (a)
The Harmonized System of Nomenclature (HSN) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes. HSN is an internationally standardized system of names and numbers to classify the traded products. HSN code helps to classify the goods from all over the world in a logical and systematic manner.

HSN is a 6-digit code, however, in India, 2 more digits are added for deeper classification and hence in India 8-digit code is adopted.

The Harmonized System was introduced in 1988 and has been adopted by most of the countries worldwide. World Customs Organization (WCO) is responsible for developing and maintaining the HSN. WCO, established in 1952 as the Customs Co-operation Council CCC, is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of Customs administrations.

485. (a)
The IMF has taken steps to enhance member country transparency and openness, including setting voluntary standards for dissemination of economic and financial data. The Special Data Dissemination Standard (SDDS) was established in 1996 to guide members that have, or might seek, access to international capital markets in providing their economic and financial data to the public. Data dissemination standards enhance the availability of timely and comprehensive statistics, which contributes to sound macroeconomic policies and the efficient functioning of financial markets. IMF releases "Annual Observance Report (of SDDS)" for each member country annually. As per the IMF's "Annual Observance Report" for 2018, India delays its release of economic data and is falling short of SDDS obligations.

486. (a)
Social mobility is the movement of individuals, families, households, or other categories of people within or between social strata in a society. It is a change in social status relative to one's current social location within a given society. The Social Mobility Index is released by World Economic Forum. India ranked 76th place while Denmark has topped the list of 82 countries in 2020. The five key dimensions used for measuring the countries on this index are:

- Health
- Education (access, quality and equity)
- Technology
- Work (opportunities, wages, conditions)
- Protections and institutions (social protection and inclusive institutions)

487. (b)

MINISTRY OF COMMERCE AND INDUSTRY

(Department for Promotion of Industry and Internal Trade)

NOTIFICATION

New Delhi, the 19th February, 2019

G.S.R. 127(E).— This notification is being issued in supersession of the Gazette Notification No. G.S.R. 364(E) dated April 11, 2018 as modified vide Gazette Notification No. G.S.R. 34 (E) dated January 16, 2019.

Definitions

1. In this notification,—

(a) An entity shall be considered as a Startup:

i. Upto a period of ten years from the date of incorporation/ registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India.

ii. Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded one hundred crore rupees.

iii. Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'.

In August 2020, RBI included 'Startups' under priority sector lending.

488. (c)

A private Label/brand is a good that is manufactured for and sold under the name of a specific retailer. A private label product is developed for a specific seller and sold exclusively under that seller's brand. For example, a hotel chain (say Taj), rather than purchasing LOREAL shampoo for its customers, it can ask a third party manufacturer to manufacture shampoo under the brand name of that HOTEL (Taj Shampoo).

Private label (brands) has several advantages like it allows control over marketing, allowing the retailer to tailor a product to local needs and tastes. There's also control over production and image that private branding allows. These brands can create a sense of loyalty as well and are generally more profitable than name-brand goods.

A white label product is developed by a manufacturer and distributed to multiple sellers. Each seller can then apply its name and packaging and resell the product under the seller's brand.

These terms were highlighted during the Corona crisis. When ITC was not able to supply its 'Aashirwad' Atta brand because of Corona crisis then the retailers/sellers asked atta chakkis(flour mills) to supply atta/flour to them which then retailers/sellers packaged under their own brand and sold it to the people (white label).

489. (c)

Production Linked Incentive Scheme (PLIS) is implemented in a complex way and no need to go in detail in this scheme. But it is a very important scheme. So, let me give you an example of how it has been implemented for mobile phones.

If a company's sales of goods manufactured in India increases from a particular year (considered as base year) then the Company will get an incentive of 4% to 6% on incremental/additional sales. For example earlier a company was selling goods worth Rs. 1 lakh in a year and now its sales increased to Rs. 1.2 lakh. Then the company will get incentive of 4% of Rs. 20,000 = Rs. 800. There is also condition of additional investment in plant and machinery under this scheme.

In similar way it is being implemented for pharma sector (medical gears) also.

Under this scheme for pharma sector, around 53 active pharmaceutical ingredients (APIs) — covering 41 products — have been identified by the government, for which companies will be eligible for financial incentives, provided they set up indigenous greenfield manufacturing.

Currently this scheme is available for around 13 sectors and it is a quite successful scheme.

490. (a)
"Department of Economic Affairs", Ministry of Finance grants "Infrastructure Status" to the various sectors.

491. (a)
The services sector's significance in the Indian economy has continued to increase, with the sector now accounting for around 55 per cent of GVA, four-fifths of total FDI inflows into India and about 38 per cent of total exports.

Ref: Economic Survey 2020-21, Vol – II, Page 305.

492. (d)

Table 3: India's Merchandise Trade Balance with Major Countries

(Value in US$ billion)

S.No.	Country	Export Apr-Nov 2019-20 (R)	Export Apr-Nov 2020-21 (P)	Import Apr-Nov 2019-20 (R)	Import Apr-Nov 2020-21 (P)	Trade Balance Apr-Nov 2019-20 (R)	Trade Balance Apr-Nov 2020-21 (P)
1	U S A	35.6	31.3	25.1	16.3	10.5	15.0
2	Bangladesh	5.3	5.0	0.8	0.6	4.5	4.4
3	Nepal	4.8	3.4	0.5	0.4	4.3	3.0
4	U K	5.7	4.6	4.5	2.6	1.2	2.0
5	Netherland	5.7	3.8	2.4	1.9	3.4	1.9
6	Sri Lanka	2.6	2.1	0.6	0.4	2.0	1.7
7	Turkey	3.4	2.3	1.5	0.9	1.9	1.4
8	Qatar	0.8	0.8	6.0	4.6	-5.3	-3.8
9	South Korea	3.1	2.9	10.9	7.1	-7.8	-4.2
10	Indonesia	2.5	2.7	9.6	7.3	-7.0	-4.6
11	Switzerland	0.8	0.9	12.8	5.8	-12.0	-4.9
12	Saudi Arabia	3.8	3.6	18.2	9.2	-14.4	-5.6
13	Iraq	1.3	1.0	15.4	7.6	-14.1	-6.6
14	China	11.5	13.6	46.9	38.8	-35.4	-25.2

India has favourable merchandise trade balance with - USA, Bangladesh, Nepal, UK, Netherland, Sri Lanka, Turkey

India has unfavourable merchandise trade balance with - Qatar, South Korea, Indonesia, Switzerland, Saudi Arabia, Iraq, China;

493. (a)
Under National Infrastructure Pipeline (NIP), Government has a plan to spend around Rs. 102 lakh crores in various infrastructure sectors to achieve the $5 Trillion economy by 2024-25. NIP will cover the period from 2019-20 to 2024-25. To draw up the NIP

plan, an inter-ministerial Task Force was set up in September 2019 under the chairmanship of Secretary (DEA), Ministry of Finance.

As per the NIP, Central Government (39 per cent) and State Government (39 per cent) are expected to have equal share in funding of the projects followed by the Private Sector (22 per cent). The funds allocated to some major sectors are Energy (24%), Roads (19%), Urban (16%) and Railways (13%) etc.

494. (a)
Indian Railway Catering and Tourism Corporation (IRCTC), was a 100% Government of India Company (PSU) till October 2019, under the administrative control of Ministry of Railway. (Every PSU is attached to a specific ministry).IRCTC was not listed on any stock exchange, which means it was privately held by Govt. of India. *(Privately held does not mean a private company. It means that no one can purchase its shares from the stock market i.e. it is not listed).*But government brought in Initial Public Offering (IPO) of IRCTC in October 2019 and listed it on the Bombay stock exchange and reduced its ownership from 100% to 87.5%. So, Govt. of India did disinvestment of IRCTC which is in general reduction of ownership but it is still majority owned by Govt. of India

Air India (Tata Airlines) was founded by J.R.D. Tata in 1932. In 1953, the Government of India passed the Air Corporations Act and purchased a majority stake (**nationalized**) in the carrier from Tata Sons though its founder J. R. D. Tata

495. (a)

496. (c)
Drug Price Control Orders (DPCOs) are issued by the Government, in exercise of the powers conferred under section 3 of the Essential Commodities Act 1955 to ensure that the medicines listed under National List of Essential Medicines (NELM) are available at a reasonable price to the general public. The National List of Essential Medicines (NELM), prepared by Ministry of Health and Family Welfare, is a list of medicines considered essential and high priority for India's health needs. It is based on aspects like prevalence of disease in the population, safety and efficacy of the medicine, and current affordability.

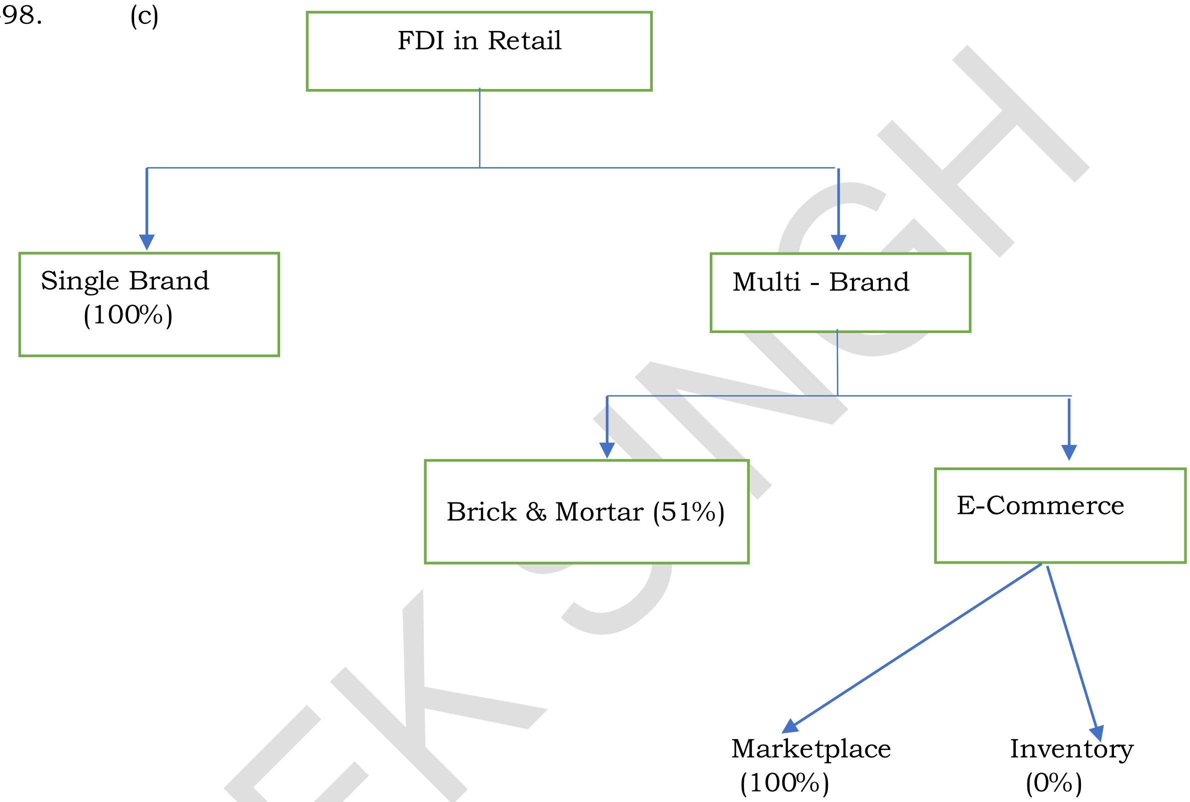
National Pharmaceuticals Pricing Authority (NPPA) is an independent body of experts constituted by Government of India Resolution in1997, is under department of pharmaceuticals, ministry of chemicals and fertilizers. **NPPA is responsible for fixing and revising the prices of pharmaceutical products and availability of the medicines in the country as well as the enforcement of DPCO**. The organization is also entrusted with the task of recovering amounts overcharged by manufacturers for the controlled drugs from the consumers. It also monitors the prices of decontrolled drugs in order to keep them at reasonable levels.

For regulating the prices, the ceiling prices are determined based on market-based pricing method, as the maximum mark-up that a retailer can charge over the reference price, which is the simple average of the prices of the all the brands with market share of greater than or equal to 1 per cent based on market data provided by IMS Health, a market research firm.

497. (d)
"Air Bubble": An air bubble is a bilateral arrangement between two countries under which airlines from both countries can operate international flights with a set of regulations and restrictions like the travellers need to undergo mandatory tests and quarantine rules.

India has established 'Air Bubbles' with countries such as US, France, Germany, Canada etc. which has given a sigh of relieve to the passengers who have been unable to fly into or out of the country due to Covid-19 crisis. This will allow passengers to travel between countries even for Non-essential purposes (or without any specific purpose). 'Air Bubbles' are something more than the "Vande Bharat Mission" to fly passengers in/out of India who are stuck during Covid-19 crisis but are less than the Normal Flight activities.

498. (c)



But, 100% FDI is allowed in all models of retail for food products sourced from Indian farmers or processed/manufactured in India. This has been allowed thinking about the farmers in India.

499. (d)

Micro Small and Medium Enterprises (MSMEs) sector is crucial for the economic progress of India and it must match global quality control standards. The Zero Defect, Zero Effect (ZED) scheme was launched in October 2016 to ensure that all the MSMEs are delivering top quality product and using clean technology. This means the public will now onwards be able to use clean technology products and they will also set parameters that are specific to each industry. The main purpose of the scheme is to match the global quality control standards.
The ZED scheme is the cornerstone of the Make in India project which aims to turn India into a manufacturing hub and generate jobs and increase incomes and boost the overall economy of the country.

500. (d)

The concept of Common Services Centre (CSCs) was approved in 2006 as part of the National e -Governance Plan. CSCs are set up in a public-private partnership mode, with a designated state agency being a franchisor of sorts for village level entrepreneurs (VLEs) to set up centres. VLEs must meet a set of minimum requirements. They must have passed a matriculation-level examination by a recognized board, be fluent in reading and writing the local language, and make arrangements for infrastructure. Presently there are close to 2,00,000 CSCs across India.

CSCs help people apply online for a range of services — passport registration, PAN cards and Aadhaar cards, banking correspondents, and a whole host of other certificates, and without them people will have to visit a government office. CSC operators scan documents and upload them through a portal to the relevant government office that will then send back a completed certificate or card. They are like cybercafes, except they connect only to Digital India.

CSCs are a cornerstone of the Digital India programme. They are the access points for delivery of various electronic services to villages in India, thereby contributing to a digitally and financially inclusive society. CSCs are more than service delivery points in rural India. They are positioned as change agents, promoting rural entrepreneurship and building rural capacities and livelihoods. They are enablers of community participation and collective action for engendering social change through a bottom-up approach with key focus on the rural citizen.

CSCs enable the three vision areas of the Digital India programme:

- Digital Infrastructure as a core utility to every citizen
- Governance and services on demand
- Digital empowerment of citizens

Over the past three or four years, a huge number of these centres have added services like banking and insurance to their offerings. In a sense, they are an organic response to the growth in demand for digitized government services that a static State machinery cannot keep up with and the free market has seemingly ignored.

501. (a)

The scope of the Index of Industrial Production (IIP) as recommended by the United Nations Statistical Office (UNSO) includes mining, manufacturing, construction, electricity, gas and water supply. But due to constraints of data availability, the IIP compiled in India has excluded construction, gas and water supply sectors. *(And Forestry is not part of industrial activity)*

Base Year 2011-12	**Index of Industrial Production (IIP)**		
	Mining	Manufacturing	Electricity
Weights	14.373	77.633	7.994

502. (d)

Purchasing Managers Index (PMI) is an indicator of business activity and the index is calculated separately for Manufacturing and Services. It is released every month by 'IHS Markit', which is a global information provider private firm.

The PMI is based on a monthly survey of supply chain managers across 19 industries. Executives from hundreds of firms, are asked whether key indicators such as output, new orders, business expectations and employment were stronger than the month before and are asked to rate them. 50 is the base level of index and a figure above 50 denotes expansion in business activity and anything below 50 denotes contraction.

The PMI is usually released at the start of the month for the previous month, much before most of the official data on industrial output, manufacturing and GDP growth becomes available. It is, therefore, considered a good leading indicator of economic activity. Economists consider the manufacturing growth measured by the PMI as a good indicator of industrial output, for which official statistics are released later. Central banks of many countries also use the index to help make decisions on interest rates.

503. (a)
SIDBI Make in India Soft Loan Fund for Micro, Small & Medium Enterprises (SMILE) scheme:
The objective of the Scheme is to provide soft loan (mainly long-term loan) on relatively soft terms to MSMEs to meet the required debt-equity ratio for establishment of an MSME as also for pursuing opportunities for growth for existing MSMEs. The focus is on all the identified 25 Make in India sectors or other sectors as may be added, in the Make in India Programme.

Emphasis will be on covering new enterprises in the manufacturing as well as services sector. Existing enterprises will also be covered which are undertaking expansion, to take advantage of new emerging opportunities, as also undertaking modernization, technology upgradation or other projects for growing their business.

504. (a)
Top oil producing countries are USA (20%), Saudi Arabia (12%), Russia (11%), Canada (6%)

India imports its maximum oil from Saudi Arabia and then from USA.

505. (c)
Government of India in 2016 launched Hydrocarbon Exploration and Licensing Policy (HELP) for the exploration and production (E&P) of oil and gas which will replace the New Exploration Licensing Policy (NELP). The following are some of the important features of the policy:

- A **uniform/single license**to enable the E&P operators to explore and extract conventional and unconventional oil and gas resources including Coal Bed Methane, Shale Gas/Oil, Tight gas, Gas hydrates and any other resource which falls within the definition of "Petroleum" and "Natural Gas"
- **Open Acreage Licensing Policy (OALP)**: Earlier E&P operators were forced to bid for only those blocks which were chosen by the government. Now they can apply for particular areas/blocks they deem to be attractive to invest in, and the Centre will put those areas up for bids. This is more attractive for prospective operators because in the past, the blocks chosen by the government often were large swathes of land or sea in which only a small fraction had hydrocarbon reserves. By offering companies the freedom to choose exactly the areas they want to explore, and their size, the government has a better chance to woo serious energy investors in an effort to help achieve a more cohesive framework of the country's energy security.
- The E&P operators will have to bid for the blocks based on **revenue sharing** model rather than profit sharing. Bidders will be required to quote % of revenue share to the Govt. in their bids which will be a key parameter for selecting the winning bid. In this model the operator will have to share the revenue with the government from the first year of production notwithstanding the operator is making a profit or loss. This model does not require auditing of costs incurred by the operator but is more risky for investors as it requires sharing of the revenues with the government from the

first year itself before the operators have recovered their costs and even if they are making losses.

- **National Data Repository**, which is envisaged as a centralized database of geological and hydrocarbon information, in line with the Digital India initiative, will be available to all. Besides allowing potential investors to make informed decisions, this will open up a new sector in India. There are a number of companies around the world that make it their business to simply explore hydrocarbon basins and sell the information they gather. The new initiative seeks to incentivise such prospectors.

506. (d)

Ministry of Petroleum and Natural Gas (MoP&NG) has published "Ethanol Procurement Policy" on a long term basis under "Ethanol Blended Petrol" (EBP) Programme.

Government (MoP&NG) has notified administered/regulated price of ethanol since 2014. For the first time during 2018, differential price of ethanol based on raw material utilized for ethanol production was announced by the Government. These decisions have significantly improved the supply of ethanol thereby ethanol procurement by Public Sector OMCs has increased.

As you all know, Govt. announces FRP/SAP for procurement of Sugarcane from farmers by mill owners. Now, generally Govt. keeps the FRP/SAP relatively higher, so that farmers benefit. But the output price of sugar mill industry (i.e. sugar) is decided by the market. So, whenever there is surplus production of sugar then the prices of sugar dip in the market and the mill owners are not able to pay/compensate the farmers as per the FRP/SAP and dues/arrears arise. So, sometimes Central Govt. gives interest free loan (interest subsidy) to sugar mill owners, so that they are able to clear the dues of farmers.

The by product from sugar industry is ethanol which is procured by Oil Marketing Companies (OMC) for blending with petrol. The price of ethanol (derived from different sugarcane based raw materials) is regulated/fixed by (MoP&NG) and it again keeps the price of ethanol on a higher side so that sugar mill owners revenues increases and they are able to clear the dues of farmers and will require less interest subsidy from Govt.

Recently, to increase the production of fuel grade ethanol, Govt. is also encouraging distilleries to produce ethanol from maize & rice available with FCI. Government has fixed remunerative price of ethanol from maize & rice.

507. (b)

SEBI has introduced the 'Graded Surveillance Measure' to keep a tab on the securities/shares of those companies which witness an abnormal price rise that is not commensurate with the financial health and fundamentals of the company. The underlying principle behind the graded surveillance framework is to alert and protect investors trading in a security, which is seeing abnormal price movements. SEBI may put shares of companies under the measure for suspected price rigging.

The main objective of these measures are to -

- Alert and advise investors to be extra cautious while dealing in these securities and
- Advise market participants to carry out necessary due diligence while dealing in these securities

It became effective from March 2017

508. (a)

509. (c)

The eight core industries comprise 40.27% of the weight of items included in IIP.

In eight core industries, refinery products have the highest weight (28.04%) and fertilizers (2.63%) have the lowest weight.

510. (c)

There is no clear definition of what a shell company is in the Companies Act, or any other Act. But typically, shell companies include multiple layers of companies that have been created for the purpose of diverting money or for money laundering or tax avoidance. Most shell companies do not have any active business operations and they do not manufacture any product or deal in any product or render any service. They are mostly used to make financial transactions. These types of corporations are not necessarily illegal, but they are sometimes used illegitimately such as to disguise business ownership from law enforcement or the public. Generally, these companies hold assets only on paper and not in reality. These companies conduct almost no economic activity.

511. (b)

Pradhan Mantri Ujjwala Yojana (PMUY) is a scheme of the Ministry of Petroleum & Natural Gas for providing LPG connections (and not the cylinder, as cylinders were already subsidized before this scheme) to women from Below Poverty Line (BPL) households.LPG connection under this Scheme shall be in the name of the women belonging to the BPL family.The scheme aims to safeguard the health of women & children by providing them with a clean cooking fuel – LPG, so that they do not have to compromise their health in smoky kitchens or wander in unsafe areas collecting firewood. Till now there are more than 8 crore beneficiaries.

512. (d)

The largest highway construction programme was launched under "National Highway Development Grogramme (NHDP)" in 1998 by the then Prime Minister Atal Bihari Vajpayee. NHDP spread across phase - I to phase - VII and had an aggregate length of 55,792 Kms. A large part has been completed and the rest will be subsumed under BharatmalaPariyojana.

BharatmalaPariyojana is a new umbrella program for the highways sector that focuses on optimizing efficiency of freight and passenger movement across the country by bridging critical infrastructure gaps through effective interventions like:

- development of Economic Corridors
- Inter Corridors and Feeder Routes
- National Corridor Efficiency Improvement
- Border and International connectivity roads
- Coastal and Port connectivity roads
- Green-field expressways

A total of around 24,800 kms are being considered in Phase I. In addition, Phase I also includes 10,000 kms of balance road works under NHDP. Estimated outlay for Phase I is Rs 5,35,000 crores spread over 5 years. The objective of the program is optimal resource allocation for a holistic highway development/improvement initiative.

The project will be implemented through National Highway Authority of India, National Highways and Infrastructure Development Corporation Limited (NHIDCL), Ministry of Road, Transport and Highways and State PWDs.

513. (a)
"Invest India" is the National Investment Promotion and Facilitation Agency of India and acts as the first point of reference for investors in India. *Invest India is set up as a non-profit venture under the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industries, Government of India.*

Invest India is transforming the country's investment climate by simplifying the business environment for investors. Its experts, specializing across different countries, Indian states and sectors, handhold investors through their investment lifecycle from pre-investment to after-care. Invest India's specialists provide multiple forms of support such as market entry strategies, deep dive industry analysis, partner search and location assessment, and policy advocacy with decision makers.

514. (b)
India Infrastructure Finance Company Limited (IIFCL) is a wholly owned Government of India company set up in 2006 to provide long-term financial assistance to viable infrastructure projects.
The sectors eligible for financial assistance from IIFCL are as per the Harmonized list of Infrastructure Sub-Sectors as approved by the Government. These broadly include transportation, energy, water, sanitation, communication, social and commercial infrastructure.

IIFCL is registered as a "NBFC-ND-IFC" i.e. Non-Banking Financial Company - Non Deposit - Infrastructure Finance Company. NBFCs have been classified into 'Deposit' and 'Non-Deposit (ND)' accepting. NBFCs are also classified as per what kind of activity they conduct and one of the categories is 'Infrastructure Finance Company (IFC)'

515. (a)
Open access is the non-discriminatory use of transmission and distribution infrastructure of the licensees by consumers with demand greater than or equal to 1MW for procuring electricity from the source of their choice.

516. (b)
It is a method of awarding projects by the government. Under this method, various bidders submit their plan for the project and the company (bidder) whose project plan is accepted (may be because of the best design/viability) by the govt. is given the opportunity to work on the project at the price quoted by the lowest bidder. If it does not accept this, then the project is given to the lowest bidder.

517. (c)
Airport Authority of India (AAI) awarded bids for Ahmedabad, Jaipur, Lucknow, Thiruvananthpuram, Mangaluru and Guwahati in Feb 2019 on per passenger fee basis. AAI selected Adani Enterprises for all the six airports as Adani quoted the highest bid (per passenger fee),andnowitwill have to give the fee to AAI on per passenger basis depending on how many passengers travel through that ariport.

Recently, a new airport in the NCR region, "Yamuna International Airport Private Limited (YIAPL)" was bid out on the same model to Zurich International. The company offered Rs. 400.97 per passenger fee to AAI.

518. (c)

MSME sector contributes approximately 30% to the GDP of the country and 40% to the exports. The MSME sector comprises of over 6 crore enterprises and employs 11 crore people (approx. 26% of the workforce).

519. (b)
In May 2020, the Govt. of India launched CHAMPIONS online platform to help and handhold the MSMEs. 'CHAMPIONS' stands for Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength. It is an ICT based technology system aimed at making the smaller units big by solving their grievances, encouraging, supporting, helping and handholding them throughout the business lifecycle

520. (a)
MCA21 is an e-Governance initiative of Ministry of Company Affairs (MCA), Government of India that enables an easy and secure access of the MCA services to the corporate entities, professionals and citizens of India. Core philosophy is to encompass and facilitate stakeholders for access to database which would be of immense value for business operations.

521. (d)
Under the Concessional Finance Scheme (CFS), Govt. of India supports Indian entities bidding for strategically important infrastructure projects abroad.

The Scheme is presently being operated through the Export-Import (EXIM) Bank of India, which raises resources from the market to provide concessional finance to the Indian entities abroad. Govt. of India provides counter guarantee and interest equalization (subsidy) support of 2% to the EXIM Bank.
Under the Scheme, Ministry of External Affairs (MEA) selects the specific projects keeping in view strategic interest of India and sends the same to Department of Economic Affairs (DEA). There is an inter-ministerial committee which approves the project for availing CFS. Once approved by the Committee, DEA issues a formal letter to EXIM Bank conveying approval for financing of the project under CFS.

Prior to the introduction of CFS, Indian entities were not able to bid for large projects abroad since the cost of financing was very high for them and bidders from other countries such as China, Japan, Europe and US were able to provide credit at superior terms, i.e., lower interest rate and longer tenures which works to the advantage of bidders from those countries.

522. (c)
Based on the recommendations of the Rangarajan Commission, the government through a resolution dated 1st June 2005 set up the National Statistical Commission (NSC) which became effective from 12th July 2006. The mandate of the NSC is to evolve policies, priorities and standards in statistical matters. The Chief Statistician of India, the post created specifically as the Head of the National Statistical Office is the Secretary of the Commission. He is also the Secretary to the Government of India in the Ministry of Statistics and Programme Implementation.

523. (b)
The Securities and Exchange Board of India was established on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992.

As per the section 4 of IRDAI Act1999, Insurance Regulatory and Development Authority of India (IRDAI) was constituted (in 2000) by an act of parliament, Insurance Regulatory and Development Authority Act 1999.

The Pension Fund Regulatory Development Authority (PFRDA) Act was passed in September, 2013 and the same was notified on 1st February, 2014. PFRDA is regulating National Pension System, subscribed by employees of Govt. of India, State Governments and by employees of private institutions, self-employed professionals and unorganized sectors.

524. (a)

A circular economy is an industrial system that is restorative or regenerative by intention and design. It replaces the end-of-life concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impair reuse and return to the biosphere, and aims for the elimination of waste through the superior design of materials, products, systems and business models.

525. (c)

NHAI is giving the already public-funded/constructed highway projects through the TOT model to private players. NHAI is transferring these operational projects on a long-term lease basis to domestic and foreign investors, so that it can use the upfront receivables exclusively for funding construction of other/new highways. Under Toll-Operate-Transfer (TOT) model, bidder quoting the maximum upfront amount (to be given to NHAI) wins the bid. The successful bidder will be responsible to collect the toll for the lease period (generally for 30 years) and will operate and maintain the road. *(It is a PPP model)*

526. (c)

Generation Capacity from various sources as on 31.12.2020

Coal	Gas	Nuclear	Renewable (Hydro, Solar, Wind)	**Total**
54.9% (206 GW)	6.7% (25 GW)	1.9% (7 GW)	36.5% (137 GW)	**100% 375 GW**

As per the new classification of government, all hydro projects, big or small come under renewable energy.

527. (c)

Once a Renewable Power Generator/provider has fed the energy generated into the electricity grid, he receives REC (which can then be sold on the open market as an energy commodity). RECs are a market-based instrument which certifies that the bearer (holder of REC) owns one megawatt-hour (MWh) of electricity generated from a renewable energy resource. RECs are proof that energy has been generated from renewable sources such as solar or wind power etc. When someone purchases RECs, renewable energy is generated on his/her behalf. RECs can go by many names, including Green tag, Tradable Renewable Certificates (TRCs), Renewable Electricity Certificates, or Renewable Energy Credits.

To provide a fillip to the ambitious renewable energy targets of 1,75,000 MW by 2022, obligations have been imposed on entities like power distribution companies, captive power plants (who establish power plants for their own consumption) and other large electricity consumers to purchase energy from renewable sources. These obligations called Renewable Purchase Obligations (RPOs) provide for either purchase of renewable energy certificates (RECs) from Indian Energy Exchange (IEX)/ Power Exchange of India (PXIL) OR purchase of renewable power from the National Load Dispatch Centre (NLDC) by obligated entities . These RPOs are the backbone of India's renewable energy programme. Ministry of Power in consultation with ministry of New and Renewable Energy has set the target of RPOs of 19% (8.75% solar and 10.25% non-solar) in 2020-

21 and 21% (10.5% Solar and 10.5% non-solar) in 2021-22, uniformly for all States/UTs.

528. (c)
Indian Gas Exchange (IGX) is the first nationwide online delivery-based gas trading platform launched on 15th June 2020.

•IGX is a non-govt, unlisted company and is wholly owned subsidiary of Indian Energy Exchange (IEX).

•IGX platform for natural gas has opened a new chapter in the energy history of India and will help the nation move towards free market pricing of natural gas.

•The IGX is a digital trading platform that will allow buyers and sellers of natural gas to trade in standardized gas contracts. It will remove the requirement for buyers and sellers to find each other (It's a kind of online platform). This will mean that buyers do not have to contact multiple dealers to ensure they find a fair price. Competitive price discovery will facilitate availability of gas at lower prices.

•The exchange allows trade of gas in the spot trading (instant sale) as well as much shorter forward contracts – for delivery on the next day, and up to a month – while ordinarily contracts for natural gas supply are as long as six months to a year and more.

•It will allow trading of imported natural gas as well as domestic natural gas, but the priority right now is mainly imported gas. Domestic gas producers have already signed long term contracts with buyers to supply gas at a government determined price.

•Imported Liquefied Natural Gas (LNG) will first be re-gassified and sold to buyers through the IGX. It will initially allow delivery across three hubs —Dahej and Hazira in Gujarat, and Kakinada in Andhra Pradesh.

529. (d)
Government established NIIF in 2015 with the aim to attract investment from both domestic and international sources for funding commercially viable Greenfield, Brownfield and stalled projects in infrastructure sector. NIIF has been formed as a **trust** and is registered with **SEBI** under Category II of Alternative Investment Fund *(for tax benefit)*. It is basically a quasi-sovereign wealth fund as government holds only 49% ownership.

NIIF will get funds from:

- Overseas sovereign/quasi-sovereign/ multilateral/bilateral investors through equity. Cash rich central PSU, provident funds, insurance funds can also invest in NIIF over and above Govt. of India share.
- Market borrowings (debt).

NIIF will invest in:

- Infrastructure projects through equity and debt both; and
- Non-Banking Financial Companies (NBFCs) and Financial Institutions (FIs) involved in infrastructure financing through equity.

530. (b)
In Oct 2020, Union Minister for Road Transport, Highways Shri Nitin Gadkari laid the foundation stone for country's first Multi-modal Logistic Park at Jogighopa in Assam.

The Rs 693.97 crore park will provide direct air, road, rail and waterways connectivity to the people. It will be developed under the ambitious Bharatmala Pariyojana of the Government of India.

531. (b)

Apart from the higher capital cost of providing telecom services in rural and remote areas, these areas also generate lower revenue due to lower population density, low income and lack of commercial activity. Thus, normal market forces alone would not direct the telecom sector to adequately serve backward and rural areas. Keeping in mind the inadequacy of the market mechanism to serve rural and inaccessible areas on one hand and the importance of providing vital telecom connectivity on the other, most countries of the world have put in place policies to provide Universal Access and Universal Service to ICT.

The New Telecom Policy (of India)- 1999 (NTP'99) provided that the resources for meeting the Universal Service Obligation (USO) would be raised through a 'Universal Access Levy (UAL)', which would be a percentage of the revenue earned by the telecom operators under various licenses. The Universal Service Support Policy came into effect from 01.04.2002. The Indian Telegraph (Amendment) Act, 2003 giving statutory status to the Universal Service Obligation Fund (USOF) was passed by both Houses of Parliament in December 2003. USOF is under Dept. of Telecommunication, Ministry of Communication and is being used to connect villages in rural areas under BharatNet project.

USOF provides widespread and non-discriminatory access to quality ICT services at affordable prices to people in rural and remote areas. It provides an effective and powerful linkage to the hinterland thereby mainstreaming the population of rural and remote parts of the country. It ensures that universal services are provided in an economically efficient manner. It also ensures that by developing hitherto unconnected areas, the benefits of inclusive growth are reaped by our nation, bringing in its wake rapid socio-economic development and improved standards of living.

532. (c)

Bharat Net Project is the new name of National Optical Fibre Network (NOFN) which was launched in October, 2011 to provide broadband connectivity to all 2.5 Gram Panchayats. It was renamed to BharatNet in 2015.

The project is planned to be implemented in two phases by Central Public Sector Enterprises (CPSEs) like...... BSNL, BBNL, PGCIL, RailTel.

The project (infrastructure) is being implemented through Universal Service Obligation Fund (USOF)

We need to understand that providing the Network **Infrastructure** of Optical Fibre is separate and provision of **internet services** using that infrastructure is separate. Network Infrastructure is being provided by CPSEs like BSNL/BBNL/PGCIL/RailTel and Operation and Maintenance (O&M) will also be done by these agencies, but Internet services will be provided by Private Internet Service Providers (ISP) or Common Service Centres (CSCs) or Village Level Entrepreneurs.

Wifi Services on BharatNet is free till March 2020, but after that ISP/CSC/ Village level entrepreneurs will start charging.

533. (c)

Ministry of MSME is implementing a 'Scheme of Fund for Regeneration of Traditional Industries' (SFURTI) Scheme under which financial support is being provided for setting up of traditional industries clusters viz. Khadi, Coir & Village industries clusters.

The objectives of the SFURTI Scheme are:

- To develop clusters of traditional industries in the country over a period of five years.
- To make traditional industries more competitive, market-driven, productive and profitable.
- To strengthen the local governance system of industry clusters, with active participation of the local stakeholders, so that they are enabled to development initiatives.
- To build up innovated and traditional skills, improved technologies, advanced processes, market intelligence and new models of public-private partnerships, so as to gradually replicate similar models of cluster-based regenerated traditional industries.

534. (d)

The main objectives of establishment of SEZs are:

- Promotion of exports of goods and services
- Generation of additional economic activity
- Promotion of investment from domestic and foreign sources
- Creation of employment opportunities

535. (d)

"**Domestic Tariff Area**" (DTA) means the whole of India (including the territorial waters and continental shelf) but does not include the areas of the Special Economic Zones (SEZs).

"**Special Economic Zone**" (SEZ) is a specifically delineated duty-free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs.SEZ units may be set up for manufacture of goods and rendering of services. Goods and services going into the SEZ area from DTA shall be treated as exports and goods coming from the SEZ area into DTA shall be treated as if these are being imported.

Some important points related to duties in SEZs:

- SEZ units may import/procure goods and services from DTA without payment of duty for setting up, operation and maintenance of units in the Zone.
- SEZ unit may sell goods, including by-products, and services in DTA in accordance with the import policy in force, on payment of applicable (customs etc.) duty.
- SEZ unit shall be a positive Net Foreign exchange Earner. Net Foreign Exchange Earning (NFE) shall be calculated cumulatively for a period of five years from the commencement of production.

536. (c)

Following the power generation capacity as on October 2019:

Private = 46.5%
States = 28.4%
Central = 25.1%

Ref: Economic Survey 2019-20, Vol 2, Page 246

537. (b)

The Airports Economic Regulatory Authority (AERA) is a statutory body constituted under the Airports Economic Regulatory Authority of India Act, 2008 with its head office at Delhi. The statutory functions of the AERA as enshrined in the Airports Economic Regulatory Authority of India Act, 2008 are as below for **major airports:** *(Those airports which handle more than 35 lakh passengers annually are termed as major airports).*

- To determine the **tariff for the aeronautical services** taking into consideration of the various expenses
- To determine the amount of the **Development Fee**s in respect of major airports.
- To determine the amount of **Passenger Service Fee**
- To monitor the set Performance Standards relating to quality, continuity and reliability of service

Airports Authority of India (AAI) was constituted by an Act of Parliament and came into being on 1st April 1995 and it is entrusted with the **responsibility of creating, upgrading, maintaining and managing civil aviation infrastructure both on the ground and air space in the country.**

The Directorate General of Civil Aviation (DGCA) under Ministry of Civil Aviation regulates the tariffs for **non-major airports**. It is also responsible for regulation of air transport services to/from/within India and for enforcement of civil air regulations, air safety, and airworthiness standards. The DGCA also co-ordinates all regulatory functions with the International Civil Aviation Organisation (ICAO).

538. (b)

Credit Rating Agencies (CRAs) are regulated by SEBI. In light of the COVID-19 crisis,SEBIdirected CRAs that, if the default by the companies (which are listed on the exchange and which has been provided Credit Rating by any of the CRAs) is because of solely due to COVID-19 LOCKDOWN then the **CRAs should not recognize it as a DEFAULT** and should not degrade their rating.

The definition of NPA is given by RBI for financial institutions regulated by RBI like banks and NBFCs. But some (financial institutions)likeMutual Funds, Exchange Traded Funds (ETFs), are also regulated by SEBI for which NPA definition has been given by SEBI.

539. (b)

Force Majeure is a French phrase that means a 'superior force'. It is an unforeseeable circumstance that prevent someone from fulfilling a contract. It is a contractual provision agreed upon between parties. The occurrence of a force majeure event protects a party from liability for its failure to perform a contractual obligation. Typically, force majeure events include an Act of God or natural disasters, war or war-like situations, epidemics, pandemics, etc. The intention of a force majeure clause is to save the performing party from the consequences of something over which it has no control. Force Majeure is an **exception** to what would otherwise amount to a breach of contract. This term is generally used in commercial contracts.

540. (d)

Emergency Credit Line Guarantee (ECLG) scheme is a loan facility for which 100% guarantee would be provided by National Credit Guarantee Trustee Company (NCGTC) to Banks/NBFCs/Financial Institutions for lending to MSMEs.

It will be extended in the form of additional working capital/term loan facility to MSMEs/Pradhan Mantri Mudra Yojana borrowers/Self employed/ Professions who have taken loans for business purposes.

This facility will be available to those who have already borrowed but have not been able to repay and their outstanding (yet to be paid) loan.

It is a pre-approved loan (you will be asked to take loan and if u do not want you can opt out) and hence no processing charges and no collateral will be required from the borrowers.

This scheme is being widened to include various other businesses and no need to mug up all the facts and figures. Just understand basic things

541. (a)
Under the Subordinate Debt scheme, Government will provide Rs. 4000 crores of funds to CGTMSE. With the help of this, Rs, 4000 crore funds, CGTMSE will be able to provide guarantee of 5 times i.e. Rs. 20,000 crores (because all the loans given will not result into default). And since CGTMSE is giving guarantee, banks will be willing to give loan (subordinate debt) of worth Rs. 20,000 crores to the promoters/owners of MSME. Now the promoters will put this borrowed money from the bank into their businesses/MSMEs. As the MSMEs will get equity capital from the promoters, they (MSMEs) will be able to raise much more debt from the market to restart their business.

The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) is a trust launched by the Ministry of Micro, Small and Medium Enterprises, Government of India, and the Small Industries Development Bank of India (SIDBI). CGTMSE gives credit guarantee to financial institutions that provide loans to MSMEs.

542. (c)
Govt. of India has created a fund called 'fund of funds' or 'mother fund' wherein it will be putting Rs. 10,000 crores. This Rs. 10,000 crores will now be put into several other funds created under 'mother fund' which will be called 'daughter funds'. Daughter funds will be raising money from private investors also and in total 'daughter funds' will be worth Rs. 50,000.

The 'daughter funds' will invest 15% as equity/share capital in 'viable and growth potential MSMEs'. As the MSMEs are getting capital through a govt. fund, these potential MSMEs will be able to raise money from the market and get listed. In future, their size and valuation (share price) will increase and government will exit from these MSMEs with a much higher amount of capital leading to an increase in the capital of daughter funds. Now, with this higher amount of capital, government will be able to invest in some other growth potential MSMEs and in this way the funds will keep on revolving and hence it is also called **'Revolving Fund'**.

543. (a)

544. (c)
Special Liquidity Scheme is to provide liquidity support to NBFCs/HFCs/MFIs which are finding it difficult to raise money in the debt market. This is a Rs. 30,000 crores scheme by Govt. of India. Under this scheme a Special Purpose Vehicle (SPVs are entities created to implement specific projects) will issue (special) securities which will be purchased by RBI and **guaranteed by Govt. of India**. The proceeds/money from issuance of such securities will be used by the SPV to purchase short-term debt papers of NBFCs/HFCs/MFIs.

545. (d)

- The Ministry of Housing and Urban Affairs launched a Special Micro-Credit Facility Scheme – PM SVANidhi (PM स्वनिधि)–PM Street Vendor's AtmaNirbharNidhi
- The street vendors can avail a working capital loan of up to Rs. 10,000, which is repayable in monthly instalments in the tenure of one year.
- On timely/ early repayment of the loan, an interest subsidy @ 7% per annum will be credited to the bank accounts of beneficiaries through DBT on six monthly basis.

546. (d)

- Under the 'Formalization of Micro Food Processing Enterprises' Scheme, existing individual micro food processing units desirous of up-gradation of their units can avail **credit-linked capital subsidy** @35% of the eligible project cost with a maximum ceiling of Rs.10 lakhs per unit.

- The Scheme adopts **One District One Product (ODODP) approach** to reap benefit of scale in terms of procurement of inputs, availing common services and marketing of products. The States would identify food product for a district keeping in view the existing clusters and availability of raw material. The ODOP product could be a perishable produce-based product or cereal based products or a food product widely produced in a district and their allied sectors.

- The Scheme also place focus on waste to wealth products, minor forest products and Aspirational Districts.

547. (d)

Agriculture Infrastructure Fund is a Central Sector Scheme which shall provide **medium to long term debt financing facility** for investment in viable projects for **post-harvest management Infrastructure and community farming assets through interest subvention and financial support**.

- Under the scheme, Rs. One Lakh Crore is provided by banks and financial institutions as loans to Primary Agricultural Credit Societies (PACS), Marketing Cooperative Societies, Farmer Producers Organizations (FPOs), Self Help Group (SHG), Farmers, Joint Liability Groups (JLG), Multipurpose Cooperative Societies, Agri-entrepreneurs, Start-ups, Aggregation Infrastructure Providers and Central/State agency or Local Body sponsored Public Private Partnership Projects.

- For all the loans under this financing facility, Government is providing **interest subvention of 3%** per annum for loans up to Rs. 2 crore and the subvention will be available for a maximum period of seven years.

- Further, credit guarantee coverage will be available to borrowers from this financing/fund facility under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme for a loan up to Rs. 2 crore and the **fee** for this coverage will be **paid by the Government**.

- The total budgetary support from Govt. of India against **subvention and guarantee** will be Rs. 10,736 crores.
- The scheme by way of facilitating formal credit to farm and farm processing-based activities is expected to create numerous job opportunities in rural areas. The duration of the Scheme shall be from FY2020 to FY2029 (10 years).

548. (c)

- The purpose of the Animal Husbandry Infrastructure Development Fund (AHIDF) is to incentive investments for establishment of dairy and meat processing and value addition infrastructure and establishment of animal feed plant in the private sector.

- The eligible beneficiaries under the Scheme would be FPOs, MSMEs, Not for Profit Companies, Private Companies and individual entrepreneurs with minimum 10% (margin) money contribution by them for the project and the balance 90% would be the loan component to be made available by scheduled banks.

- Government of India will provide 3% interest subvention (4% to beneficiaries from aspirational districts) to eligible beneficiaries.

- There will be 2 years moratorium period for principal loan amount and 6 years repayment period thereafter.

549. (b)
For better understanding of Aatma Nirbhar Bharat philosophy/vision please refer Indian Economy book 5th Edition by Vivek Singh Page No. 225.

550. (b)

Addressing the 95th annual plenary session of the Indian Chamber of Commerce in Kolkata on 11th June 2020, our Prime Minister said that the time has come to take the Indian Economy from "**Command and Control** to **Plug and Play**".

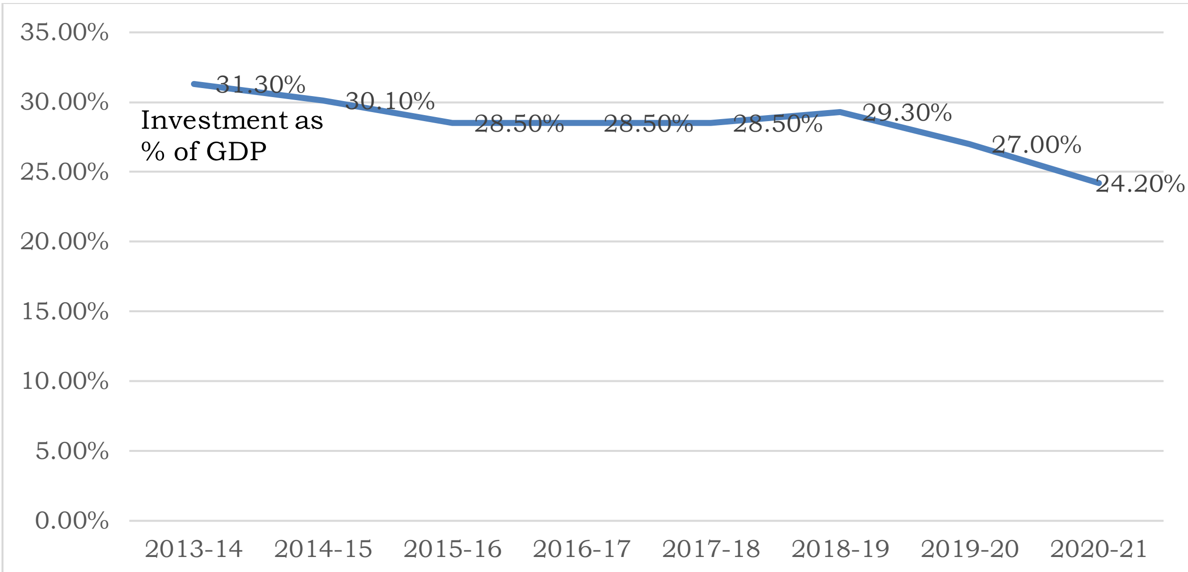
"Command and Control": In the period from 1950 to 1990, the Central Govt. used to plan everything regarding how much production of major items (steel, cement, coal etc..) will be done, what should be the capacity of the plant, on which technology the plant will be based and accordingly government used decide almost everything from top to down. Decisions were not based on market forces of demand and supply rather were controlled/commanded by the Central Govt. This started easing out after 1991 LPG Reforms.

"**Plug and Play**": Plug and Play in literal sense is used to describe devices that work with a computer system **as soon as they are connected**. For example, a video card or hard drive may be a Plug and Play device, meaning the computer will recognize it as soon as it is installed.

But here our PM's interpretation regarding "**Plug and Play**" is that Government will provide all the supporting stuff/ policy support/ land and Infrastructure and the private businessmen will have to just set up their business and start activity without any red tape or bureaucratic hurdles/control.

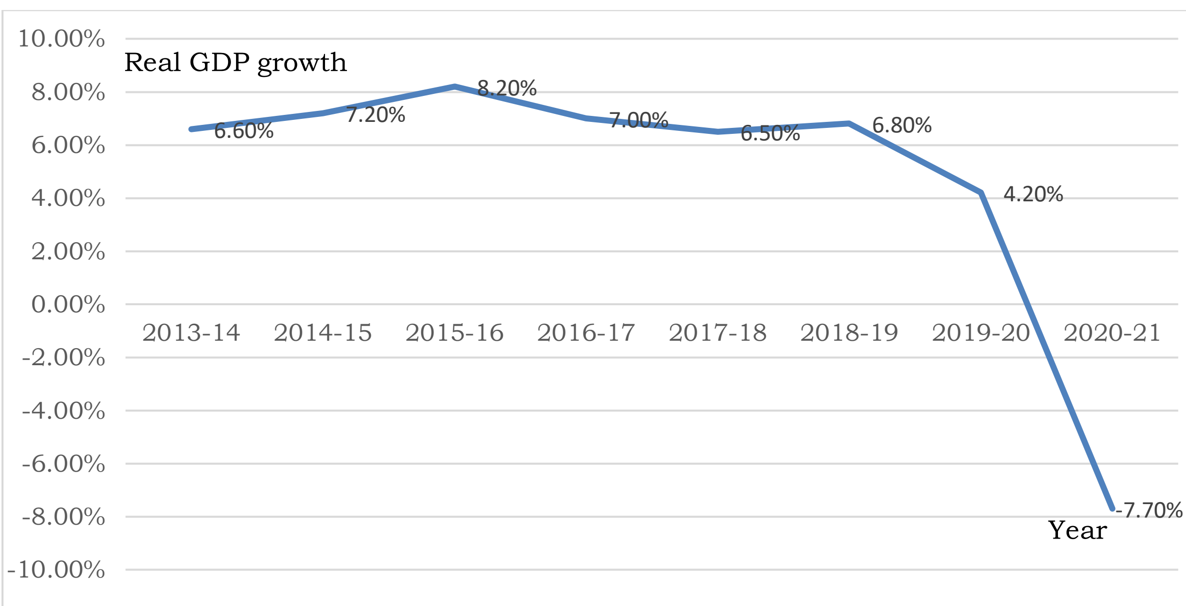
1.The following chart represents gross fixed investment (as % of GDP) of India in last few years.

2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
31.30%	30.10%	28.50%	28.50%	28.50%	29.30%	27.00%	24.20%



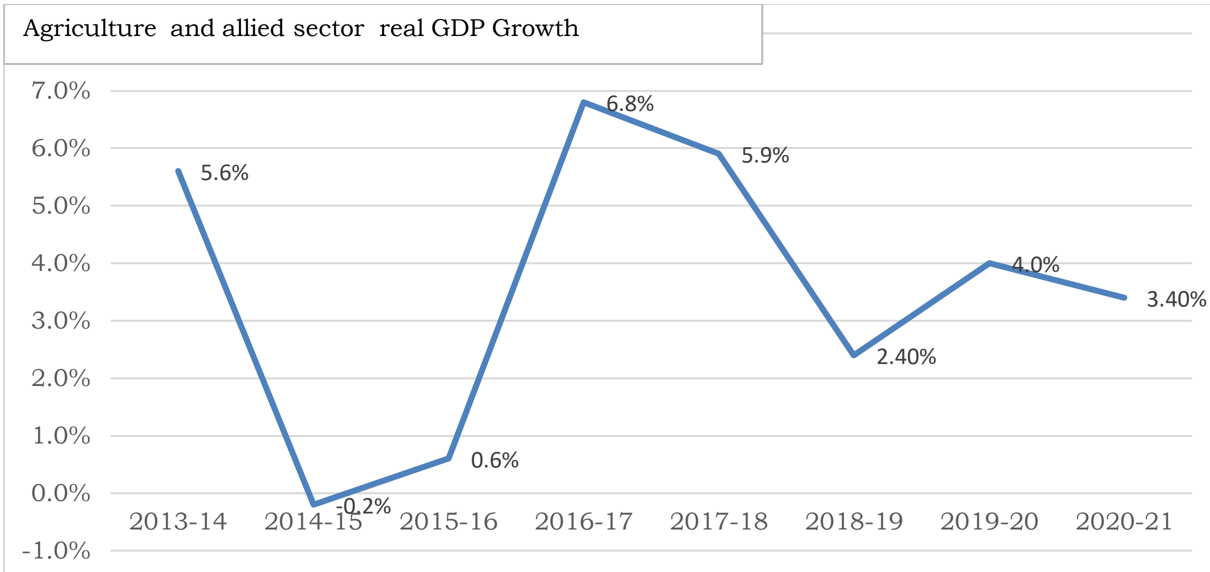
2. The following chart represents Real GDP growth rate of India in the last few years.

2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	*2020-21
6.60%	7.20%	8.20%	7.00%	6.50%	6.80%	4.20%	**-7.70%**



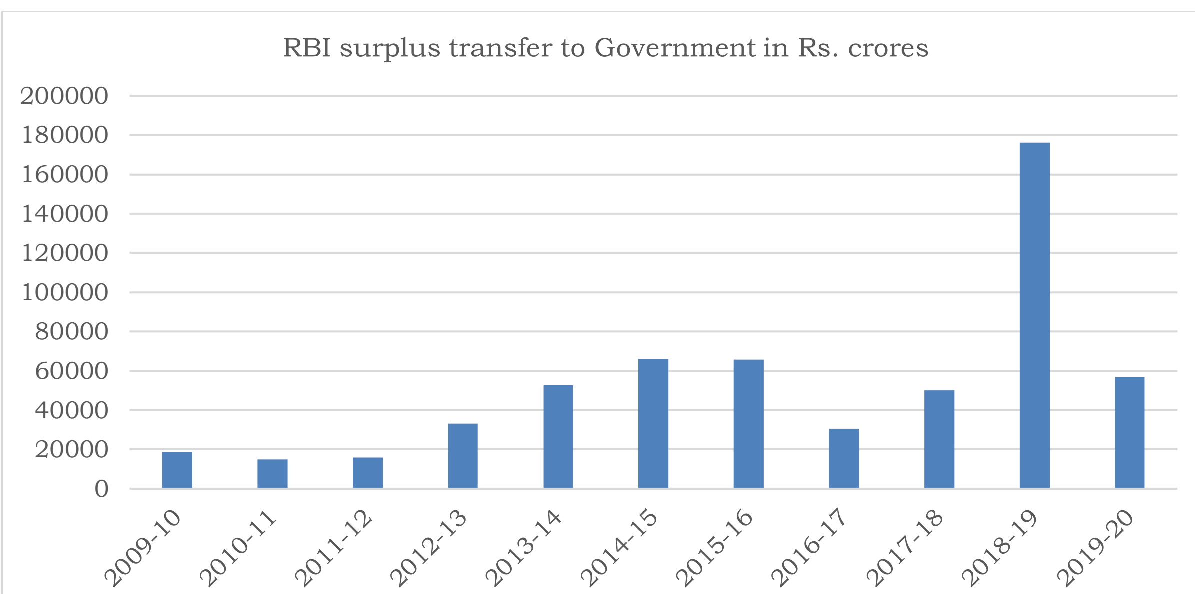
3. Following chart represents agriculture (and allied) sector real GDP growth rate in last few years:

2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
5.6%	-0.2%	0.6%	6.8%	5.9%	2.40%	4.0%	3.40%



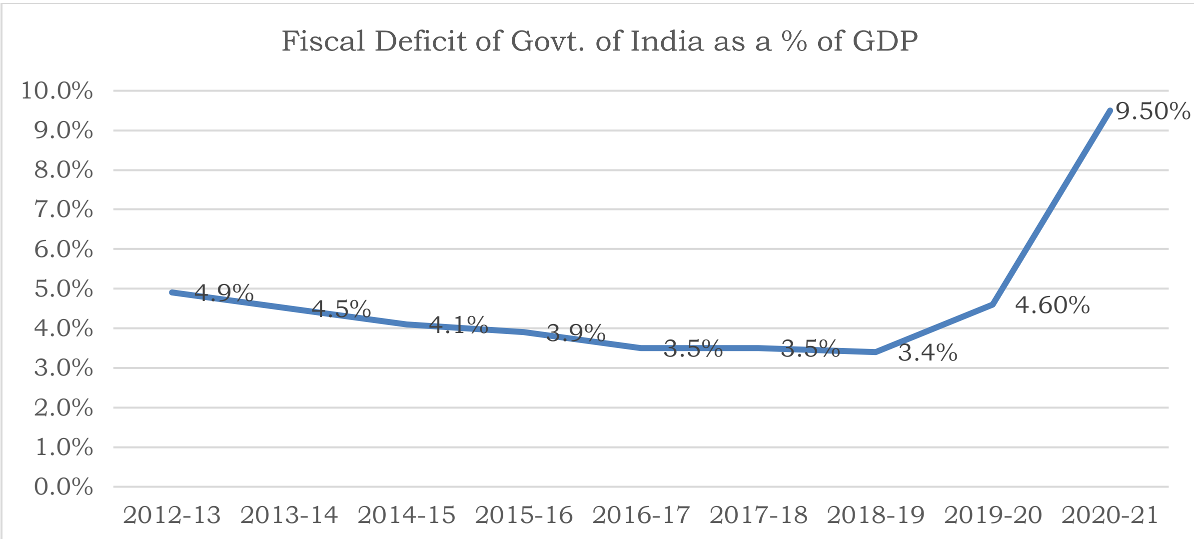
4. The following chart represents RBI's surplus transfer to central government in Rs. Crores.

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
15009	16010	33010	52679	65896	65876	30659	50000	176000	57000



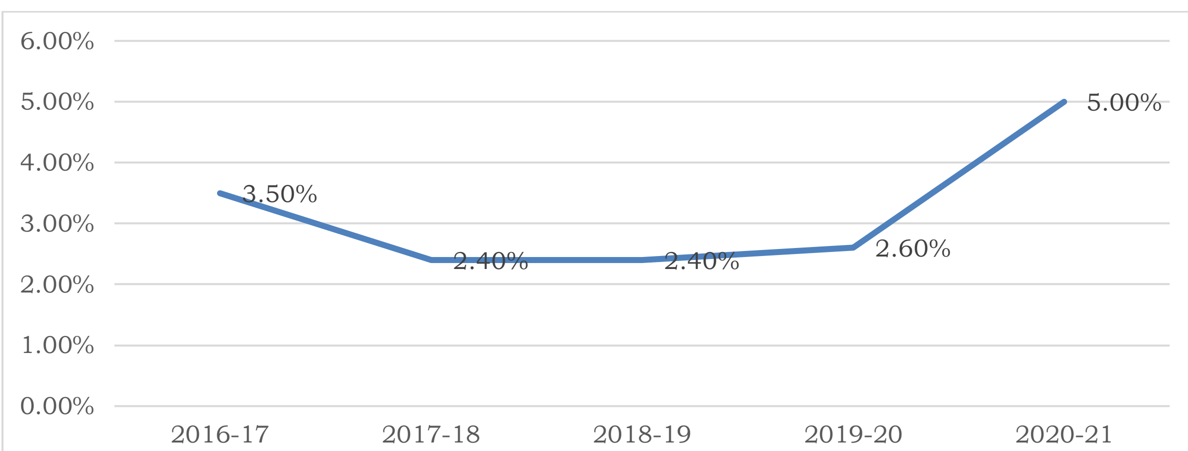
5. The following chart represents Fiscal Deficit (as % of GDP) of Govt. of India for last few years.

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
4.9%	4.5%	4.1%	3.9%	3.5%	3.5%	3.4%	4.60%	9.50%



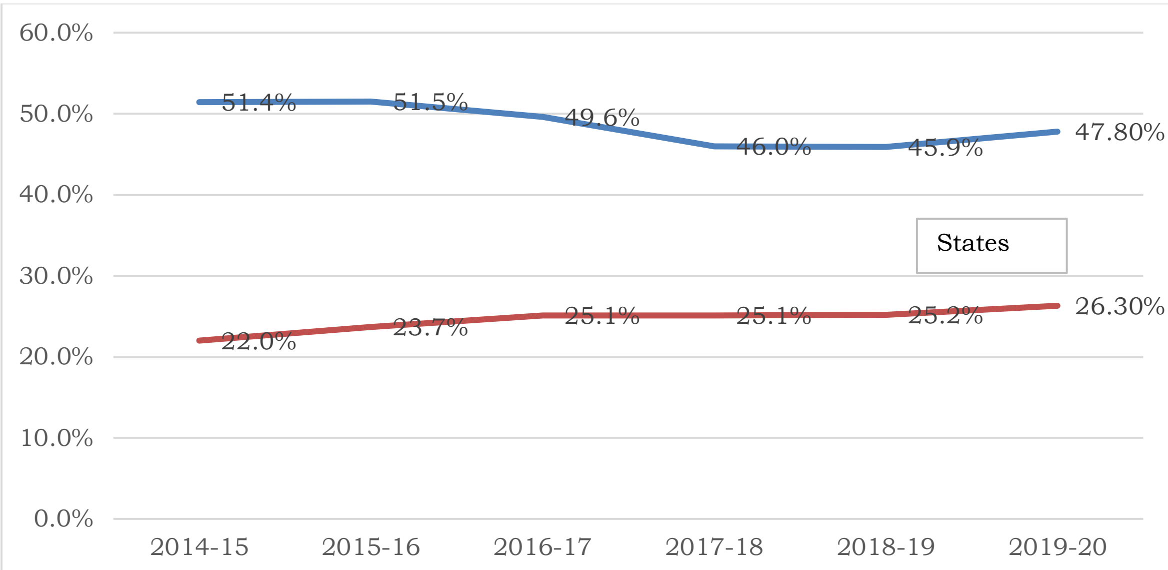
6.Following chart represents Fiscal Deficit (as % of GDP) of State Governments for last few years.

2016-17	2017-18	2018-19	2019-20	2020-21
3.50%	2.40%	2.40%	2.60%	5.00%



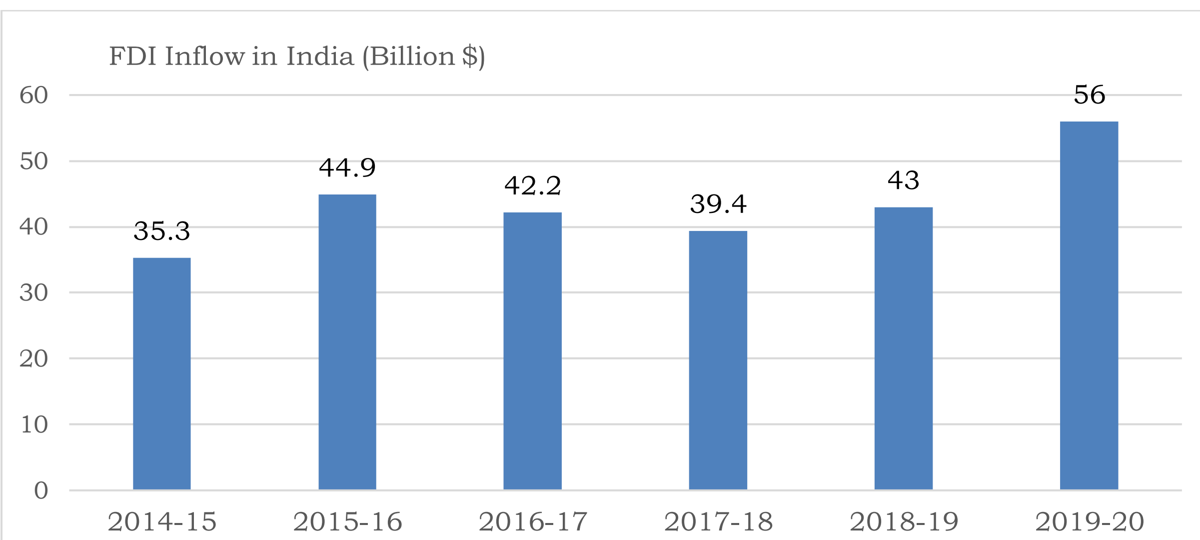
7.The following chart represents Debt to GDP ratio of Centre and states for the last few years:

Debt/GDP	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Centre	51.4%	51.5%	49.6%	46.0%	45.9%	47.80%
State	22.0%	23.7%	25.1%	25.1%	25.2%	26.30%



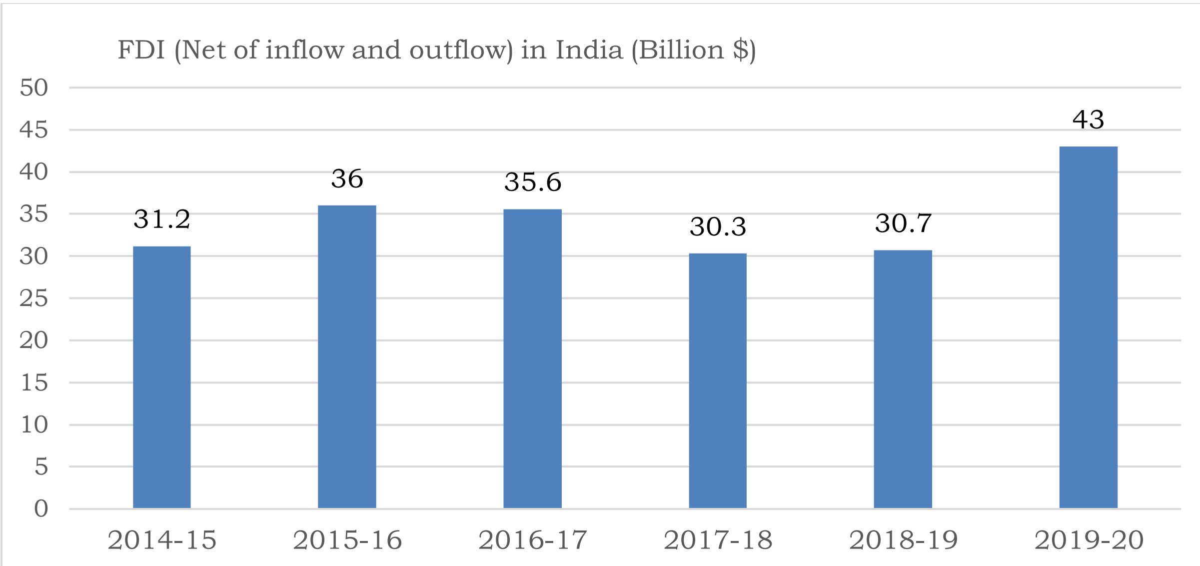
8. Following chart represents FDI inflow in India in the last few years in billion dollars.

Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
FDI	35.3	44.9	42.2	39.4	43	56



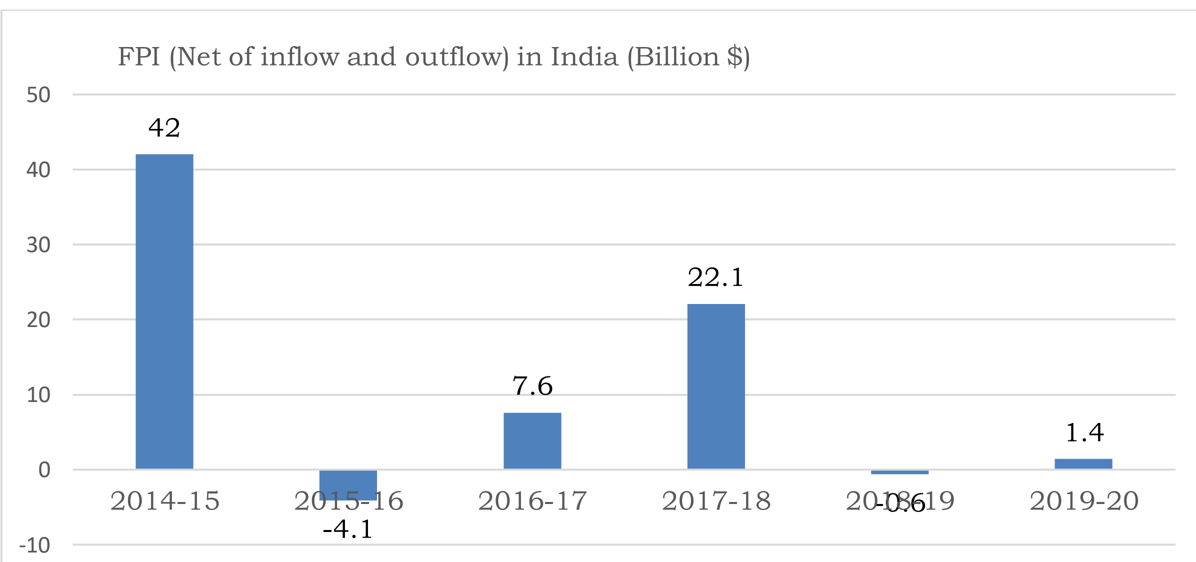
9. Following chart represents the net FDI in the last few years in India in Billion dollars.

Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
FDI	31.2	36	35.6	30.3	30.7	43

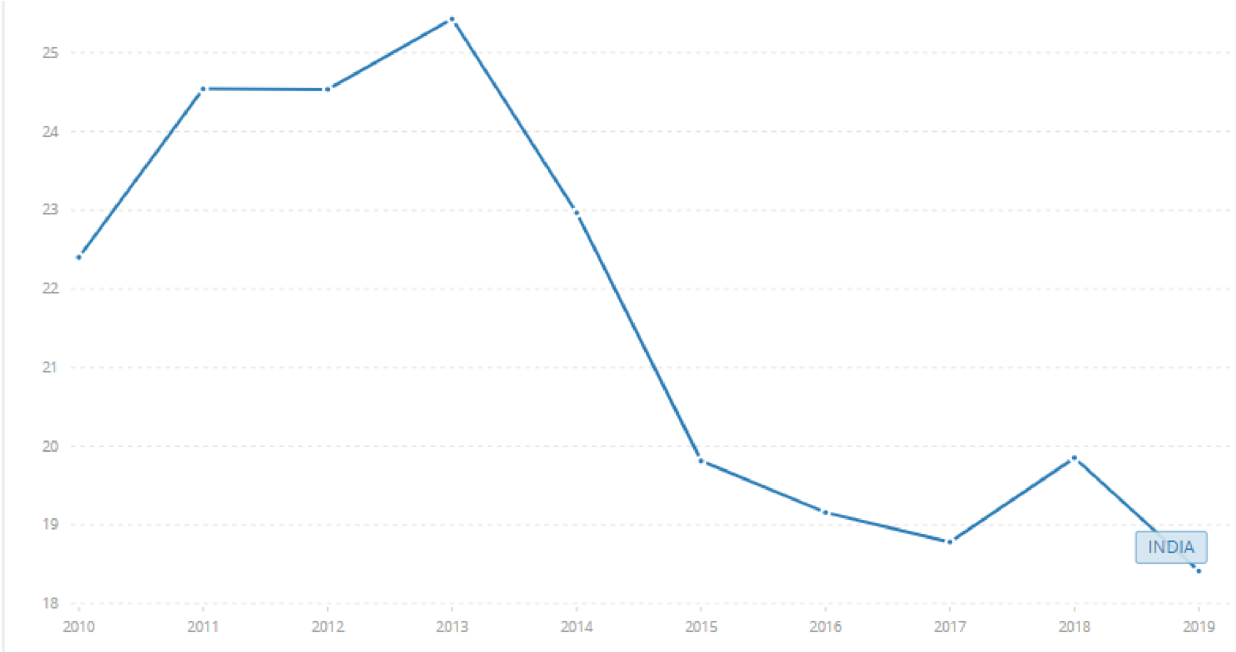


10.Following chart represents the net FPI in the last few years in India in Billion dollars.

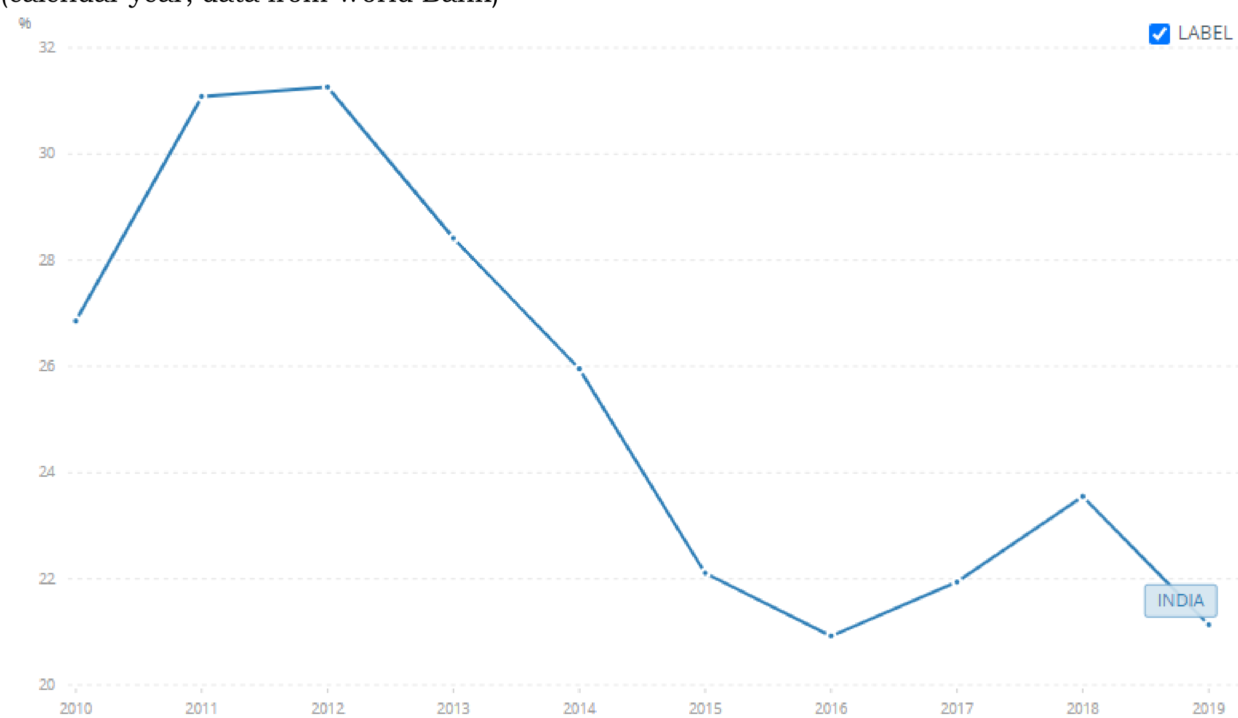
Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
FPI	42	-4.1	7.6	22.1	-0.6	1.4



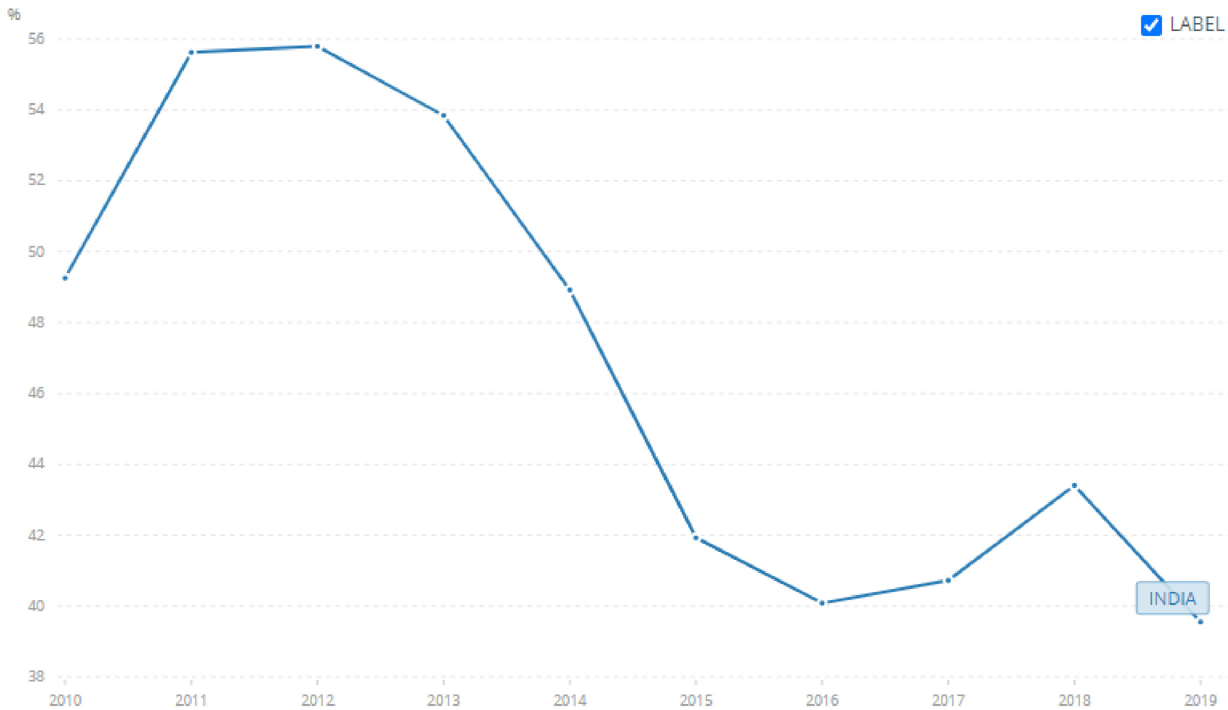
11. Following chart represents India's exports of goods and services as per cent of GDP (calendar year, data from World Bank)



12. Following chart represents India's imports of goods and services as per cent of GDP. (calendar year, data from World Bank)



17. Following chart represents India's trade (exports plus imports) of goods and services as a per cent of GDP. (calendar year, data from World Bank)



Thanks

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