ECO-550

*"This booklet contains 550 MCQs with detailed explanation and notes on **ECONOMY** covering the basic and static concepts, Budget 2023-24 and Economic Survey 2022-23, and other current updates from various sources."*

Specially designed for UPSC Prelims 2023

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** by **VIVEK SINGH***
- *The **original copy** of this 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. Which of the following activities is part of India's GDP?

    1. Activities in Indian embassies and consulates in other countries
    2. Air India services between two different countries
    3. Economic activities of residents of India in international waters
    4. Purchase of movie tickets by foreigners in India

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1, 2 & 3 only
    (c) 3 & 4 only
    (d) All of the above

2. Consider the following statements regarding Gross Domestic Product:

    1. It is the value added by all the firms in the economy
    2. It is the final value of goods and services produced in the economy
    3. It is the sum total of final consumption and investment expenditure by government, private and household sector
    4. It is the income received by the four factors of production

    Select the correct answer using the code given below:
    (a) 1 & 2 only
    (b) 1, 2 & 3 only
    (c) 1, 2 & 4 only
    (d) All of the above

3. Consider the following statements

    1. Capital goods are final goods and are not used as an input
    2. Intermediate goods are capital goods

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) Both 1 & 2
    (d) Neither 1 nor 2

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

    1. Informal sector activity
    2. Re-exports

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) Both 1 & 2
    (d) Neither 1 nor 2

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

    1. Real GDP will increase
    2. Nominal GDP will increase
    3. Rate of growth of real GDP will increase
    4. Increase in employment generation

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1 & 2 only
    (c) 2 & 3 only
    (d) 1 & 4 only

6. If a country is experiencing recession, then which of the following must 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

7. 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

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

1. It is the income earned by a country's Residents
2. It is the income earned by a country's residents and non-residents both
3. It is calculated at market price by NSO
4. It is equal to GDP plus exports minus imports

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 1 & 4 only
(c) 2 & 3 only
(d) 2, 3 & 4 only

9. Consider the following statements:

1. Product taxes and production taxes both are included as part of GDP calculation
2. Net Factor Income from Abroad is equivalent to net of exports & imports

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

10. 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

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

1. India's GDP
2. China's GNP

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

12. Consider the following statements regarding Gross National Income (GNI)/GNP:

1. It includes production taxes
2. It includes transfer payment from rest of the world

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. Production of consumption goods
2. Production of capital goods
3. Production of services
4. Buying and selling of shares

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 only
(c) 2 & 4 only
(d) All of the above

14. Consider the following statements:

1. Imported capital equipment are part of investment in Indian economy
2. Capital goods exported out of India are not part of India's investment

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

15. Which of the following statements could be true for a high savings rate in an economy?

    1. Higher investment
    2. Higher consumption
    3. Higher exports

    Select the correct answer using the code given below:
    (a) 1 & 2 only
    (b) 1 & 3 only
    (c) 2 & 3 only
    (d) All of the above

16. Which of the following are part of gross fixed capital formation:

    1. Machinery and equipment
    2. Construction of buildings and other infrastructure
    3. Intellectual property rights

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1 & 3 only
    (c) 2 only
    (d) All of the above

17. 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

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

    1. It shows how efficiently the new capital is being used to produce output
    2. It is the extra unit of capital required to produce one additional unit of output
    3. It is the extra unit of output produced from one additional unit of capital
    4. It is the ratio of change in capital to change in output

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1 & 2 only
    (c) 1, 2 & 4 only
    (d) 1, 3 & 4 only

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

    1. Increase in ICOR
    2. Decrease in ICOR
    3. Economic growth

    Select the correct answer using the code given below:
    (a) 1 & 3 only
    (b) 2 & 3 only
    (c) 3 only
    (d) None of the above

20. Consider the following statements:

    1. Capital output ratio depends on governance, quality of labour, technology etc.
    2. Economic output increases with decrease in capital output ratio

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) Both 1 & 2
    (d) Neither 1 nor 2

21. 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

22. If the capacity utilization in the economy is decreasing then consider the following statements:
    1. Capital to output ratio will decrease
    2. Per unit cost of production will increase

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) Both 1 & 2
    (d) Neither 1 nor 2

23. If factories are running at full capacity utilization, then the marginal productivity of capital will be:

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

24. 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

25. 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

26. 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

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

    1. Inflation data is published by NSO
    2. The base year is 2011-12
    3. 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) 1 only
    (b) 2 only
    (c) 2 & 3 only
    (d) All of the above

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

    1. Wholesale Price Index (WPI) does not represent the inflation in services
    2. Consumer Price Index (CPI) represents the inflation in goods and services
    3. CPI and WPI represent the inflation of imported goods also
    4. CPI does not represent the inflation in capital and intermediate goods.

    Select the correct answer using the code given below:
    (a) 1 & 2 only
    (b) 1, 2, 3 only
    (c) 2, 3 & 4 only
    (d) All of the above

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

    1. Agriculture
    2. Mining
    3. Manufacturing
    4. Electricity

    Select the correct answer using the code given below:
    (a) 2 & 3 only
    (b) 3 only
    (c) 1, 2 & 3 only
    (d) All of the above

30. Central Government employee's 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

31. Consider the following statements regarding the current "Wholesale Price Index (WPI)" series with base year 2011-12:

    1. The weights of the commodities in WPI basket are fixed till the revision/change in base year

    2. The weights of the commodities in WPI basket are determined based on domestic production plus net of exports

    3. The weights of the commodities in WPI basket are determined based on domestic production plus net of imports

    4. "Manufactured Products" have the highest weight in WPI basket

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1, 2 & 4 only
    (c) 1, 3 & 4 only
    (d) 3 & 4 only

32. If economic growth in 2022-23 is 8% and nominal growth in GDP over the same period is 12%, then 'GDP Deflator' in this period would be:

    (a) 4%
    (b) Less than 4%
    (c) More than 4%
    (d) Can't be calculated

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

    1. It measures the responsiveness of demand for a particular good to changes in consumer income.
    2. 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) 1 only
    (b) 2 only
    (c) Both 1 & 2
    (d) Neither 1 nor 2

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

    1. It is ratio of export price index to import price index
    2. It is a ratio of value of exports to value of imports
    3. It is a measure of how much imports a country can get for a unit of exported goods
    4. ToT increases with increase in price of exported goods

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 & 4 only
    (c) 1, 3 & 4 only
    (d) 2, 3 & 4 only

35. 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

36. Consider the following statements regarding India:

1. Exports (of goods and services) as a percent of GDP has steadily decreased in the last decade
2. Imports (of goods and services) as a percent of GDP has steadily increased in the last decade
3. Trade as a percent of GDP has steadily decreased in the last decade
4. Services trade balance has consistently been positive in the last 10 years

Select the correct answer using the code given below:
(a) 2 only
(b) 1 & 2 only
(c) 4 only
(d) All of the above

37. Which of the following commodities had the highest share in merchandise exports last year (2022-23)?

(a) Petroleum products
(b) Gold and other metal jewellery
(c) Marine products
(d) Rice including basmati rice

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

1. Expansion of bank branches was mostly in urban areas
2. Agriculture and small-scale industries were not getting proper access to banking facilities
3. Bank credit was not utilized for financing projects according to Plan priorities
4. 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) 1 & 2 only
(b) 1, 2 & 3 only
(c) 2 & 4 only
(d) All of the above

39. The term "Seigniorage" means:

(a) The profit generated by the Central Bank on account of money creation
(b) The revenue generated by Central Bank on account of money creation
(c) It is the cost of money creation
(d) The backup of physical gold required to print currency notes

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

1. Interest income on reserves kept with RBI for money creation
2. Interest accruing from bank balances kept with central bank as interest-free balances in order to meet the reserve requirements
3. Inflation tax

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 2 only
(d) All of the above

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

1. Inflation in the country may make its exports less competitive
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. RBI regulates the Rupee dollar rate
2. RBI generally intervenes in the forex market indirectly
3. RBI regulates the forex market

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 3 only
(d) 2 & 3 only

43. RBI intervenes in the foreign exchange market to:
1. To contain the volatility in the rupee
2. To set a price band for Rupee in terms of Dollar

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. If two countries have same rate of inflation, their PPP exchange rates will remain constant
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

45. 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

46. If Mr. X has Rs. 20 crores in India and Mr. Y has $1 crore in US and whatever Mr. X can consume in India with Rs. 20 crores, the same items can be consumed by Mr. Y in $ 1 crore in US.
If both of them, with their money, met at a place other than India and US then who will be richer?

(a) Mr. X
(b) Mr. Y
(c) Equally rich
(d) Will depend on Nominal Exchange Rate

47. 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

48. Which of the following situation will lead to depreciation of a country's currency:

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

49. 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

50. If rupee is appreciating in real terms with respect to US dollars, then:

(a) India's exports competitiveness will decrease
(b) India's exports competitive will increase
(c) India's exports will be more competitive than US
(d) India's exports will be less competitive than US

51. Consider the following statements:

1. If rupee is depreciating, then it leads to increase in cost of imports in dollars

2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

52. Which of the following will be the impact of rupee depreciation?

1. Exports will become more competitive
2. Exporters will fetch more dollars for the same amount of goods exported
3. Demand for domestic goods and services will increase

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 3 only
(d) All of the above

53. Suppose due to higher domestic inflation, rupee started depreciating but RBI used the Forex reserves to prevent the depreciation of Rupee. Then consider the following statements:

1. REER will increase
2. REER will decrease
3. Exports will become more competitive
4. No impact on trade competitiveness

Select the correct answer using the code given below:
(a) 1 only
(b) 4 only
(c) 2 & 3 only
(d) 1 and 3 only

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

1. There is an international authority with the power to force the use of a particular currency
2. There is a basket of currencies which can only be used to settle international transactions
3. Currencies which maintain a stable purchasing power are generally accepted
4. Freely convertible currencies are generally accepted

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 4 only
(c) 3 & 4 only
(d) 2, 3 & 4 only

55. Consider the following statements regarding 'internationalization of rupee'?

1. It means use of rupee for transactions between non-residents
2. It means use of rupee transactions between residents and non-residents

3. Military capability of a country plays role in internationalization of currency

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 2 only
(d) All of the above

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

1. Retail investors will be allowed in both primary and secondary Govt. securities market
2. Individuals participate in the non-competitive auctioning process of G-Securities in Primary Market
3. It will help in reducing the cost of borrowing for government

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 3 only
(c) 1 & 3 only
(d) All of the above

57. Consider the following statements regarding government securities market:

1. G-Secs are issued through auctions conducted on E-Kuber which is the core banking solution platform of RBI

2. Negotiated Dealing System-Order Matching is a secondary market for G-Secs

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. It can be used under SLR by banks
2. It is a tradable instrument
3. RBI manages the public debt of states

Select the correct answer using the code given below:
(a) 2 only
(b) 1 & 2 only
(c) 1 & 3 only
(d) All of the above

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

1. Issued by Central Government and not by state governments
2. It is used to fund fiscal deficit
3. It can be used for temporary mismatches in the cash flow of the government

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 3 only
(d) 1 & 3 only

60. Consider the following statements regarding the 'Statutory Liquidity Ratio (SLR)' maintained by Scheduled Commercial Banks:

1. It is maintained as per the RBI Act 1934
2. Can be maintained as cash balance with RBI
3. Cash Management Bills, Treasury Bills, Dated Securities and State Development Loans (SDL), all are considered as SLR securities

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 2 only
(d) 3 only

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

    1. It is available for both Central and State governments
    2. Government needs to pay interest on ways and means advance
    3. It is to meet the temporary mismatches of receipts and payments

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1 & 3 only
    (c) 2 & 3 only
    (d) All of the above

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

    1. It is used to fund government's fiscal deficit
    2. It is tradable government security

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) Both 1 & 2
    (d) Neither 1 nor 2

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

    1. Bond price will decrease
    2. Bondholders will loose
    3. The yield on bonds will increase

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1, & 2 only
    (c) 3 only
    (d) All of the above

64. The price of government securities in India is influenced by which of the following?

    1. Repo rate
    2. US Federal Bank benchmark interest rate
    3. Liquidity in the market

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) 1 & 2 only
    (d) All of the above

65. 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

66. Consider the following statements:

    1. Currencies and coins are fiat money
    2. Currencies do not have intrinsic value, but coins have
    3. Currencies and coins are legal tenders
    4. Currency notes are guaranteed by Govt. of India

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1 & 3 only
    (c) 3 & 4 only
    (d) 1, 3 & 4 only

67. Consider the following statements:

    1. All the currency in circulation is the liability of RBI
    2. All the currency in circulation is part of money supply
    3. Notes and coins are circulated in the economy only through RBI

    Select the correct answer using the code given below:
    (a) 1 only

(b) 1 & 2 only
(c) 3 only
(d) None of the above

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

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

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

1. Govt. of India has the sole right to mint coins
2. The coins are issued for circulation only through RBI in terms of the RBI Act 1934
3. 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) 1 only
(b) 1 & 2 only
(c) 3 only
(d) All of the above

70. 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

71. 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

72. 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

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

1. Expected real GDP growth
2. Normal level of inflation

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. As per the RBI Act 1934, RBI is bound to undertake the receipt and payments and other banking operations of the central government
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. RBI Act 1934 allows RBI to appoint agency banks
2. Scheduled payment banks and small finance banks can act as 'Agency Banks'
3. Only those private banks which are of certain size are allowed to act as 'Agency Banks'

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 1 & 3 only
(d) 2 & 3 only

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

1. Enabling banks to maintain their accounts with RBI for statutory reserve requirements
2. Enabling settlement of interbank transfer of funds
3. RBI provides short term loans and advances to banks
4. Acting as lender of last resort

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 1, 2 & 3 only
(d) All of the above

77. Consider the following statements regarding RBI acting as 'lender of last resort' for banks:
1. It is done to prevent possible failure of the banks and to protect the interest of the depositors
2. RBI does it only if the troubled financial institution has exhausted all the resources it can obtain from the market and from the RBI's regular liquidity facilities like LAF, MSF
3. To ensure financial stability in the economy

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 1 & 3 only
(d) All of the above

78. Which of the following statements are true regarding lender of last resort?
1. It is provided to insolvent banks
2. RBI provides funds for long period
3. RBI provides fund against collateral and at a penal rate

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 3 only
(d) 1 & 3 only

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

1. Customers withdraw their deposits fearing that banks will run out of reserves
2. Banks are in risk of default
3. The bank has gone bankrupt

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 3 only
(d) All of the above

80. Which of the following functions are part of the RBI acting as Banker to Central Government?

1. RBI maintains the account for the various central government funds like Consolidated Fund of India, Contingency Fund and Public Account of India
2. RBI acts as advisor to the government on monetary and banking related matters
3. RBI provides Ways and Means Advances to the government
4. RBI floats loans and manages them on behalf of the government

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1, 2 & 3 only
(d) All of the above

81. Consider the following statements regarding 'Notice Money':

    1. It is a money market instrument for overnight lending
    2. It is issued by commercial banks and other financial institutions
    3. It is generally a secured instrument

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1 & 2 only
    (c) 2 only
    (d) 2 & 3 only

82. Consider the following statements regarding "Commercial Papers":

    1. It is an unsecured debt instrument
    2. It is a short-term money market instrument
    3. NBFCs issue commercial papers

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 & 3 only
    (c) 2 only
    (d) All of the above

83. Consider the following statements regarding "Certificate of Deposits":

    1. It is not a tradable instrument
    2. It is a secured instrument issued by banks
    3. It is a money market instrument

    Select the correct answer using the code given below:
    (a) 1 & 2 only
    (b) 2 only
    (c) 2 & 3 only
    (d) 3 only

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

    1. Cash management bills
    2. Treasury bills
    3. Certificate of Deposits
    4. State Development Loans

    Select the correct answer using the code given below:
    (a) 1 & 2 only
    (b) 2 & 3 only
    (c) 1 & 4 only
    (d) 1, 2 & 3 only

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

    1. Reserve Bank of India (RBI)
    2. Competition Commission of India (CCI)

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) Both 1 & 2
    (d) Neither 1 nor 2

86. Consider the following statements regarding the "Financial Services Institutions Bureau (FSIB)" constituted in 2022:

    1. It is responsible for appointment of heads in PSBs and Financial Institutions
    2. It helps PSBs in developing strategies and capital raising plans
    3. It has been constituted under Banking Regulation Act 1949

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1 & 2 only
    (c) 2 & 3 only
    (d) All of the above

87. Consider the following statements regarding Financial Services Institutions Bureau (FSIB):

    1. It selects the chiefs of LIC, NABARD and public financial institutions
    2. The persons selected by the FSIB require approval of Appointments Committee of the Cabinet (ACC)

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. All commercial banks and urban cooperative banks have to register with DICGC for providing insurance to depositors
2. RBI incurs the insurance premium burden
3. Government incurs the insurance premium burden
4. DICGC provides insurance only in case the bank has gone bankrupt

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 3 only
(d) 1 & 4 only

89. Consider the following statements regarding payment banks:

1. They can open demand and time deposit accounts both
2. They are set up as differentiated banks
3. They may act as Business Correspondents for other banks
4. They will provide payments / remittance services to migrant labour workforce and small businesses

Select the correct answer using the code given below:
(a) 1 & 4 only
(b) 1 & 2 only
(c) 2, 3 & 4 only
(d) All of the above

90. Consider the following statements regarding "India Post Payment Bank":

1. It allows demand and fixed deposit both
2. It allows savings and current account both
3. It is a public sector company

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) None of the above

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

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

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

92. Consider the following statements regarding Cooperative Banks:

1. All cooperative banks are under dual regulation of RBI and government
2. RBI regulates the cooperative banks under Banking Regulation Act 1949
3. All cooperative banks are supervised by NABARD

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 2 & 3 only
(d) 1 & 3 only

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

    1. Commercial Banks
    2. Regional Rural Banks
    3. State Cooperative Banks & Land Development Banks
    4. Non-Banking Financial Companies

    Select the correct answer using the code given below:
    (a) 2 only
    (b) 2 & 3 only
    (c) 1, 2 & 3 only
    (d) All of the above

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

    1. RBI
    2. Borrowing from commercial banks
    3. Issuing bonds which are fully serviced by Govt. of India
    4. Foreign currency borrowings

    Select the correct answer using the code given below:

    (a) 1 only
    (b) 1 & 3 only
    (c) 3 only
    (d) All of the above

95. Consider the following statements regarding MUDRA Bank:

    1. It provides direct lending to small entrepreneurs
    2. MUDRA loans are available to small and marginal farmers
    3. MUDRA loan is available for manufacturing, trading and service activities

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 & 3 only
    (c) 3 only
    (d) 1 & 3 only

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

    1. NHB regulates Housing finance companies
    2. NHB is owned by Govt. of India and regulated by RBI
    3. NHB provides direct finance for individual housing loans

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1 & 2 only
    (c) 2 only
    (d) 1 & 3 only

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

    1. HFCs are under direct regulation of RBI
    2. HFCs are a category of Non-Banking Financial Companies (NBFCs)

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) Both 1 & 2
    (d) Neither 1 nor 2

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

    1. They are regulated by RBI as Non-Banking Financial Companies
    2. They can lend on their own
    3. They provide credit guarantee

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) 1 & 3 only
    (d) All of the above

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

1. Loans from Banks
2. By issuance of bonds in the financial markets
3. Money market
4. Through External Commercial Borrowing (ECB)

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 1 & 3 only
(d) All of the above

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

1. Relying on short term financing to fund long-term investments
2. Asset liability mismatch (ALM)
3. Rollover risk of commercial papers

Select the correct answer using the code given below:
(a) 1 only
(b) 1, 2 only
(c) 2, 3 only
(d) All of the above

101. Consider the following statements regarding ‘Digital Banking Units (DBUs)’ launched by the Scheduled Commercial Banks:

1. It is fixed point business unit / hub housing certain minimum digital infrastructure for delivering digital banking products & services
2. It offers banking services in both self-service and assisted mode
3. It provides services without requiring paper

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 2 & 3 only
(d) All of the above

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

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

Select the correct answer using the code given below
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. Angel investors generally invest their own money
2. They invest in small start-ups and entrepreneurs
3. They provide more favourable terms and conditions as compared to other lenders
4. Angel investment is regulated by SEBI

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 3 only
(c) 2 & 3 only
(d) All of the above

104. Consider the following statements regarding ‘Anchor Investors’:

(a) They are high net worth individual investors who invest in startups
(b) They are individual investors investing first time in the stock market
(c) They are institutional investors who invest in startups and unlisted companies
(d) They are institutional investors who are invited to invest just before the initial public offer

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

1. Its privately pooled investment vehicle established in India and regulated by SEBI
2. It collects fund from sophisticated investors from India or Foreign
3. Venture capital comes under AIF

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 3 only
(d) All of the above

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

1. SWFs are State owned investment funds
2. They are established through fiscal and trade surpluses
3. They are used to stabilize budget and economy of the country from excess volatility in revenues
4. SWFs typically invests in government owned projects/assets

Select the correct answer using the code given below:
(a) 1 & 4 only
(b) 2 & 3 only
(c) 2, 3 & 4 only
(d) 1, 2 & 3 only

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

1. It is a method of financing through the internet/social media
2. Small amounts of money are raised from large number of investors
3. It is also referred as marketplace financing

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 3 only
(d) All of the above

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

1. ETFs are traded like stocks and can be bought and sold throughout the day
2. ETFs can be used as a vehicle for disinvestment
3. ETFs offers the benefit of diversification of risks

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

109. The term "Bharat 22" 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

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

1. It will provide liquidity to investors
2. It will deepen the corporate bond market
3. Individuals will not be allowed to purchase these instruments
4. It will be traded on stock exchange

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 4 only
(c) 1 & 3 only

(d) 1, 2 & 4 only

111. Consider the following statements regarding 'Share buyback'

1. It can be used for disinvestment of PSUs
2. Company purchases the shares from the owners
3. Share buyback reduces the assets of the company

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 2 only
(d) All of the above

112. Which of the following statements are true regarding 'impact bonds'?

1. Subscribed by government
2. Private sector finances the bond issuance
3. Repayment is based on agreed upon outcomes
4. This instrument is used to fund social and development initiatives

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 & 3 only
(c) 2, 3 & 4 only
(d) 1 & 4 only

113. Consider the following statements regarding 'surety bonds':

1. Insurance companies are allowed to issue surety bonds for infrastructure projects
2. It can be used as a substitute for bank guarantee
3. It will reduce indirect cost for contractors

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

114. Consider the following statements regarding 'Formosa bonds':

1. They are issued in Singapore
2. They are issued in Taiwan
3. Denominated in Singapore dollar
4. Denominated in Taiwan dollar

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 only
(d) 2 & 4 only

115. Consider the following statements regarding the 'India International Bullion Exchange (IIBX)':

1. It has been launched in the GIFT City in Gandhinagar
2. It is the first such bullion exchange in the country to trade physical gold.

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

116. 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

117. Consider the following statements:

1. Banks require prior approval of RBI for appointment of directors
2. Management of Public Sector banks is under dual regulation of Central Govt. & RBI

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

118. Consider the following statements:

1. RBI is a wholly owned by Govt. of India
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

119. Consider the following statements regarding the 'Economic Capital Framework' of RBI:

1. RBI Act 1934 specifies to keep some contingency buffer
2. RBI Act 1934 specifies that the surplus needs to be transferred to Government of India
3. The transfer of surplus to Govt. of India may result in inflation

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 3 only
(d) All of the above

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

1. It may be caused due to defaults in the debt market
2. It may be caused due to FPIs running out of Indian markets
3. It may result in hardening of interest rates
4. RBI may do OMO to resolve the liquidity crisis

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 2, 3 & 4 only
(d) All of the above

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

1. RBI's liability would reduce to the extent the old notes does not come to the banking system
2. Transfer of wealth from holders of illicit black money to the public sector
3. Decrease in liquidity

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

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

1. Currency notes and coins with the public
2. Vault cash of commercial banks
3. Deposits of commercial banks with RBI

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

123. Reserves of commercial banks includes which of the following:

1. All deposits of Public
2. Government securities held by banks
3. Cash held by banks in their vaults
4. Money deposited with RBI

Select the correct answer using the code given below:
(a) 2 & 3 only
(b) 2, 3 & 4 only
(c) 4 only
(d) All of the above

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

1. Full reserve banking
2. Fractional reserve banking

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

125. Consider the following statements regarding Money Multiplier:

1. It increases with increase in reserve requirements of banks
2. It decreases with increase in reserve requirements of banks
3. It increases with Monetary Base
4. It decreases with Monetary Base

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 2 & 3 only
(d) 2 & 4 only

126. Which of the following will increase 'Monetary Base'?

1. Creation of more credit by banks
2. Public withdrawing more cash from the banks

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

127. Money Multiplier depends on which of the following?

1. Currency deposit ratio
2. Reserve deposit ratio

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. It can be increased by increasing the money multiplier
2. It can be increased by increasing the monetary base

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

129. 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:

1. Money multiplier remaining depressed
2. Rise in currency deposit ratio
3. Banks parking funds with RBI under reverse repo

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 3 only
(d) All of the above

130. Consider the following statements regarding "Open Market Operations":

1. It changes the monetary base
2. It changes the money supply

3. It changes the money multiplier

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 only
(c) 1 & 3 only
(d) All of the above

131. Which of the following is not part of the money supply in the economy?

1. Money lying with the government
2. Deposits of commercial banks with other commercial banks
3. Money lying with the Central bank
4. Deposits of pubic with commercial banks

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 4 only
(c) 1 & 2 only
(d) 1, 2 & 3 only

132. Which of the following are part of money supply in the economy?

1. Cash and deposits of public
2. Corporate bonds held by public
3. Government securities held by public
4. Shares held by public

Select the correct answer using the code given below:
(a) 1 only
(b) 1, 2 & 3 only
(c) 2 & 3 only
(d) All of the above

133. Consider the following statements regarding 'Open Market Operations (OMO)':

1. Outright OMOs are directed at influencing enduring liquidity
2. Liquidity Adjustment Facility (LAF) OMO operations target the temporary liquidity in the system

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

134. If RBI is pumping more money in the economy, then which of the following is true?

1. Monetary base is increasing
2. Money supply is increasing
3. Money Multiplier is increasing
4. RBI's balance sheet is increasing

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) 1, 2 & 4 only

135. Consider the following statements during times of economic crisis:

1. Income velocity of money will decline
2. Increase in reserve money can compensate for the fall in velocity of money

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

136. Which of the following actions will lead to immediate increase in money supply in the economy?

1. Individuals purchasing government securities in the primary market
2. Banks purchasing government securities in the primary market
3. Banks purchasing government securities from the public in the secondary market
4. Long Term Repo Operation by RBI to commercial banks

Select the correct answer using the code given below:
(a) 1 only

(b) 1 & 2 only
(c) 3 only
(d) 3 & 4 only

137. Consider the following statements:

1. Open Market Operation is a monetary policy tool
2. Open Market Operations take place in secondary market
3. Sterilization is a monetary policy tool

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 3 only
(d) All of the above

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

1. These are Treasury bills and Dated securities
2. RBI is empowered to issue MSBs
3. The interest payment on these bonds is made by government from its budgetary resources

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 2 & 3 only
(d) All of the above

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

1. It helps in securing monetary stability and managing liquidity in the economy
2. RBI can change the CRR to any level without any floor or ceiling limit

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. It ensures safety to the people's deposits in banks
2. It ensures solvency of banks
3. It increases the cost of funds for the banks
4. Banks earn interest on CRR

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 1, 2 & 3 only
(d) All of the above

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

1. To enable the Central Bank to control the amount of advances the banks can create
2. To make the people's deposits with banks safe and liquid
3. To prevents the commercial banks from making excessive profits
4. 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) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) 1, 2, 3 & 4 only

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

1. The primary objective of Monetary Policy is price stability
2. There is a flexible target for inflation that RBI needs to achieve
3. Monetary Policy Framework is operated by RBI

4. 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) 1 & 2 only
(b) 3 only
(c) 1, 2 & 4 only
(d) All of the above

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

1. The operating target is the money market rate
2. RBI tries to keep the operating target around the government securities yield rate

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

144. If RBI fails to achieve the inflation target, then it should submit a report to the Central Govt. which should include:

1. The reasons of failure
2. Remedial actions proposed by RBI
3. An estimate of the time period within which the inflation target shall be achieved

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) None of the above
(d) All of the above

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

1. It has the authority to decide repo rate, CRR, SLR
2. Its decision is binding on RBI

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

146. While deciding the repo rate, Monetary Policy Committee may keep in mind the following factors:

1. Inflation
2. Economic Growth
3. Rupee appreciation/depreciation

Select the correct answer using the code given below:
(a) 1 only
(b) 1 and 2 only
(c) All of the above
(d) None of the above

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

1. Three members are appointed by Central Government and three are appointed by Central Board of RBI
2. The three members appointed by the Central Government hold office for a period of four years
3. There should be at least six meetings of the MPC in a year

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 2 only
(d) 3 only

148. Which of the following statements are true regarding 'Marginal Standing Facility' (MSF)?

1. Scheduled commercial banks borrow additional amount for overnight
2. The banks can dip into their SLR portfolio to borrow from RBI
3. It provides a safety valve against unanticipated liquidity shocks

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 3 only
(d) All of the above

149. Consider the following instruments:

1. Reverse Repo Rate
2. Marginal Standing Facility
3. Standing Deposit Facility

Which of the following facility/instruments is/are available at RBI's discretion and not banks?

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

150. 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

151. 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

152. Which of the following situations may lead to increase in repo rate by RBI?

1. Inflation in the economy is high
2. Inflation expectation in the economy is high

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

153. 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

154. Which of the following RBI may do to curb the rupee depreciation?

1. Allowing importers to directly buy foreign currency from RBI
2. Increasing the repo rate
3. Selling dollars in foreign exchange market
4. Buying dollars in foreign exchange market

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 & 3 only
(c) 1, 2 & 3 only
(d) 1, 2 & 4 only

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

1. It is a kind of open market operation
2. RBI pumps additional money into the system to increase liquidity
3. It helps in monetary transmission

Select the correct answer using the code given below:

(a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

156. Which of following statements are true regarding "Long Term Repo Operations"?

1. It comes under liquidity adjustment facility
2. The interest rate should be at or above the repo rate
3. It is long term lending by RBI

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 & 3 only
(c) 2 only
(d) All of the above

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

1. Increase in money supply
2. Increase in inflation
3. Increase in interest rate
4. Increase in liquidity with banks

Select the correct answer using the code given below:
(a) 1, 2 & 3 only
(b) 1 & 4 only
(c) 1, 2 & 4 only
(d) 2, 3 & 4 only

158. Which of the following could be the reasons for the deficit in banking system liquidity?

1. An uptick in the bank credit
2. Advance tax payments by corporates
3. Incremental deposit growth not keeping pace with credit demand
4. Intervention of the RBI into the forex market to prevent rupee depreciation

Select the correct answer using the code given below:
(a) 2 & 3 only
(b) 3 & 4 only
(c) 1, 2 & 4 only
(d) All of the above

159. Banking system liquidity has turned into surplus, what could be the probable reasons?

1. Currency leakage
2. Government expenditure not picking up

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. It follows flexible inflation target
2. While inflation is in control, RBI can focus on growth
3. Financial Stability is the explicit mandate of monetary policy
4. Achieving monetary policy objective will ensure financial stability

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 4
(d) 2, 3 & 4

161. Which of the following monetary policy tools are used at RBI's discretion rather than banks availing the facility as per their own requirement?

1. Open market operation
2. Long Term Repo Operation
3. Overnight fixed rate repo lending
4. Reverse repo auction

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2, 3 & 4 only
(c) 1 & 4 only
(d) All of the above

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

1. Banks will do lending at or above MCLR
2. MCLR may increase because of increase in CRR/SLR
3. MCLR helps in better transmission of policy rate as compared to base rate

Select the correct answer using the code given below:

(a) 1 & 2 only
(b) 1 & 3 only
(c) 3 only
(d) All of the above

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

1. External benchmark rate can be repo rate or yield on government securities
2. Once repo rate changes the lending rate of banks will automatically change
3. 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) 1 only
(b) 1 & 2 only
(c) 2 only
(d) 1 & 3 only

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

1. The spread will be decided by the banks
2. The spread will change with the change of external benchmark rate
3. The spread may be different for different category of loans

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

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

1. RBI mandates NBFCs to link their lending rates with an anchor rate
2. MCLR is an anchor rate which acts as external benchmark rate

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. Government deviating from the fiscal road map
2. Impediments in monetary policy transmission
3. Supply side bottlenecks

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

167. Which of the following market plays the major role in transmission of monetary policy?

(a) Government Securities market
(b) Money Market
(c) Forex market
(d) Capital Market

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

1. Forex Swap
2. Open Market Operation
3. Operation Twist
4. Long Term Repo Operation (LTRO)

Select the correct answer using the code given below:
(a) 2 only
(b) 1 & 2 only
(c) 1, 3 & 4 only
(d) All of the above

169. Consider the following statements regarding real and nominal interest rate:
1. Real Interest Rate must be positive to encourage savings and reduce consumption

2. Nominal interest rate must be positive to attract savings in banks
3. Real interest rate is always positive

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) 2 only

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

1. Positive real interest rate
2. Low inflation rate
3. Rise in per capita income
4. Growth of financial intermediaries

Select the correct answer using the code given below:
(a) 3 only
(b) 3 & 4 only
(c) 2 & 3 only
(d) All of the above

171. The term 'Inflation Premium' refers to:

(a) Higher nominal return that equity investors get due to increase in inflation
(b) It is the risk that investors have to face because of higher inflation
(c) It the higher return that investors demand in exchange for investing in a long-term security because of higher inflation risk
(d) It is the high return that short term bond investors demand due to higher inflation risk

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

1. Depreciation of currency
2. Appreciation of currency
3. Increase in real interest rate
4. Increase in nominal interest rate

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 & 3 only
(c) 1 & 4 only
(d) 1, 3 & 4 only

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

1. The interest rate in the market will be very low/zero
2. People and businesses both will hold on to their cash and don't spend
3. Yield on bonds will be very less
4. Demand Deposits of banks increases

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 4 only
(c) 1, 2 & 4 only
(d) All of the above

174. Consider the following statements:
1. Inflation benefits creditors
2. Inflation benefits debtors
3. Inflation benefits bondholders
4. Inflation benefits depositors

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 only
(c) 3 only
(d) 1, 3 & 4 only

175. Consider the statements:

1. Headline inflation measures price inflation arising due to all types of commodities in the economy
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

176. 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

177. Which of the following will be the outcome if an economy is under the inflationary pressure?

1. Domestic currency heads for depreciation
2. Exports become less competitive with imports getting costlier
3. Cost of borrowing decreases

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) 1 & 3 only

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

1. Increase in effective demand
2. Decrease in the aggregate level of output
3. Increase in aggregate output
4. An increase in overall employment

Select the correct answer using the code given below:
(a) 1 & 4 only
(b) 2 & 4 only
(c) 1, 2 & 4 only
(d) All of the above

179. 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 government spending

180. 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

181. 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

182. Which of the following scenarios can support sustainable economic growth?

1. Deflation
2. Low and moderate inflation
3. Galloping inflation
4. Hyperinflation

Select the correct answer using the code given below:
(a) 2 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

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

1. It increases consumption levels
2. It keeps businesses profitable
3. It induces people to save more

Select the correct answer using the code given below:
(a) 2 only
(b) 1 & 2 only
(c) 3 only
(d) All of the above

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

1. Companies defer their investments
2. People defer their expenditures
3. Demand decreases
4. Unemployment increases

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 3 only
(c) 3 & 4 only
(d) All of the above

185. 'Stagflation' occurs in which of the following situation:

1. Demand pull inflation
2. Cost push inflation

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. Increase in exports
2. Increase in government expenditure
3. Increase in credit creation

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) None of the above

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

1. Lower interest rate
2. Higher government expenditure
3. Higher cost of inputs

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 only
(c) 3 only
(d) All of the above

188. 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

189. Consider the following statements:
1. High output leads to high unemployment
2. High unemployment leads to high inflation

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

190. Consider the following statements in the context of inflation:

1. An overheating economy is an economy that is expanding at an unsustainable rate
2. Increasing interest rate by RBI is more effective in case of demand pull- inflation rather than in cost push

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

191. Consider the following statements:

1. Disinflation is declining rate of inflation, but the rate of inflation remains positive
2. Deflation is general decrease in price level and the inflation rate is negative

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. Fiscal stimulus to expand the output
2. It tries to curb the effects of deflation
3. Monetary stimulus by reducing the interest rate

Select the correct answer using the code given below:
(a) 1 only
(b) 3 only
(c) 1 & 3 only
(d) All of the above

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

1. Companies defer their investments
2. People defer their expenditures
3. Demand decreases
4. Unemployment increases

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) None of the above
(d) All of the above

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

1. These are government securities denominated in grams of gold
2. Issued by RBI on behalf of Govt. of India
3. Investors will receive fixed interest rate
4. If the market price of gold declines, investors will be protected against capital loss

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1, 2 & 3 only
(d) All of the above

195. Consider the following statements:

1. Investments in Gold ETFs does not lead to procurement/import of gold.
2. Gold ETFs value move inversely with the price of physical Gold
3. Investments in Sovereign Gold Bonds will lead to reduction in Current Account Deficit

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 3 only
(d) 3 only

196. Consider the following statements regarding the recently launched 'Sovereign Green Bonds (SGB)':

1. These bonds will be part of Govt. borrowing and will be debt. on Govt. of India
2. The proceeds will be deployed in public sector projects which help in reducing the carbon intensity of the economy
3. The proceeds of SGB can be used for investment, subsidies, grant-in-aid or tax forgone

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

197. The recently constituted Green Finance Working Committee (GFWC) will be chaired by:

(a) Union Finance Minister
(b) RBI Governor
(c) Chief Economic Advisor

(d) None of the above

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

1. Adopting suitable policies to attract FDI/FPI
2. The foreign currency earnings of India's IT sector
3. Foreign investments in Govt. securities

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 3 only
(d) 2 & 3 only

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

1. They by and large raise funds from the market
2. Their activities are transparent and properly regulated
3. These are mostly non-banking financial institutions

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 3 only
(d) 1 & 3 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. Integrated Ombudsman Scheme is applicable on:

1. Banks
2. NBFCs
3. Payment System Providers
4. Credit Information Companies (CIC)

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

202. Consider the following statements regarding the 'Integrated Ombudsman Scheme, 2021':

1. RBI will appoint the Ombudsman for a period not exceeding five years at a time
2. There is a limit to the dispute value that can be brought before the Ombudsman

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

203. With new RBI Tokenization rules already in effect, consider the following statements:

1. For each (card) transaction a new token needs to be generated
2. Now, generating tokens is mandatory i.e. you can't do transactions without tokens

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

204. Consider the following statements regarding 'Tokenization' of card services:

1. Tokenization is mandatory for the customers
2. The merchants will generate the tokens
3. No entity in the card transaction or payment chain can store the actual card data

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 3 only
(d) None of the above

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

1. It provides short term credit for cultivation of crops as well as long term credit
2. It provides credit for consumption requirements of farmers household
3. Available to owner cultivator, tenant farmers and share croppers

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

206. 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)

207. Which category of financial institutions 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

208. Which of the statements are correct regarding the term "bail in"?

(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

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

1. It is a supervisory tool of RBI for effective market discipline
2. It applies once financial institutions reach certain threshold level regarding Capital, asset quality and leverage

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

210. Which of the following actions RBI can take once it declares a particular bank under Prompt Corrective Action?

1. Prohibit lending
2. Increase in provisioning
3. Bring in new management or supersede the bank's board
4. Bank merger

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 4 only
(c) 3 & 4 only
(d) All of the above

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

1. It is applicable for Urban-Cooperative banks
2. It can be initiated in case of serious governance issues

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2

(d) Neither 1 nor 2

212. Recently the term 'DAKSH' was seen in the news is related to which of the following:

(a) MSMEs
(b) Defence equipment
(c) RBI
(d) SEBI

213. The theme for the 'Financial Literacy Week' 2023 is:

(a) Go digital, go secure
(b) Good financial behaviour – your saviour
(c) Micro Small and Medium Enterprises
(d) Credit Discipline and Credit from Formal Institutions

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

1. These are also called "too big to fail"
2. They need to meet additional capital requirement
3. The list of DSIB should be declared annually by RBI
4. The list of DSIB is declared by the Ministry of Finance

Select the correct answer using the code given below
(a) 1 & 2 only
(b) 2 & 3 only
(c) 2 & 4 only
(d) 1, 2 & 3 only

215. 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)

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

1. The fund will be managed by RBI
2. The fund will receive contribution from Govt. of India
3. It will specifically promote 'Point of Sale' infrastructure usage by retailers

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 3 only
(d) 2 only

217. RBI manages its forex reserves as:

1. Deposits with Bank for International Settlement (BIS)
2. Deposits with Foreign Commercial banks
3. Deposits with foreign Central banks

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 3 only
(d) All of the above

218. 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

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

1. It is a form of bank guarantee
2. It is an assurance that a buyer's payment to a seller will be received on time
3. 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) 1 only
(b) 1 & 2 only
(c) 1 & 3 only
(d) All of the above

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

1. It is a fixed cum floating loan product
2. These are short term loans
3. These loans are banned by RBI

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 3 only
(d) 2 & 3 only

221. 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

222. 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

223. Consider the following statements:

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

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

224. Consider the following statements regarding 'Additional Tier 1 bonds':

1. They are part of capital under Basel III norms
2. They are perpetual in nature and have no maturity period
3. They can be written down in case of bank failure

Select the correct answer using the code given below:
(a) 2 only
(b) 3 only
(c) 1 & 3 only
(d) All of the above

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

1. It will increase capital adequacy ratio of banks
2. Govt will borrow money from banks
3. Govt will put money into banks as a creditor
4. will provide safety to depositors

Select the correct answer using the code given below:
(a) 1 & 4 only
(b) 1, 2 & 4 only
(c) 2 & 3 only
(d) All of the above

226. Consider the following statements:

1. The Gross NPA ratio of Scheduled Commercial Banks has fallen to 5.0
2. The Capital adequacy ratio of Scheduled Commercial Banks has improved to 16.0

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. It is applicable for Individuals only and not companies
2. It is applicable for both current and capital account
3. Foreign exchange trading is not permitted in this scheme

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

228. Which of the following instruments are permitted for receiving 'foreign investment' in an Indian Company?

1. Equity shares
2. Debentures
3. Preference Shares
4. Share Warrants

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

229. Which of the following can be treated as FDI:

1. Investment in Central and State Govt. securities
2. Foreign Currency Convertible Bonds (FCCB)
3. Global Depository Receipts (GDRs)
4. Financial Lease

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 2, 3 & 4 only
(d) All of the above

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

1. Subsidiary
2. Joint Venture
3. Acquisition of shares

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1, 2 & 3 only
(d) 3 only

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

1. FDI investment happens mainly through primary market
2. FDI investment is about equity securities
3. FDI investment can happen through convertible debentures

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 1 & 3 only
(d) All of the above

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

1. FPI is mainly into secondary market

2. FPI investment may happen through primary market
3. They can invest both in debt and equity

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 2 & 3 only
(d) All of the above

233. Consider the following statements:

1. Foreign Portfolio investments are more volatile than FDI
2. FDI investors can easily sell their holdings and quit the market
3. Foreign Portfolio investment is sector specific
4. FDI investment in general target the capital market

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 3 & 4 only
(d) 4 only

234. Consider the following statements:

1. A Foreign Portfolio Investor can maximum invest 10 per cent in an Indian Company
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. FDI is mostly in non-debt instruments
2. If an earlier FDI investment of more than 10% comes below 10% then it will be treated as FPI

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

236. Consider the following statements
1. FDI requires SEBI approval/license
2. FPI requires SEBI approval/license
3. FDI & FPI both require RBI approval/license

Select the correct answer using the code given below:

(a) 1 & 2 only
(b) 2 only
(c) 3 only
(d) All of the above

237. Consider the following statements regarding FDI/FPI:

1. FDI get attracted by higher economic growth
2. FPI get attracted by higher economic growth as well as higher interest rate
3. FPI get attracted by interest rate differential

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 & 3 only
(c) 1 & 2 only
(d) All of the above

238. Consider the following instruments:

1. Overseas Direct Investments
2. Reserve assets
3. India's portfolio investments

Which of the above are part of 'Overseas financial assets of Indian Residents'?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) All of the above

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

1. They fund India's Current Account Deficit (CAD)
2. They help in achieving governments disinvestment target
3. They are liable to pay capital gain tax in India

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 3 only
(d) All of the above

240. 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

241. Which of the following instruments can be considered as part of External Commercial Borrowing (ECB)?

1. Trade credits
2. Preference shares
3. Fully and compulsorily convertible debentures

Select the correct answer using the code given below:
(a) 1 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) All of the above

242. Consider the following statements:

1. External Commercial Borrowing is a part of 'Foreign Investment' in India
2. Financial Leases are instruments of External Commercial Borrowing
3. Foreign Currency Convertible Bonds (FCCB) can be included in both ECB and 'Foreign Investment'

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

243. Consider the following statements regarding 'Masala' bonds:

1. Through masala bonds, capital is raised in foreign currency
2. Repayment is made in foreign currency
3. By issuance of masala bonds, the exchange risk is transferred to the investor

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

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

1. Easing restriction on ECB
2. Easing restrictions on raising funds through Masala Bonds
3. Restricting imports of non-essential commodities
4. Restricting FPI investments in India

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 1, 2 & 3 only
(d) 3 & 4 only

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

1. All transactions are in foreign currency only
2. It is the only place in India designated as 'International Financial Services Centre'
3. It provides financial services to residents and non-residents both

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 2 & 3 only
(d) All of the above

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

1. It may be listed in India
2. It is part of India's external debt
3. Masala bonds help in financing India's current account deficit

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 2 & 3 only
(d) All of the above

247. Recently the term "Fully Accessible Route" was in the news, is related to which of the following?

(a) Removal of restrictions on investment in government securities by NRIs
(b) Removal of restrictions on FPI investment in corporate bonds
(c) Removal of restriction on FDI investment in strategic sectors
(d) Removal of restrictions on overseas investment by Indian residents

248. The term "Phantom Capital" was 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

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

1. Government sells up to 50% or higher percentage of shares to a strategic partner
2. Management control must be transferred to the strategic partner
3. Other PSUs can bid in the strategic disinvestment process

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 2 only
(d) All of the above

250. 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'

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

1. Financing of social sector and developmental programmes of Govt.
2. Creating new space for private sector
3. 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) 2 only
(b) 3 only
(c) 1 & 2
(d) All of the above

252. 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

253. Which of the following will be included in the balance of payments of India?

1. It records transactions between the citizens of a country and the rest of the world
2. Factor income of Indian residents from abroad
3. Gift received by a family in India from his NRI son

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

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

1. Global Depository Receipts (GDRs)
2. NRI deposits
3. Government securities purchased by foreign Investors
4. Securities purchased by foreign portfolio investors

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 3 & 4 only
(c) 1, 2 & 4 only
(d) All of the above

255. 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

256. Which of the following are parts of capital account transaction?

1. Masala bonds
2. Purchase of capital equipment's from abroad
3. NRI deposits in Indian banks

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 3 only
(d) 1 & 3 only

257. Which of the following statements are parts of 'Transfer Payments' in balance of payment?

1. Gift sent by an NRI to his friend in India
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

258. Arrange the countries in the decreasing order of remittances received (in dollars) last year (2022):

(a) India>China>Mexico>Philippines
(b) China>India>Mexico>Philippines
(c) India>China>Philippines>Mexico
(d) India> Mexico> China>Philippines

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

1. Net capital inflow
2. Foreign exchange reserve transaction

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) None of the above

260. Consider the following statements regarding currency swap agreement between two countries:

1. The countries can exchange their own currencies or a third currency
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

261. Consider the following statements regarding the recent amalgamation of Punjab and Maharashtra Co-operative (PMC) Bank Ltd. with Unity Small Finance Bank Limited.

1. RBI Act 1934 allows RBI to prepare a scheme for amalgamation/reconstruction of banks in public interest

2. RBI Act 1934 gives the power to RBI to supersede the Board of a bank in public interest

3. Banking Regulation Act 1949 allows RBI to prepare a scheme for amalgamation/reconstruction of banks in public interest

4. PMC was a multi-state scheduled primary cooperative bank

Select the correct answer using the code given below:
(a) 1 & 4 only
(b) 1 & 2 only
(c) 3 only
(d) 3 & 4 only

262. Consider the following statements regarding Reserve Bank of India (RBI) Act 1934:

1. As per the RBI Act 1934, RBI, in public interest can supersede the management of a non-banking financial company
2. The Central Government can supersede the 'Central Board' of RBI under RBI Act 1934

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. RBI can issue directions to banking companies for resolution of stressed assets
2. RBI can direct banking companies to move through IBC 2016 for resolution of stressed assets only upon authorization of Govt. of India
3. Lenders require RBI authorization for resolution of stressed assets under IBC Code 2016

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

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

1. Committee of Creditors consist of only financial creditors
2. Operational creditors do not share the resolution proceeds
3. NCLT will decide the distribution of proceeds between financial and operational creditors

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) 3 only

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

1. The resolution plan should be approved by NCLT
2. In any case, the resolution process must be completed within 330 days including litigation

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. IBC is applicable for Financial Service Providers like NBFCs
2. Central Government has the authority to decide which type of financial service providers will be included for resolution under IBC
3. IBC has not been made applicable for insolvency of banks

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 3 only
(d) All of the above

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

1. Govt. of India in consultation with appropriate regulator will decide which category of FSPs can be taken up for resolution under IBC 2016
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. A wilful defaulter
2. Promoters of the company

Select the correct answer using the code given below
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. It is applicable to banks and NBFCs both
2. It allows selling of the security in case of secured lending

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

270. Consider the following statements regarding the recently created 'bad bank':

1. It will help in the resolution of bad assets of only public sector banks
2. The bad bank will purchase bad assets from banks in cash
3. Govt. of India is giving guarantee on the securities issued by the bad bank

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 only
(c) 3 only
(d) None of the above

271. Consider the following statements regarding "Pre-Pack" scheme under IBC 2016:

1. It is applicable for defaults by MSMEs of less than Rs. 1 crore
2. The management will remain with the promoters of the distressed firm
3. Only debtors can initiate pre-pack insolvency resolution

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

272. "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

273. Consider the following statements regarding crypto currencies in India:

1. They are treated as virtual digital assets rather than a legal currency
2. Income from transfer of these crypto currencies are taxed at rate of 30%
3. Levy of tax on cryptos does not legalise crypto trade

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3
(d) All of the above

274. Consider the following statements regarding Central Bank Digital Currency (CBDC) e-Rupee:

1. It will be a fiat currency and legal tender and will not have intrinsic value
2. It will exist only in digital form
3. CBDCs held by people will be reflected as liability on the RBI balance sheet rather than banks
4. It could lead to instantaneous payment without any processing delays

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 & 4 only
(c) 3 & 4 only
(d) All of the above

275. Consider the following statements regarding CBDC (e-Rupee):

1. It is a bearer instrument
2. It would offer features of physical cash like trust, safety and settlement facility
3. RBI Act 1934 has been amended to include e-Rupee as legal tender

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

276. Consider the followings statements regarding 'e-RUPI' (voucher):

1. It is a digital/virtual currency
2. It will be issued by National Payments Corporation of India (NPCI)
3. It (the SMS string / QR Code) will be sent to the beneficiary's mobile by the participating banks

4. It can be used only by specific persons for specific purpose
5. It can be redeemed only at certain specific centres
6. It can be accessed even by someone who do not have a bank account
7. It can be transferred to other person and converted into cash

Select the correct answer using the code given below:

(a) 2, 3 & 5 only
(b) 3, 4, 5 & 6 only
(c) 3 & 4 only
(d) All of the above

277. Consider the following statements regarding 'Non-Fungible Tokens (NFTs)':

1. They are unique cryptographic assets that are not mutually interchangeable
2. They are basically a kind of crypto currencies
3. NFTs can be used to represent real world items like digital artwork, music etc.

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) 1 & 3 only

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

1. Banks cost of funds remaining high
2. Government offering higher interest on its own savings schemes
3. Liquidity crunch in the economy

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

279. 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

280. Which of the following statements are true regarding the 'Co-lending' by Banks and NBFCs for lending to priority sector:

1. The banks can claim the total amount of loan given under co-lending as priority sector lending
2. The banks and NBFCs have to keep the same price for their part of the loan
3. 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) 1 only
(b) 2 only
(c) None of the above
(d) All of the above

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

1. Regional Rural Banks and Small Finance Banks are required to give 75% of their credit to priority sectors
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. High real interest rate
2. High-capacity utilization

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. Imposing tariff may not help in improving trade balance as the exchange rate moves to offset the tariff
2. The exchange rate depends on the demand and supply of the two currencies

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. Inflation in the domestic economy will lead to rupee depreciation
2. Rupee depreciation will lead to inflation in the domestic goods in the economy

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. Advance tax payment
2. Input tax credit on GST
3. Front loading of government expenditure
4. Recapitalization of public sector banks

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2, 3 & 4 only
(c) 3 & 4 only
(d) All of the above

286. 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

287. Surplus liquidity in the economy may result in which of the following:

1. Reduction in cost of capital
2. Depreciation of currency
3. Softening of bond yield

Select the correct answer using the code given below:
(a) 2 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

288. Consider the following statements:

1. If interest rate goes up, bond yield goes up
2. Bond yield can change even if interest rate does not change

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

289. If there is a surge in bond yields in the domestic economy, then:

1. Bondholders will gain
2. It will attract FPI debt investors
3. It will positively impact Government's disinvestment plan

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 2 only
(d) All of the above

290. Consider the following statements regarding bond yield:

1. Generally, the yield curve of bonds is upward sloping
2. Bond yield inversion happens when yield on short duration bonds are higher than long duration bonds
3. Generally, the inversion in bond yield curve indicates a trouble in the economy

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 3 only
(c) 2 & 3 only
(d) All of the above

291. 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:

1. Credit facilities
2. Savings facilities
3. Insurance facilities
4. Fund transfer facilities

Select the correct answer using the codes given below the lists:
(a) 1 only
(b) 1 & 4 only
(c) 2 & 3 only
(d) All of the above

292. Consider the following statements regarding microfinance loans:

1. It should be collateral free loan
2. Interest rate is regulated by RBI
3. These are loans availed by households having annual income up to Rs. 3,00,000

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 3 only
(d) All of the above

293. Which of the following type of institutions provide the maximum microfinance credit:

(a) Banks
(b) NBFCs
(c) MFI-NBFCs
(d) Others

294. Consider the following statements:

1. Debt overhang refers to a debt burden so large that an entity cannot take on additional debt to finance future projects.
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

295. Which of the following can be considered as a case of 'financial repression'?

1. Banks requiring to maintain statutory liquidity ratio
2. Cap on banks interest rates
3. Issuance of non-marketable debt by the government
4. Regulation of cross border capital movement

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 1, 2 & 3 only
(d) All of the above

296. In the recent times, Indian companies have aggressively pursued 'deleveraging', which refers to:

(a) Converting their debt into equity

(b) Reducing the debt by selling assets of the companies

(c) Reducing the promoter's equity in the company

(d) Increasing debt to fund business expansion plans

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

1. Circuit breaker applies when the stock or indices moves too much in either direction
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

298. 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

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

1. It is an agreement between a tax authority and a taxpayer
2. It is an agreement between two governments
3. It is an agreement to discover the pricing methodology between related company transactions
4. It helps in making a country an attractive destination for foreign investments

Select the correct answer using the codes given below the lists:
(a) 1 & 3 only
(b) 2 & 3 only
(c) 2 & 4 only
(d) 1, 3 & 4 only

300. Consider the following statements regarding 'Financial Stability Report':

(a) Released annually by Dept. of Economic Affairs
(b) Released biannually by Dept. of Economic Affairs
(c) Released annually by RBI
(d) Released biannually by RBI

301. Consider the following statements regarding 'National Financial Reporting Authority (NFRA)':

1. It has been established under Company's Act 2013
2. It recommends accounting and auditing policies and standards to the Central Government for adoption by companies
3. It has the power to enforce compliance with accounting/auditing standards and undertake investigation of the auditors

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

302. Consider the following statements regarding 'Development Financial Institutions (DFI)':

1. They provide long term finance for relatively high-risk projects
2. DFIs also provide equity capital and guarantees apart from debt
3. Industrial Finance Corporation of India was the first DFI established in India in 1948 after independence

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 3 only
(d) All of the above

303. Consider the following statements regarding the National Bank for Financing Infrastructure Development (NaBFID):

1. It will provide long term non-recourse infrastructure financing
2. It will seek to attract private sector investors and institutional investors in infrastructure projects in India
3. It has been established as a development financial institution by an act of Parliament

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 3 only
(d) All of the above

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

1. Budgeted receipts and expenses for the next Financial Year (FY)
2. Budgeted receipts and expenses for the current FY
3. Revised receipts and expenses for the current FY
4. Actual receipts and expenses for the last FY

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 1, 2, & 3 only
(d) All of the above

305. Consider the following statements:

1. Supplementary demand is presented before the end of the financial year to which it relates for any additional expenditure
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. Finance Bill is introduced on the very first day when the Finance Minister presents Budget in the Parliament
2. Appropriation Bill is introduced after the voting on demand for grants is over

Select the correct answer using the code given below:
(a) 1 only

(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

307. Consider the following statements:

1. Demand for Grants are not approved in Vote-on-Account
2. Demand for Grants of UTs without assembly are approved as part of Union budget
3. Rajya Sabha does not vote on Demand for Grants but can discuss

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

308. 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

309. 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

310. Surplus reserves 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

311. 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

312. The term 'Effective Capital Expenditure' is equal to Centre's capital expenditure plus:

(a) Central PSUs Capital Expenditure
(b) Grants given to States for creation of capital assets
(c) Finance Commission transfers to States for creation of capital assets
(d) Loans given to States for creation of capital assets

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

1. Issue of Passport and Visa
2. Registration of Companies
3. Royalty from on shore oilfields
4. Royalty from offshore oilfields

Select the correct answer using the code given below:
(a) 1 only
(b) 1, 2 & 3 only
(c) 1, 2 & 4 only
(d) All of the above

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

1. Spectrum Auction
2. Revenues of IRCTC
3. Examination Fee of Union Public Service Commission

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 3 only
(d) All of the above

315. Which of the following are non-debt capital receipts of Govt. of India?

    1. Disinvestment of PSUs
    2. Recovery of loans
    3. Public Account receipts
    4. Cash Management Bills

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1 & 2 only
    (c) 3 & 4 only
    (d) 1, 2 & 3 only

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

    1. Proceeds received in the public account of India
    2. PSUs purchasing capital equipment
    3. Establishment of “India Post Payment Bank”

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 & 3 only
    (c) 1 & 3 only
    (d) None of the above

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

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

    Select the correct answer using the code given below.
    (a) 1 only
    (b) 2 & 3 only
    (c) 1 & 3 only
    (d) All of the above

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

    1. Issuance of Sovereign Gold Bonds
    2. Receipt from Gold Monetization
    3. Issuance of Sovereign Green Bonds

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) 1 & 2 only
    (d) All of the above

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

    1. RBI paying dividend to govt. of India
    2. PSUs paying dividend to govt. of India
    3. PSUs earnings
    4. Proceeds from sale of govt. land

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 1 & 2 only
    (c) 1, 2 & 3 only
    (d) All of the above

320. Consider the following statements regarding the Budget 2023-24:

    1. The central government budgeted expenditure is around 15% of GDP
    2. Revenue expenditure and capital expenditure of central government are almost equal
    3. States have been allowed a fiscal deficit of 3.5% of GSDP including 0.5% tied to power sector reforms

    Select the correct answer using the code given below:
    (a) 1 only
    (b) 3 only
    (c) 1 & 3 only
    (d) All of the above

321. Consider the following statements regarding FY 2023-24:

1. Expected tax/GDP ratio of the centre is 11%
2. Centre's tax buoyancy is expected to be 1
3. Centre's capital expenditure is around one-fourth of total budgeted expenditure

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 2 & 3 only
(d) All of the above

322. Consider the following statements regarding the 'Personal Income Tax (PIT)' as proposed in FY 2023-24:

1. The new PIT regime promotes savings
2. The old PIT regime allows people to claim various exemptions
3. An individual can choose either the new or the old PIT regime

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 2 only
(d) 2 & 3 only

323. Govt. of India is financing the 'National Infrastructure Pipeline' through which of the following ways?

1. Establishment of National Bank for Financing Infrastructure and Development (NaBFID)
2. Creation of a 'National Monetization Pipeline' of potential brownfield infrastructure assets which can be monetized
3. Nudging States to spend more on infrastructure

Select the correct answer using the code given below:
(a) 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

324. Tax revenue collection in our economy depends on which of the following factors:

1. Production of real output
2. Inflation

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. Ratio of percentage change in tax revenue to percentage change in GDP
2. Ratio of change in tax revenue to change in GDP
3. Percentage increase in tax revenues as measured from previous year
4. Incremental change in tax revenues required to increase the GDP by one percent

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 3 only
(d) 2 & 4 only

326. Which of the following factors may lead to increase in 'Tax Buoyancy'?

1. Increase in GDP
2. Improvement in tax administration
3. Formalization of Economy
4. Bringing agriculture income under tax

Select the correct answer using the code given below:
(a) 1, 2 & 3 only
(b) 3 & 4 only
(c) 2, 3 & 4 only
(d) All of the above

327. Consider the following statements regarding 'Service Charge' levied by hotels and restaurants:

1. It is a kind of indirect tax collected by Government
2. Presently hotels and restaurants have been denied to collect 'service charge'
3. Hotels and restaurants can levy service charge but not on takeaway orders

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 3 only
(d) 1 & 2 only

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

1. Dated securities
2. Kisan Vikas Patra
3. Sukanya Samriddhi Account
4. Public Provident Fund

Select the correct answer using the code given below:
(a) 1 & 4 only
(b) 2 & 3 only
(c) 2, 3 & 4 only
(d) All of the above

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

1. The money collected goes into the National Small Savings Fund (NSSF) under Public Account of India
2. The interest rate on these schemes have been linked with G-securities of similar maturities
3. 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) 1 only
(b) 1 & 2 only
(c) 3 only
(d) All of the above

330. Fiscal Deficit is equal to:

1. Total expenditure minus total receipts
2. Total expenditure minus total receipts excluding borrowing
3. Revenue deficit plus capital expenditure minus non debt creating capital receipts
4. Total borrowing

Select the correct answer using the code given below:
(a) 1 & 4 only
(b) 2 & 3 only
(c) 2, 3 & 4 only
(d) All of the above

331. 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

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

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

Select the correct answer using the code given below.
(a) 1 & 3 only
(b) 2 & 3 only
(c) 1 only
(d) All of the above

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

1. It may be inflationary
2. It may not be inflationary
3. It raises effective demand

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 2 only
(d) All of the above

334. Fiscal Slippage may result in which of the following:

1. Increase in bond yield
2. decrease in market interest rates
3. Increase in aggregate demand

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

335. Which of the following directly finances Govt. of India's fiscal deficit?

1. Foreign Direct Investors
2. Foreign Portfolio Investors
3. NRIs
4. RBI

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 2 & 3 only
(d) 2, 3 & 4 only

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

1. It is a strategy to boost sluggish economy
2. RBI pumps money into the economy
3. Government reduces subsidies
4. Public spending increases

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1, 2, & 4 only
(c) 1, 3 & 4 only
(d) 1 & 4 only

337. 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)

338. Consider the following statements regarding "counter-cyclical" fiscal policy:

1. Government uses the counter cyclical policy to cool down the economy during boom period
2. In counter cyclical policy, government increases spending and reduces taxes during economic slowdown

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

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

1. It is an effort by the government to bring down fiscal deficit
2. It is an effort to reduce public debt
3. It is an effort to reduce current account deficit
4. It is an effort to raise revenues and bring down wasteful expenses

Select the correct answer using the code given below:
(a) 1, 2 & 3 only
(b) 1, 2 & 4 only
(c) 4 only
(d) All of the above

340. Select the correct statement regarding the term 'Fiscal Dominance':

(a) Greater influence of fiscal policy in handling the economy as compared to monetary policy
(b) Fiscal policy creating obstacles in achieving the monetary objectives
(c) Crowing out of the private sector because of higher government borrowing
(d) Fiscal considerations limiting the scope for an independent monetary policy

341. As per the Fiscal Responsibility and Budget Management (FRBM) Act 2003, which of the following statement is not presented in the budget session of the parliament?

(a) Medium Term Fiscal Policy Statement
(b) Fiscal Policy Strategy Statement
(c) Macro-economic Framework Statement
(d) Medium-term Expenditure Framework Statement

342. Consider the following statements regarding "Monetisation of Deficit":

1. RBI purchases government bonds in the primary market
2. It is allowed as per FRBM Act 2003 but only under exceptional circumstances
3. It may lead to inflation and macroeconomic instability

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

343. Which of the following may lead to rupee depreciation?

1. Expansionary fiscal policy
2. Expansionary monetary policy
3. Monetisation of Deficit
4. Debasement of currency

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1, 2 & 3 only
(c) 3 & 4 only
(d) All of the above

344. Consider the following statements:

1. Before 1997, central government used to directly monetise its deficit from RBI
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

345. Which of the following statement is true regarding "Tax Base"?

(a) It is the number of taxpayers
(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

346. Which of the following taxes are regressive in nature?

1. Income Tax
2. Sales Tax
3. Goods & Services Tax (GST)
4. Value Added Tax (VAT)

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 2 only
(d) 2, 3 & 4 only

347. Consider the following with respect to regressive taxation:

1. It's the taxation system where the tax% is less for the rich and more for the poor
2. Inflation Tax is not regressive, rather a proportional tax in nature

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

348. Consider the following statements regarding Goods and Services Tax (GST):

1. Taxes need to be paid at each point in the value chain
2. It will have input tax credit mechanism
3. The total taxes will be passed on to the consumers
4. It is a value added tax

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

349. Consider the following statements regarding IGST:

1. It is levied by the Centre on inter-state supply of goods
2. The IGST rate is equal to CGST plus the SGST/UTGST rate
3. The tax revenue is shared equally among the Centre and the consuming State/UT

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 3 only
(d) All of the above

350. Consider the following statements regarding the GST Compensation Cess:

1. It is levied and collected by the Centre
2. GST compensation fund has been established in Consolidated Fund of India
3. GST Compensation Cess has been extended till March 2026 to compensate States for any shortfall in tax revenue growth below 14%

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 3 only
(d) All of the above

351. Which state has got the maximum 'GST compensation' from Centre in the five years period from 1st July 2017 to 30th June 2022?

(a) Uttar Pradesh
(b) Maharashtra
(c) Gujarat
(d) Karnataka

352. Consider the following statements regarding Goods and Services Tax?

1. It has lead to harmonization of taxes
2. There is no GST levied in the entire supply chain in case of exports

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

353. Consider the following statements:

1. Central Government levies National Calamity Contingent Duty to finance National Disaster Response Fund (NDRF)
2. NDRF has been established under Public Account of India

Select the correct answer using the code given below:

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

354. Consider the following statements regarding import of goods in India:

1. They are treated as inter-state supplies for GST
2. Customs duty and IGST both are applicable
3. Imports are zero-rated

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 3 only
(d) All of the above

355. Which of the following statements are true regarding the "Electronic - Way Bill"?

1. It is mandatory as per the GST law
2. It is required for goods transported worth more than Rs. 50,000/-
3. It will check tax evasion

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 4 only
(c) 1 & 3 only
(d) All of the above

356. Consider the following statements regarding "Composition Scheme" in GST:

1. It exempts small taxpayers from payment of GST
2. It allows small businesses to pay tax at a fix percent of their turnover
3. It reduces the compliance cost for small businesses

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 only
(d) 2 & 3 only

357. Which agency deals with the complaints related to GST profiteering?
(a) National Anti-Profiteering Authority
(b) GST Council
(c) Central Board of Indirect Taxes and Customs
(d) Competition Commission of India

358. Consider the following statements regarding the recommendations of the GST Council:

1. It will be binding on Centre and State for tax rate changes or framing of rules under CGST/SGST
2. It will not be binding on primary legislation like amendments in CGST/SGST

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

359. The term 'Crowd-out' in economy is related to which of the following:

1. Increased public sector spending replaces private sector spending
2. Governments deficit spending through borrowed money leads to hardening of interest rates
3. Government spending uses up financial resources that would otherwise be used by private firms
4. 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) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

360. The term 'Crowd-in' in the economy is related to which of the following?

1. Targeted government spending acts as an engine of growth in the short run
2. Government spending complements the private investment
3. Government spending substitutes the private investment
4. Government spending boosts demand for goods which in turn increases private demand

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 1, 2 & 4 only
(d) 1, 3 & 4 only

361. Consider the following statements

1. Higher growth rate relative to interest rate makes the debt sustainable
2. Long maturity profile of debt reduces the rollover risk

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

362. Consider the following statements regarding inverted duty structure in GST:

1. It is the result of several tax slabs in our GST structure
2. It results in loss of revenue for the government

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

363. Consider the following statements regarding use of Aadhar for benefit transfer:

1. The money can be drawn only by Central Govt. from the Consolidated Fund of India
2. The States can also use Aadhar to transfer benefit from Consolidated Fund of States
3. Central government can make Aadhar mandatory for authentication to provide any subsidy
4. 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) 1 only
(b) 2 & 4 only
(c) 1, 3 & 4 only
(d) 2, 3 & 4 only

364. 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

365. Which of the following statements are true regarding "Deficit Financing"?

1. It raises aggregate demand in the economy
2. It may result in inflation in the economy
3. It is used as a developmental tool by developing countries
4. It is done by issuing government bonds

Select the correct answer using the code given below:

(a) 1 & 2 only
(b) 1, 2 & 3 only
(c) 3 & 4 only
(d) All of the above

366. Consider the following statements regarding 'Consolidated Sinking Fund (CSF)':

1. The fund is maintained with RBI
2. The fund belongs to State Governments
3. This fund is used as buffer for repayment of liabilities

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

367. Inflation acts as a tax in the economy. This tax is:

(a) Progressive
(b) Proportional
(c) Regressive
(d) None of the above

368. Consider the following statements regarding the Corporate Income Tax which the government reduced effectively to 25.17%:

1. It is applicable for domestic companies
2. It is applicable only if the companies are not availing various tax exemptions
3. The above rate is including Cess and Surcharge

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

369. Consider the following statements regarding 'Equalisation Levy':

1. It is a direct tax
2. It is imposed as a percentage of profit
3. It is applicable on Non-resident entities

Select the correct answer using the code given below:
(a) 3 only
(b) 1 & 3 only
(c) 1 & 2 only
(d) 2 & 3 only

370. Once the Global Minimum Corporate Tax becomes effective (let the rate be "GMT") then:

(a) The countries will not be allowed to keep the tax rate below GMT

(b) A country can keep the tax rate below GMT but the foreign firms operating in that country will have to pay tax to the level of GMT

(c) A country can keep the tax rate below GMT but the foreign firms operating in that country will have to pay tax to the level of tax rate prevalent in their home country

(d) A country can keep the tax rate below GMT but the foreign firms operating in that country can be asked to pay the difference of GMT and the country's tax rate to their home country

371. 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

372. Consider the following statements regarding the Centrally Sponsored Schemes (CSCs):

1. Central government gives grant to States to implement these schemes

2. For Central government, most of the expenditure on CSCs is revenue expenditure
3. 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) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

373. Consider the following statements regarding the "Public Finance Management System (PFMS)":

1. It comes under the office of Controller General of Accounts, Ministry of Finance
2. It comes under Department of Economic Affairs, Ministry of Finance
3. It is an end-to-end online solution for processing payments, reconciliation and reporting of central schemes
4. It tracks fund utilization up to the last mile for central schemes

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 & 3 only
(c) 1, 3 & 4 only
(d) 2, 3 & 4 only

374. 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 part of the Divisible Pool?

1. Cess and Surcharge
2. Cost of collection of taxes
3. Tax Revenue of the Union Territories
4. National Calamity Contingency Duty

Select the correct answer using the code given below:

(a) 1 & 4 only
(b) 3 & 4 only
(c) 1, 2 & 3 only
(d) All of the above

375. Consider the following statements regarding the Fifteenth Finance Commission (FFC) recommendations for 2021 to 2026:

1. It has recommended a devolution of 41% of the divisible pool from Central taxes to States
2. It has recommended 'State specific grants, based on their special needs
3. It has recommended 'sector specific grants' which are mostly performance-based incentives

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

376. 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

377. "Central Government Debt" includes which of the following?

1. Outstanding liabilities on the security of the Consolidated Fund of India
2. Outstanding liabilities in the Public Account of India
3. Off-budget liabilities

Select the correct answer using the code given below:
(a) 1 only

(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

378. The Public Debt of Government of India includes which of the following:

1. Treasury Bills & Dated securities
2. External Commercial Borrowing (ECB)
3. NRI deposits
4. Foreign Direct Investment in India (FDI)

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 1, 2 & 3 only
(d) 2 & 4 only

379. Which of the following is the largest holder of Public Debt?

(a) Commercial banks
(b) Provident Funds
(c) Reserve Bank of India
(d) Insurance companies

380. Which of the following is part of India's External Debt?

1. External Commercial Borrowing (ECB)
2. NRI Deposits
3. Investments made by Portfolio Investors in debt securities
4. Portfolio Investors purchasing government securities

Select the correct answer using the code given below:
(a) 1 only
(b) 4 only
(c) 1, 3 & 4 only
(d) All of the above

381. Consider the following regarding India's external debt:

1. It is around 20% of GDP
2. Sovereign Debt is less than 5% of GDP
3. Commercial Borrowings has the highest share in India's external debt

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 3 only
(c) 1 & 3 only
(d) All of the above

382. Which of the following is rupee denominated India's external debt?

1. FPIs purchasing corporate and Govt. bonds
2. Masala bonds
3. Non-Resident External (NRE) deposits in Indian banks

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

383. Consider the following statements regarding currency composition of India's external debt:

1. More than 50% debt is denominated in US dollars
2. Less than 10% debt is denominated in Indian Rupee

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

384. Consider the following statements:

1. Centre's accumulated debt is consistently higher than all State's combined debt in the last decade
2. Out of the total debt of Central Govt., public debt is around 90%
3. Public debt is primarily contracted at fixed interest rate

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

385. Which of the following statements are true regarding FRBM Act 2003?

1. RBI generally subscribes to the primary issues of Central government securities
2. RBI finances Central government fiscal deficit
3. 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) 1 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) 3 only

386. States need to take prior approval from the Centre for their borrowing:

1. If they have taken debt from Centre and there are pending dues
2. If there is any outstanding loan on State Govt. with respect to which Central Govt. has given guarantee
3. If States are breaching their FRBM targets (every state has enacted their own fiscal responsibility and budget management act)

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 3 only
(d) All of the above

387. The General Govt. Debt (Centre and States combined) as on 31st March 2022 is:
(a) More than the GDP
(b) Equal to GDP
(c) Less than 90% of the GDP
(d) Half of the GDP

388. Consider the following statements regarding Forex Reserves:

1. The country's Forex Reserves fully covers the external debt of India
2. The country's Forex Reserves fully covers its one-year of imports

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

389. 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

390. Consider the following statements regarding 'Net International Investment Position (NIIP)':

1. 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
2. The FDI inflow in a country will worsen the NIIP position of that country
3. It represents the debt and equity service burden
4. Increase in our forex reserves will improve NIIP position

Select the correct answer using the code given below:
(a) 1 & 4 only

(b) 2 & 3 only
(c) 1, 3 & 4 only
(d) All of the above

391. India's external liabilities include which of the following?

1. FDI investment in India
2. FPI's debt and equity investments in India

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

392. Which of the following statements are true regarding Centre's Off Budget Borrowings?

1. These are debt for Central Government
2. These are part of fiscal deficit of Central Govt.
3. Principal and interest payment is made by the Central government
4. No off-budget borrowings were estimated in 2022-23.

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) 1, 3 & 4 only

393. The "Internal and Extra Budgetary Resources" of Central Public Sector Undertakings (CPSUs) include which of the following:

1. Profit of the CPSUs
2. Domestic and foreign loans raised by the CPSUs

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

394. Which of the following statement is true regarding the 'Scheme for Financial Assistance to States for Capital Investment' for 2022-23:

(a) These are interest free loans to States
(b) These are grants to States
(c) These are within the borrowing limits allowed/ fixed for States
(d) None of the above

395. Consider the following statements regarding the "e-assessment scheme":

1. It allows faceless assessment of taxpayers
2. It is for direct taxpayers
3. The national e-assessment centre is based in Mumbai

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 2 only
(d) All of the above

396. Consider the following statements regarding Agriculture Census:

1. Agriculture Census is conducted quinquennially (at five-year interval)
2. The first Agriculture Census was conducted in 1970-71

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

397. Consider the following statements:

1. Agriculture GVA at constant prices has steadily increased in the last 5 years
2. Horticulture production has surpassed food grain production consistently in the last ten years

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

398. Select the correct code arranging the production of foodgrains in descending order:

(a) Rice> Wheat> Coarse grain> Pulses
(b) Rice >Wheat > Pulses > Coarse grain
(c) Wheat> Rice> Coarse grain> Pulses
(d) Wheat> Rice> Pulses> Coarse Grains

399. Consider the following statements regarding agriculture trade:

1. India's agriculture trade has consistently been in surplus in the last 5 years
2. Agriculture exports in value terms has steadily increased in the last 5 years

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

400. Which country is the largest exporter of Jute?

(a) India
(b) Myanmar
(c) Bangladesh
(d) China

401. Consider the following statements regarding Jute:

1. National Jute Board has been constituted under an act of parliament to promote jute production and its products
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

402. Which of the following factors are taken into account by CACP for recommending MSP of agriculture crops?

1. Demand and supply
2. Price trends in domestic and international markets
3. Terms of trade between agriculture and non-agriculture sector
4. Inter-crop price parity
5. Cost of production
6. Likely implications of MSP on the consumers of that product

Select the correct answer using the code given below:

(a) 5 only
(b) 1, 2 and 5 only
(c) 2, 3 & 6
(d) All of the above

403. Government declares MSP which is at least 50% over cost of production. This cost includes:

1. Actual paid out cost on rentals
2. Rentals forgone on owned land
3. Depreciation on agricultural implements
4. Actual storage cost post-harvest

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 4 only
(c) 2 & 3 only
(d) 1 & 3 only

404. Consider the following statements regarding the procurement of 'Minor Forest Produce' at Minimum Support Price.

1. The MSP is revised after every 3 years by Ministry of Tribal Affairs
2. The MSP declared by the Govt. of India acts as a reference MSP and States have the freedom to change it
3. 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) 1 & 3 only
(b) 2 & 3 only
(c) None of the above
(d) All of the above

405. Which of the following statements are true regarding the Model Agricultural Land Leasing Act 2016?

1. The model act allows consolidation of farm land
2. The duration of lease and the consideration amount is regulated by the government
3. The model act does not allow leasing of land for animal husbandry purposes

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 only
(d) All of the above

406. Consider the following statements regarding electronic National Agriculture Market (e-NAM)

1. It will ensure one nation one price of agri commodities for the consumers

2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

407. Consider the following statements regarding organic foods in India:

1. FSSAI regulates organic foods in India
2. Any food to be sold as 'organic' in India must be certified through National Program for Organic Production (NPOP)
3. 'Jaivik Bharat' is a logo developed by FSSAI for organic products in India

Select the correct answer using the code given below:
(a) 1 only
(b) 3 only
(c) 1 & 3 only
(d) All of the above

408. Consider the following statements regarding "Krishi Vigyan Kendras (KVKs)":

1. KVKs are completely financed by Govt. of India
2. KVKs are financed jointly by Govt. of India and the State governments
3. KVKs work as knowledge and resource centre of agricultural technologies to make it available to farmers
4. KVKs produce quality product to make it available to farmers

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 & 3 only
(c) 2 & 4 only
(d) 1, 3 & 4 only

409. Which of the following statements are true regarding "Farmer Producer Organization" (FPO):

1. It can be a company, a cooperative society or any other legal entity
2. It should provide sharing of benefits/profit to the farmers

3. Ownership control is always with the farmers
4. NABARD is providing support for promotion of FPOs

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 4 only
(c) 1, 2 & 4
(d) All of the above

410. Consider the following statements regarding "Protection of Plant Varieties and Farmers Rights (PPVFR) Act 2001:

1. The 'Breeder' of the new variety will decide the royalty

2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

411. Consider the following statements regarding "National Gene Fund":

1. It has been established under Protection of Plant Varieties and Farmers Rights Act 2001
2. It has been established under Indian Patent Act 1970
3. It will receive benefit sharing from the breeder

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 2 only
(d) 1 & 3 only

412. FCI stores the food grains procured for the central pool in the following:

1. FCI's own godowns
2. Central Warehousing Corporation's godowns
3. State Warehousing Corporation's godowns
4. Godowns hired from private sector

Select the correct answer using the code given below:
(a) 1 only
(b) 1, 2 & 3 only
(c) 2 & 4
(d) All of the above

413. 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 excess stock of 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

414. "Economic Threshold Limit" 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

415. 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) Loss of Oil Marketing Companies (OMCs) in providing fuel at cheaper rate to the public
(c) Government giving exemptions on certain types of taxes
(d) Central government getting less repayment on loans given to States

416. Consider the following statements regarding Urea subsidy:

1. The subsidy amount is transferred directly into farmer's account
2. The per kg subsidy amount is fixed and does not change with market fluctuation
3. Price of Urea is regulated by the government

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 3 only
(d) All of the above

417. Consider the following statements regarding the 'Nutrient Based Subsidy' (NBS) Scheme.

1. It is given for phosphatic, potassic and complex fertilizers
2. It is given for urea
3. The prices of fertilizers under nutrient based scheme are regulated by the government
4. Subsidy is based on per kg of nutrients present in the fertilizer

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 & 3 only
(c) 1 & 4 only
(d) 3 & 4 only

418. Consider the following statements regarding Urea fertilizer:

1. More than 50% of urea is imported in the country
2. Urea prices are regulated for the farmers
3. Mandatory production of 100% neem quoted urea
4. Subsidy amount is transferred to the fertilizer plants based on each plant cost of production

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 4 only
(d) All of the above

419. Consider the following statements regarding 'Liquid Nano Urea':

1. Liquid Nano Urea has been developed and Patented by Indian Farmers Fertilizer Cooperative (IFFCO)
2. Govt. provides subsidy on liquid nano urea
3. Liquid Nano Urea contains 4% nitrogen by volume and needs to be sprayed on leaves of the crops

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 only
(c) 2 & 3 only
(d) 1 & 3 only

420. Consider the following statements regarding 'One Nation One Fertilizer Scheme':

1. Fertilizers will be sold under the single brand name 'BHARAT'
2. Companies will not be allowed to put their own name on fertilizer bags
3. The BHARAT logo has a tractor and drone in its image

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 only
(c) 2 & 3 only
(d) 1 & 3 only

421. Arrange the following major subsidies in descending order for as budgeted for the year 2023-24.

(a) Fertilizer > Food > Petroleum
(b) Food > Fertilizer > Petroleum
(c) Food > Petroleum > Fertilizer
(d) Petroleum > Food > Fertilizer

422. Consider the following statements regarding 'Kerosene'.

1. Central Govt. allocates States kerosene for PDS

2. Central Govt. does not provide any subsidy on kerosene
3. Some states have been declared as Kerosene free states

Select the correct answer using the code given below:
(a) 2 only
(b) 2 & 3 only
(c) 1 & 3
(d) All of the above

423. Consider the following statements:

1. Minimum Export Price (MEP) is the price below which exports are not permitted
2. MEP is imposed to curb the price rise and prevent disruptions in domestic supply
3. Minimum Import Price (MIP) is the price below which imports are not allowed
4. MIP is imposed to curb imports and protect domestic producers

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 & 3 only
(c) 2, 3 & 4 only
(d) All of the above

424. Consider the following statements:

1. Minimum Export Price (MEP)/Minimum Import Price (MIP) restrictions are imposed under “The Foreign Trade (Dev. & Reg.) Act 1992”
2. “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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

425. Which of the following statements are true regarding Central Government’s procurement policy of wheat and rice?

1. It is an open-ended procurement policy
2. Under the centralized procurement policy, all the wheat and rice is procured by FCI
3. Under decentralized procurement policy, States procure wheat and rice and distribute under NFSA

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

426. Consider the following statements regarding "Warehouse Receipts":

1. They are issued as per the Warehousing (Development & Regulation) Act 2007
2. Warehousing Development & Regulatory Authority (WDRA) is under ministry of Commerce and Industry
3. Warehouse receipts are negotiable
4. These receipts are govt. recognized and can be used for taking loan

Select the correct answer using the code given below:
(a) 1 only
(b) 3 & 4 only
(c) 1, 3 & 4 only
(d) All of the above

427. Consider the following statements regarding the essential commodities under “Essential Commodities Act 1955”

1. Central government can put stocking limits on retailers and wholesalers under Essential Commodities Act 1955
2. 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
3. NAFED and NCCF are registered as Multi-State Cooperative Societies

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 2 & 3 only
(d) All of the above

428. Which of the following statements are true regarding SAMPADA scheme?

1. It is implemented by Ministry of Agriculture
2. It is implemented by Ministry of consumer affairs, food and public distribution
3. It will focus on agro-marine processing

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) 3 only

429. Consider the following statements regarding 'Pradhan Mantri Matsya Sampada Yojana':

1. It is implemented in coastal states and UTs
2. The government is providing some percentage of the project cost
3. Focuses on formation of 'Fish Farmer Producer Organization'
4. Focus is on increasing contribution to agriculture GVA and exports

Select the correct answer using the code given below:
(a) 1 and 4 only
(b) 2, 3 & 4 only
(c) 3 & 4 only
(d) 2 & 3 only

430. Consider the following statements regarding 'Operation Greens':

1. It is under ministry of Food Processing Industries
2. NAFED will be the nodal agency to implement it
3. It focusses on building post-harvest processing facilities and agri-logistics

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

431. Select the correct statements regarding "Operation Greens":

1. It aims to promote FPOs and value addition
2. It provides for short term and long-term intervention by Govt.
3. It is demand driven and state wise funds are not allocated

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 3 only
(c) 2 & 3 only
(d) All of the above

432. Consider the following statements regarding "Agricultural and Processed Food Products Export Development Authority (APEDA)":

1. It is not a statutory body as it was created through a Govt. resolution
2. Established in early 1990s
3. APEDA is implementing the National Program for Organic Production (NPOP)

Select the correct answer using the code given below:

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

433. Consider the following statements regarding the 'National Technical Textile Mission':

1. The aim is to promote our domestic market through research and development
2. The focus is on export promotion of technical textiles

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

434. Consider the following facts related to 'Palm Oil':
1. It is the world's most widely used vegetable oil
2. Indonesia is the world's biggest producer, exporter and consumer of palm oil.

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

435. Consider the following statements regarding the 'National Edible Oil Mission – Oil Palm':

1. The mission has special focus on Southern Indian
2. Price assurance for oil palm farmers
3. Special focus on providing assistance of inputs and interventions
4. Presently more than 90% of the crude palm oil is imported

Select the correct answer using the code given below:
(a) 1 and 4 only
(b) 2, 3 & 4 only
(c) 1, 2 & 3 only
(d) All of the above

436. Where is 'Indian Institute of Oil Palm Research (IIOPR)' located?

(a) Telangana
(b) Andhra Pradesh
(c) Tamil Nadu
(d) Kerala

437. Consider the following statements regarding 'Ethanol Blended Petrol' Programme:

1. Govt. notifies differential price of ethanol based on different feedstock
2. Ethanol price for blending is approved by Cabinet Committee on Economic Affairs
3. Govt. has set the target of 20% ethanol blending in petrol by 2025-26

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 3 only
(d) All of the above

438. Consider the followings statements with reference to 'Jaivik-kheti portal':

1. It is an E-commerce as well as a knowledge platform
2. It is an initiative of Ministry of Agriculture (MoA)
3. 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) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

439. 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

440. Consider the following Statements regarding under National Food Security Act 2013:

1. Within a state, transportation and distribution cost is incurred by State Govt.
2. The Food subsidy burden is shared equally between Centre and States
3. The Central Issue Price (CIP) at which foodgrains are issued to states are decided by FCI
4. Presently central govt. is transferring the food to states at zero prices

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2, 3 & 4 only
(c) 3 & 4 only
(d) 4 only

441. Consider the following statements regarding 'Integrated Management of Public Distribution System (IM-PDS)' scheme:

1. Its main objective is to introduce nation-wide portability of ration cards under National Food Security Act, 2013

2. National level de-duplication of all ration cards/beneficiaries' data

3. Integration of State/UTs PDS with Central PDS

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

442. 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

443. Consider the following statements regarding 'Custom Hiring Centre' (CHC)?

1. Government is establishing CHC under National Mission on Agricultural Extension & Technology
2. Government is providing subsidy on purchase of equipments by CHCs
3. CHC provides costly equipments to small farmers on rental basis

Select the correct answer using the code given below:
(a) 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

444. Consider the following statements regarding National Sample Survey (NSS):

1. It is conducted by National Statistical Office (NSO)
2. It is a socioeconomic survey conducted annually
3. It is conducted on rotating topics

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 3 only
(d) All of the above

445. 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

446. Consider the following statements regarding the "Periodic Labour Force Survey":

1. It is conducted quinquennially
2. It is conducted for both rural and urban labour force
3. It collects data for urban labour on a quarterly basis

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 only
(d) 2 & 3 only

447. Consider the following statements regarding 'Quarterly Employment Survey':

1. It is conducted by labour bureau
2. It provides employment scenario from the supply side
3. It provides employment updates in both organized and unorganized segments

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

448. 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

449. The unemployment caused due to the workers lacking the requisite job skills is an example of:

(a) Cyclical
(b) Structural
(c) Frictional
(d) Disguised

450. 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

451. 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

452. 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

453. In case of disguised unemployment, which of the following will hold true:

1. Marginal productivity of capital will be zero
2. Productivity of labour will be less

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

454. Consider the following statements regarding an economy facing cyclical unemployment:

1. It may lead to inflation in the economy
2. It may lead to deflation in the economy
3. It can be tackled through expansionary monetary policy
4. It can be tackled through expansionary fiscal policy

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1, 3 & 4 only
(d) 2, 3 & 4 only

455. Which of the following are true for underemployment?

1. Workers in job that are not able to utilize their skills
2. Workers in low paying jobs as relative to their skills
3. Part time workers preferring full time jobs
4. Productivity of labour is low

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1, 2 & 3 only
(c) 2, 3 & 4 only
(d) All of the above

456. Consider the following statements:

1. 'Jobless growth' implies labour is becoming more productive
2. If 'employment elasticity' is decreasing that implies labour productivity is increasing

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

457. '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

458. Consider the following statements:

1. Human capital considers education and health as a means to increase labour productivity
2. Under human development, human beings are end in themselves

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

459. Consider the following statements regarding employment elasticity:

1. It measures the percentage change in economic growth with respect to per percentage increase in employment
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

460. The term 'ASEEM' 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

461. Consider the following statements regarding the 'e-SHRAM' portal:

1. It is under Ministry of Labour and Employment
2. It is for organized as well as unorganized workers
3. Insurance cover is also being provided to workers registered on this portal

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) 1 & 3 only

462. Which organization publishes the 'Gender Gap Index'?

(a) World Economic Forum
(b) World Health Organization
(c) United Nations Development Programme
(d) International Labour Organization

463. Consider the following statements:

1. Insurance penetration is measured as the percentage of insurance premium to GDP
2. 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) 1 only
(b) 2 only
(c) 1 & 2 both
(d) Neither 1 nor 2

464. Consider the following statements:

1. Life insurance business was nationalized in mid 1950s
2. Life Insurance Corporation (LIC) was established in the early 1960s

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

465. Consider the statements regarding general insurance sector in India:

1. The sector was nationalized in 1970's
2. It was liberalized in early 1990's
3. Insurance Regulatory and Development Authority (IRDA) was established as a statutory body in 2000

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) 2 only

466. 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

467. Which of the following statements are true regarding India's Total Fertility Rate (TFR)?

1. It has declined below the 'replacement level of fertility'
2. Since it has gone below the replacement level fertility, the population will stop increasing

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

468. 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

469. 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

470. Consider the following statements regarding the newly enacted 'The Code on Wages 2019':

1. There will be a statutory minimum/floor wage which will be applicable for both organized and unorganized sector labours
2. This code will not be applicable to MGNREGA wages

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

471. Consider the following statements regarding the newly enacted 'The Industrial Relations Code 2020':

1. Permission will not be required from the government to close a factory if the number of workers are less than 300
2. Fixed term employment has been made applicable for all industries

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

472. Consider the following statements regarding the newly enacted 'The Code on Social Security 2020':

1. A social security fund is proposed to be established for workers of unorganized sector
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

473. Consider the following statements regarding the newly enacted 'The Occupational Safety, Health and Working Conditions Code 2020':

1. An inter-state migrant worker is one whose wages does not exceed Rs. 18,000 per month
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

474. The National Census is conducted by which 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

475. 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

476. World Bank has introduced the concept of 'Learning Poverty' which is defined as:

(a) Percentage of youth aged 18 and above who cannot read and write a simple text
(b) Percentage of the children aged 8 and above who are not enrolled in any kind of school education
(c) Percentage of 10-year-old children who cannot read and understand a simple text
(d) Percentage of 12-year-old children who cannot read and write a simple text

477. 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

478. The 'Logistics Performance Index' is released by which agency?

(a) World Bank
(b) UNCTAD
(c) WTO
(d) OECD

479. Consider the following statements regarding 'Generalized System of Preferences (GSP)':

1. Special and differential treatment is offered to developing and least developed countries
2. WTO defines developing and least developed countries for offering GSP benefits
3. It is offered on reciprocal basis

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 3 only
(d) 2 & 3 only

480. As per the 'Agreement on Fisheries Subsidy' as agreed in the 12th MC of WTO held in June 2022 in Geneva, Consider the following statements:

1. The Agreement will enter into force upon acceptance of its legal instrument by half of the members

2. For a period of 2 years, from the date of this Agreement comes into force, subsidies granted by Developing and Least Developed countries within the Exclusive Economic Zones will be exempt from actions

3. A funding mechanism will be established to provide technical assistance to Developing and Least Developed countries

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

481. Consider the following statements regarding the 'Compulsory Licenses' under the Indian Patent Act 1970:

1. It is given for generic versions of drugs
2. It is given during the protection period of the patent
3. Manufacturers producing drugs under compulsory license need not pay royalty to the patent owner

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 3 only
(d) 2 & 3 only

482. Which of the following statements are true regarding "Financial Action Task Force":

1. It is an inter-governmental body of which India is a member
2. It has been established to combat money laundering and terrorist financing

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

483. Consider the following statements regarding the "Remission of Duties or Taxes on Export Products (RoDTEP)" scheme:

1. It is a WTO compliant scheme
2. It has replaced Merchandise Exports from India Scheme (MEIS)

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

484. Consider the following statements regarding the "Remission of Duties or Taxes on Export Products (RoDTEP)" scheme:

1. The scheme will reimburse the levies which are currently out of GST regime
2. The scheme is for reimbursing the CGST and SGST paid on various products in case of exports
3. The scheme will make exports zero-rated

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

485. 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

486. 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

487. 'International Debt Statistics' report 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)

488. "Human Capital Index" is published annually by which of the following agency?

(a) World Bank
(b) IMF
(c) UNDP
(d) WHO

489. 'World Migration Report' is released by which of the following institution?

(a) World bank
(b) IMF
(c) World Economic Forum
(d) United Nations

490. "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

491. Which of the following is dependent on "QUOTA" assigned by IMF to its member countries?

1. Financial resources that the member country is obliged to provide IMF
2. Voting Rights
3. SDR allocation to member countries
4. Borrowing capacity of a member country

Select the correct answer using the code given below:
(a) 2 only
(b) 2 & 3 only
(c) 1 & 4 only
(d) All of the above

492. Consider the following statements regarding Special Drawing Rights (SDR) of IMF:

1. It is allocated to the member countries based on their economic size
2. SDR allocation acts as external debt for the respective country's Govt.
3. SDRs can be held only by Government entities
4. It forms part of Capital Account under Balance of Payment

Select the correct answer using the code given below:
(a) 1, 2 & 3 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

493. Consider the following statements regarding the "Most Favoured Nation (MFN)" principle of WTO trade:
1. A member country can grant more favours to the other member country
2. MFN is basically a principle of non-discriminatory trade
3. Free Trade Agreements have been exempted from the MFN principle

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 only
(d) 2 & 3 only

494. Which of the following measures are considered as prohibitive under the Agreement on 'Trade Related Investment Measures (TRIMS)' under WTO?

1. Local content requirement
2. Export obligation
3. Technology transfer requirement
4. Domestic employment

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

495. 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

496. Consider the following statements regarding 'Tariff rate quota' (TRQ) system:

(a) It allows a pre-determined quantity of a product to be imported at lower import duty rates than the duty rate normally applicable to that product

(b) It allows a pre-determined quantity of a product to be imported at normal import duty and then the duty increases

(c) It allows only a pre-determined quantity of a particular product to be imported at a particular tariff

(d) None of the above

497. 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

498. Which of the following statements are true regarding 'Safeguard Duty':

1. It is a WTO compliant measure
2. It is imposed when there is an increased import of particular product
3. It is imposed as an additional import duty

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 2 & 3 only
(d) All of the above

499. Consider the following statements regarding 'Trademarks':

1. Trademarks can last for indefinite time period
2. Trademarks are assignable
3. Protected through 'Trade Marks Act 1999'

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 3 only
(d) All of the above

500. Consider the following statements regarding 'Trade secrets':

1. No registration is required to protect trade secrets
2. It can be protected for unlimited time period
3. To qualify as a trade secret, the information should have commercial value

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 3 only
(d) All of the above

501. Consider the following statements:

1. PM Kisan will fall under "Green Box" in WTO subsidies
2. Peace Clause under WTO is still continuing

Select the correct answer using the code given below:
(a) 1 only

(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

502. 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

503. Which of the following products were given Geographical Indication tag recently?

1. Chak-Ho of Manipur
2. Terracotta of Gorakhpur
3. Saffron of Kashmir
4. Betel leaf of Tirur

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) All of the above

504. "Annual Observance Report" is published by which institution/agency?

(a) IMF
(b) World Bank
(c) RBI
(d) OECD

505. Which agency/institution releases the "Social Mobility Index"?

(a) World Economic Forum
(b) World Bank
(c) OECD
(d) None of the above

506. Consider the following statements regarding 'Startups':

1. An entity is considered startup up to a period of 10 years from the date of its incorporation
2. Turnover of the entity should not be more than 10 crores in any year since incorporation
3. They are included in priority sector lending

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

507. Recently Parliament passed "Factoring Regulation (Amendment) Bill, 2021". Which of the following statements are true regarding 'factoring'?

(a) It is an unsecured lending facility by banks to generally MSMEs
(b) Banks provide lending facility where receivables act as collateral
(c) It is a way to get immediate liquidity by selling receivables
(d) It is a short-term lending facility by NBFCs to MSMEs

508. Consider the following statements:

1. Retail and wholesale trade are now classified as MSME enterprises
2. Retail and wholesale trade are treated as MSME enterprises only for availing priority sector lending benefits
3. Street vendors can register on Udyam Registration Portal and avail the benefits of priority sector lending

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 2 only
(d) 1 & 3 only

509. Which of the following statements are true regarding 'National Monetization Pipeline'?

1. Plans for monetization of core assets of central government and central PSUs
2. The pipeline has been developed by Dept. of Investment and Public Asset Management in consultation with Infrastructure ministries
3. Focuses on privatization of brownfield projects

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) 1 & 3 only

510. Consider the following statements:

1. Private Label products are sold under the name of specific retailers
2. White Label products are sold by multiple sellers under their brand

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

511. 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

512. Which of the following sectors have the highest allocation in "National Infrastructure Pipeline" (NIP)?

(a) Energy
(b) Road
(c) Rail
(d) Urban

513. Consider the following statements regarding "National Pharmaceuticals Pricing Authority" (NPPA):

1. It is under ministry of health and family welfare
2. It fixes/revises the prices of controlled drugs
3. It implements the provisions of Drug Price Control Order (DPCO)

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

514. Consider the following statements regarding the "Zero Defect, Zero Effect (ZED)" scheme:

1. The scheme is for MSME sector
2. It ensures producing high-quality manufacturing products
3. It ensures minimal negative impact on environment.
4. It is a cornerstone of the flagship Make in India programme

Select the correct answer using the code given below:
(a) 1 & 4 only
(b) 2 & 3 only
(c) 1, 2 & 3 only
(d) All of the above

515. Consider the following statements regarding the "Common Services Centre (CSC)":

1. They are part of the Digital India programme
2. They are implemented on public private partnership modal
3. They act as access points for delivery of various electronic services

Select the correct answer using the code given below:
(a) 1 & 2 only

(b) 1 & 3 only
(c) 2 & 3 only
(d) All of the above

516. Which of the following are part of the 'Index of Industrial Production (IIP)'?

1. Mining and quarrying
2. Electricity generation
3. Construction
4. Forestry

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1, 2 & 3 only
(d) All of the above

517. 'Industrial Outlook Survey' is conducted by:

(a) Ministry of Commerce and Industry
(b) RBI
(c) National Statistical Office
(d) Dept. of Economic Affairs

518. Which of the following statements are true regarding the "Open Acreage Licensing Policy (OALP)"?

1. The policy is for oil and gas sector
2. Any private developer can participate without experience of oil and gas sector
3. Private players can suggest to Government to put specific blocks on bid
4. The policy is a part of the New Exploration Licensing Policy

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) 2 & 4 only

519. 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

520. Consider the following statements regarding 'Core Industries':

1. It comprises of around 40% of the weight of items included in Index of Industrial production (IIP)
2. Fertilizers have the lowest weight in Core Industries index

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

521. 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

522. Consider the following statements regarding "Invest India":

1. It is a non-profit agency
2. It is an agency under Dept. of Economic Affairs

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

523. The term "Open access" in electricity means which of the following:

(a) Consumers have access to the transmission and distribution network to obtain electricity from the suppliers of their choice
(b) 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

524. 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

525. Recently Government of India launched 'CHAMPIONS' online platform which is related to:

(a) Export
(b) MSMEs
(c) Start-ups
(d) Banks

526. Consider the following statements regarding "Concessional Finance Scheme":

1. Under the scheme, projects are selected by Ministry of External Affairs
2. Under the scheme, Govt. of India gives 2% interest subsidy
3. The scheme is operated through EXIM Bank of India

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 1 & 3 only
(c) 3 only
(d) All of the above

527. 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.

1. Pension Fund Regulatory Development Authority (PFRDA)
2. Insurance Regulatory and Development Authority of India (IRDAI)
3. Securities and Exchange Board of India (SEBI)

Select the correct answer using the code given below:
(a) 2 – 1 - 3
(b) 3 – 2 – 1
(c) 1 – 2 – 3
(d) 2 – 3 – 1

528. As per SEBI, minimum 'Public Shareholding' (the shares which are traded on the stock exchange) for listed companies is:

(a) 5%
(b) 10%
(c) 25%
(d) 35%

529. Recently which stock exchange has got the approval by SEBI to set up a Social Stock Exchange?

(a) National Stock Exchange
(b) Bombay Stock Exchange
(c) Delhi Stock Exchange
(d) Multi Commodity Exchange of India

530. 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

531. Consider the following statements regarding the newly launched "Toll-Operate-Transfer (TOT) model in the road sector:

1. Toll revenue collection rights are auctioned to private players for long term
2. Toll revenue need to be shared with the government authority
3. Already constructed roads are given to private players

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 3 only
(d) 2 & 3 only

532. Consider the following statements:

1. Nuclear energy generation capacity share is less than 10%
2. Renewable energy generation capacity share is more than 25%

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

533. Consider the following statements:

1. Renewable Energy Certificates (REC) are traded on Indian Energy Exchange and Power Exchange of India
2. 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) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

534. Consider the following statements:

1. Indian Gas Exchange is a wholly owned subsidiary of Indian Energy Exchange
2. Indian Gas Exchange is an online delivery-based gas trading platform

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

535. Consider the following statements:

1. India is the biggest coal producer country in the world
2. India is the second biggest coal consumer country in the world
3. India has become net exporter in coal

Select the correct answer using the code given below:
(a) 2 only
(b) 1 & 2 only
(c) 2 & 3 only
(d) 3 only

536. Consider the following statements regarding 'National Investment and Infrastructure Fund' (NIIF):

1. It is meant for both greenfield and brownfield project
2. It will invest into infrastructure projects and infrastructure financing companies
3. It will raise funds from both domestic and international sources

Select the correct answer using the code given below:
(a) 2 only
(b) 2 & 3 only
(c) 3 only

(d) All of the above

537. Which of the following statements are true regarding Universal Service Obligation Fund (USOF)?

1. This fund is under Dept. of Telecommunication
2. This fund is used to provide ICT services in rural and remote areas
3. This fund is created out of the budgetary resources of Govt. of India

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 2 only
(c) 3 only
(d) 2 & 3 only

538. Consider the following statements regarding the SFURTI scheme:

1. It is implemented by ministry of MSME
2. It promotes cluster-based development

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

539. The main objectives of setting up Special Economic Zones (SEZ) are:

1. Generation of additional economic activity
2. Promotion of investment from foreign sources
3. Creation of employment opportunities

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 1 only
(c) 3 only
(d) All of the above

540. Which of the following statements are true with reference to Special Economic Zones (SEZ)?

1. SEZ units may import/procure goods and services from Domestic Tariff Area (DTA) without payment of customs/import duty
2. Customs duty is imposed on sale from SEZ to DTA
3. SEZ units should be net foreign exchange earners

Select the correct answer using the code given below:
(a) 1 only
(b) 1 & 3 only
(c) 3 only
(d) All of the above

541. 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

542. 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

543. Which of the following statements are true regarding the term 'Force Majeure' which was recently in the news?

1. It is generally treated as a breach of contract
2. Unforeseeable circumstances that prevent someone from fulfilling a contract
3. 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) 1 & 3 only
(b) 2 & 3 only
(c) 3 only
(d) All of the above

544. Consider the following statements regarding the 'Emergency Credit Line Guarantee Scheme' launched under the Aatma Nirbhar Bharat package:

1. Its focus is on MSMEs
2. Government agencies will provide credit guarantee
3. It is a pre-approved loan scheme

Select the correct answer using the code given below:
(a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

545. Consider the following statements regarding the 'Formalization of Micro Food Processing Enterprises' Scheme under Aatma Nirbhar Bharat:

1. Govt. is providing credit linked capital subsidy
2. It promotes 'One District One Product approach'
3. The scheme focuses on Aspirational Districts

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 1 & 2 only
(d) All of the above

546. Consider the following statements regarding 'Agriculture Infrastructure Fund' set up under Aatma Nirbhar Bharat:

1. It is a debt financing facility for investment in post-harvest management infrastructure
2. The fund will be used to provide interest subvention on loans
3. The fund will be used to provide credit guarantee

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 & 3 only
(d) All of the above

547. Consider the following statements regarding the 'Animal Husbandry Infrastructure Development Fund' under Aatma Nirbhar Bharat:

1. It will incentivize FPOs and MSMEs to establish dairy and meat processing infrastructure
2. The fund will provide interest subvention to eligible beneficiaries

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 & 2
(d) Neither 1 nor 2

548. Consider the following statements regarding 'Modified Interest Subvention Scheme' for farmers:

1. Banks provide loan to farmers at 7% interest rate
2. It is for short term credit needs of farmers
3. If farmers make timely payment, then interest rate will come down to 4%

Select the correct answer using the code given below:
(a) 1 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) All of the above

549. Consider the following statements regarding the philosophy of Aatma Nirbhar Bharat:

1. It promotes self-sufficiency through import substitution
2. Producing goods where we have comparative advantage and importing goods where we do not have that advantage
3. Liberalizing the economy and giving more space to the private sector
4. Restricting foreign capital

Select the correct answer using the code given below:
(a) 1 & 3 only
(b) 2 & 3 only
(c) 2, 3 & 4 only
(d) 1 & 4 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	D	51	D	101	D	151	C	201	D	251	D
2	C	52	C	102	B	152	C	202	D	252	A
3	D	53	A	103	D	153	A	203	D	253	C
4	D	54	C	104	D	154	C	204	D	254	D
5	A	55	D	105	D	155	C	205	D	255	A
6	A	56	D	106	D	156	D	206	D	256	D
7	B	57	C	107	D	157	C	207	A	257	A
8	A	58	D	108	D	158	D	208	C	258	D
9	A	59	D	109	B	159	D	209	C	259	C
10	A	60	B	110	D	160	B	210	D	260	C
11	C	61	D	111	D	161	D	211	C	261	D
12	A	62	D	112	C	162	D	212	C	262	C
13	B	63	D	113	D	163	B	213	B	263	B
14	C	64	D	114	C	164	C	214	D	264	A
15	B	65	B	115	C	165	D	215	A	265	A
16	D	66	D	116	A	166	D	216	B	266	D
17	D	67	C	117	C	167	B	217	D	267	C
18	C	68	C	118	A	168	D	218	C	268	A
19	C	69	D	119	D	169	B	219	B	269	C
20	C	70	C	120	D	170	D	220	A	270	C
21	A	71	C	121	D	171	C	221	B	271	D
22	B	72	A	122	D	172	C	222	B	272	C
23	A	73	C	123	B	173	D	223	A	273	D
24	A	74	C	124	B	174	B	224	D	274	D
25	C	75	B	125	B	175	C	225	B	275	D
26	D	76	D	126	D	176	D	226	C	276	B
27	D	77	D	127	C	177	B	227	D	277	D
28	D	78	C	128	C	178	C	228	D	278	D
29	D	79	A	129	D	179	B	229	B	279	A
30	B	80	C	130	A	180	B	230	C	280	C
31	C	81	C	131	D	181	D	231	D	281	C
32	B	82	D	132	A	182	A	232	D	282	A
33	C	83	D	133	C	183	D	233	A	283	C
34	C	84	D	134	D	184	D	234	C	284	A
35	D	85	C	135	C	185	B	235	A	285	B
36	C	86	B	136	C	186	D	236	B	286	C
37	A	87	C	137	D	187	A	237	D	287	D
38	D	88	A	138	D	188	C	238	D	288	C
39	A	89	C	139	C	189	D	239	D	289	B
40	D	90	C	140	C	190	C	240	D	290	D
41	C	91	A	141	A	191	C	241	C	291	D
42	D	92	B	142	D	192	D	242	C	292	C
43	A	93	D	143	A	193	C	243	D	293	A
44	C	94	D	144	D	194	C	244	C	294	C
45	A	95	C	145	B	195	D	245	D	295	D
46	D	96	C	146	B	196	D	246	D	296	B
47	B	97	C	147	C	197	C	247	A	297	C
48	D	98	A	148	D	198	A	248	D	298	B
49	D	99	D	149	A	199	D	249	C	299	D
50	A	100	D	150	A	200	A	250	C	300	D

ANSWER SHEET

Q.No.	ANS	Q.No.	ANS	Q.No.	ANS	Q.No.	ANS	Q.No.	ANS
301	D	351	B	401	C	451	C	501	C
302	D	352	C	402	D	452	B	502	D
303	D	353	C	403	D	453	B	503	D
304	D	354	A	404	D	454	D	504	A
305	C	355	D	405	A	455	D	505	A
306	C	356	D	406	D	456	C	506	B
307	D	357	D	407	C	457	D	507	C
308	D	358	C	408	D	458	C	508	B
309	A	359	D	409	D	459	B	509	A
310	B	360	C	410	B	460	D	510	C
311	A	361	C	411	D	461	D	511	C
312	B	362	C	412	D	462	A	512	A
313	C	363	D	413	B	463	C	513	C
314	B	364	A	414	C	464	A	514	D
315	B	365	D	415	B	465	C	515	D
316	C	366	D	416	C	466	C	516	A
317	D	367	C	417	C	467	A	517	B
318	D	368	D	418	B	468	A	518	C
319	B	369	B	419	D	469	A	519	B
320	C	370	D	420	D	470	C	520	C
321	D	371	B	421	B	471	C	521	C
322	D	372	B	422	D	472	C	522	A
323	D	373	C	423	D	473	C	523	A
324	C	374	D	424	C	474	C	524	B
325	A	375	D	425	C	475	A	525	B
326	D	376	B	426	C	476	C	526	D
327	C	377	D	427	D	477	A	527	B
328	C	378	A	428	D	478	A	528	C
329	D	379	A	429	B	479	A	529	A
330	C	380	D	430	D	480	B	530	A
331	A	381	D	431	D	481	B	531	C
332	A	382	D	432	C	482	C	532	C
333	C	383	A	433	C	483	C	533	C
334	B	384	D	434	C	484	C	534	C
335	C	385	D	435	B	485	C	535	A
336	D	386	A	436	B	486	A	536	D
337	C	387	C	437	D	487	A	537	B
338	C	388	D	438	D	488	A	538	C
339	B	389	A	439	C	489	D	539	D
340	D	390	D	440	D	490	B	540	D
341	D	391	C	441	D	491	D	541	B
342	D	392	D	442	C	492	D	542	B
343	D	393	C	443	D	493	D	543	B
344	A	394	A	444	D	494	D	544	D
345	D	395	C	445	B	495	D	545	D
346	D	396	C	446	D	496	A	546	D
347	A	397	C	447	B	497	B	547	C
348	D	398	A	448	C	498	D	548	D
349	D	399	A	449	B	499	D	549	B
350	A	400	C	450	B	500	D	550	B

1. (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 own that business/activity.

Movies produced in India are part of India's GDP and in this case, it is purchased by foreigners, so it's a case of exports.

2. (c)
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 (government, household, private) on two types of final goods i.e., consumption and capital (investment goods).

X-M is the net of exports and imports.

So, **3rd** statement is false because it has ignored exports minus imports.

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 true.

3. (d)
Goods are of two types: Intermediate and Final.

And final goods are of two types: Consumption and Capital.

So, capital goods are final goods and are used as input in the production process and they remain as it is and don't get transformed.

Intermediate goods are also used as an input, but they get transformed or lost in the production process.

Intermediate goods are semi-finished goods which have been produced by a man-made 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.

For better understanding please refer the book of Indian Economy by Vivek Singh.

4. (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 machinery has been imported into 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.

5. (a)
Real GDP growth measures growth in quantity 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, **economic growth is measured by change in real 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 **1st** statement is the required criteria. Because even if **3rd** statement is not true (as in the above example), a country may experience economic growth.

Economic growth can happen even without generation of employment, so it is not a required criterion.

6. (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.

7. (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)
NNP = GNP - Depreciation

Earlier (before January 2015) NSO was using factor cost to calculate NNP but now it uses Market Prices to calculate NNP.

8. (a)
Gross National Income (GNI) is the income earned by Indian residents only whether in India or abroad. 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

9. (a)
GDP calculation methodology changed slightly in 2015. The new way of GDP calculation is:

$GVA_{\text{basic prices}}$ = $GVA_{\text{factor cost}}$ + Production Taxes - Production subsidies

GDP_{MP} = $GVA_{\text{basic prices}}$ + product taxes - Product subsidies

Land revenue is a kind of production tax and railway subsidies are a kind of production subsidies. Production taxes and production subsidies are independent of the volume of actual production.

So, both production and product taxes are included in $GDP_{MP.}$

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 **2nd** is false

10. (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 the question talks about welfare, so it should be better calculated as '**per capita**' National Income rather than just National Income. Because if GNP/GDP increased but population increased more than GNP/GDP, then people standard of living (welfare) will not improve.

Since increase in price can increase the National Income at market price 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.

11. (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 a 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.

12. (a)
GVA basic price = GVA factor cost + (Production taxes – production subsidies)
GDP = GVA basic price + (Product taxes – product subsides)

GNP = GDP + NFIA

So, GNP includes production taxes. These are taxes which does not depend on production.

NFIA is net factor income from abroad and does not include free transfer. Factor income means income received in return of something and not free transfer/payment.

But of course, the free money that we get from abroad increases our disposable income, so for that we have another term called 'Gross National Disposable Income (GNDI)' which includes free transfer from abroad as well.

So, GNDI = GNI + net transfer from abroad

13. (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 **2nd** statement is true.

14. (c)
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 are going to **remain** in Indian economy whether it was domestically produced or not does not matter. This is because, whatever capital equipment's are going to remain in the economy will help in increasing domestic production in future. 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.

15. (b)
If an economy's savings (in percentage terms) are high then its consumption (in percentage) will be less and this saving could be turned into investment.

Now, if an economy's savings are high and investments are also high then it will lead to economic growth i.e., increase in production of output. And since output is increasing and savings are high and consumption are low (in percentage terms), so the output must be exported.

For detailed understanding, you can refer the book on Indian Economy by Vivek Singh.

16. (d)
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.

The term 'Gross fixed capital formation' is interchangeably used as "gross investment**"** as valuable metals and change in stock/inventory is less than 1%.

17. (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 = $\frac{\text{Output}}{\text{Input (land)}}$ $\frac{\text{2 Tonne}}{\text{1 acre}}$ = 2 Tonne/acre

Productivity of Labour = $\frac{\text{Output}}{\text{Input (labour)}}$ = $\frac{\text{2 Tonne}}{\text{5 labourer}}$ = 0.4 Tonne/labour

The above two are basically **average** productivity.
If by adding one extra labour, production increases by 0.2 tonne (assumption), then

Marginal productivity of labour = $\frac{\text{change in output}}{\text{Change in labour}}$ = $\frac{\text{0.2 tonne}}{\text{1 labour}}$ = 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.

'Weak administrative machinery' could also be one of the answers but this parameter is already getting included in 'high capital-output ratio'. Basically, if administrative machinery is weak that will automatically lead to high capital-output ratio.

So, the best possible answer is high capital-output ratio.

18. (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.

19. (c)
Capital formation means production of capital goods.
Production of capital goods leads to increase in 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 anything about the productivity/efficiency of the capital whether it will increase or decrease. Efficiency is measured as how much output is produced from how much of inputs. So, we can't say that ICOR (which is a measure of efficiency) will increase or decrease with capital formation.

If you were studying 80 pages in 8 hours, so your productivity was 10 pages per hour. Now if you will study one more hour, then you may study few more pages but whether your marginal productivity will be 10 pages per hour or more or less, that you can't say.

20. (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.

For example, if labour is not well trained and he is not operating the machines properly, then output may be less and we will say that capital/output ratio is high i.e., productivity of capital is low, but there may not be any problem with the capital. So, even if the problem is with the labour who is operating the capital, then also the capital output ratio may be high and productivity of labour will be low.

21. (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

22. (b)
If the capacity utilization is decreasing that means the entire capacity of the factory is not being utilized to produce goods and services. And this may be because of less demand.

This means that output decreased even if the same amount of capital was there in the economy. This resulted in decrease in productivity of capital. Because now the same capital is producing less output as some capital was idle. So, this will result in an increase in capital-output ratio.

And since the full capacity was not utilized, the per unit cost of production increased. When the full capacity is utilized, the cost of capital and other fixed costs gets distributed over more goods but if it is not being utilized fully then it gets distributed over less goods produced. This increases the per unit cost of production.

23. (a)

$$\text{Marginal productivity of capital} = \frac{\text{Change in output}}{\text{Change in capital}}$$

When the factories are running at full capacity utilization and we add some extra capital (extra machines) then that will produce some additional output/goods in the economy (assuming there is some additional demand in the economy).

So, marginal productivity of capital will be some positive number.

When the factories are running at less than full capacity and then we add extra capital then that extra capital may not produce additional output because even the earlier capacity is not utilized fully (assuming the demand is less because even the earlier capacity is not utilized).

And if factories are running at full utilization, then the marginal productivity of labour may be zero. Because if you will add extra labour then the output will not increase as the factory is already running at full capacity.

24. (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.

25. (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 (assuming increase in demand).

26. (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, so 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.

27. (d)

28. (d)
Services are not traded/transacted in the wholesale markets. So, WPI data does not include the inflation due to services but CPI includes services and goods both.
So, **1st** 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, **3rd** statement is true.

The goods purchased by consumers in the retail market do not represent all the goods produced in the country (like inputs, intermediates and capital goods are purchased by the companies), so CPI does not include these items but WPI takes into account of all such goods.
So, **4th** statement is true.

29. (d)
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 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.

30. (b)

31. (c)
When DPIIT started the new series of WPI with base year 2011-12, then it measured/calculated the "Net traded value" of the 697 different items.

Net traded value = Domestic production plus imports minus exports
= Domestic production plus Net imports

So, the weights of the 697 different items in the WPI basket is based on "Domestic production of that item plus Net imports" which is also called "Net traded value". And this weight is kept constant till the revision of base year. And every month only the price change of 697 different items will be measured in the wholesale mandis/markets and the Index will be calculated. Because, it is very cumbersome process to measure the 'Net traded Value' every month/year and revise the weights. And anyways the 'Net traded Value' does not change much in proportion every month/year.

Now let us say base year is changed to 2021-22, then again, the "Net traded Value" will be measured in 2021-22 and new weights will be assigned.

All the 697 items are divided into three groups
Primary Articles = overall weight 22.62%
Fuel and Power = overall weight 13.15%
Manufactured Products = overall weight 64.23%

32. (b)
Real GDP Growth (2022-23) = 8%
Nominal GDP Growth (2022-23) = 12%

Take 2021-22 as the base year (price constant) and assume that Real GDP and Nominal GDP in 2021-22 is Rs. X (as we have taken 2021-22 as price constant, so real GDP and nominal GDP of 2021-22 will be same and let us assume it to be Rs. X).

	2021-22	2022-23
Nominal GDP	X	X * 1.12
Real GDP	X	X * 1.08

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} = \frac{X * 1.12}{X * 1.08} = \frac{1.037}{1}$$

In percentage terms, the above number (1.037/1) represents an increase of 3.7%

33. (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.

34. (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

$$\text{So, TOT} = \frac{\text{Export Price}}{\text{Import Price}}\ 120/40 = 3$$

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 **1**, **3** & **4** are true.

35. (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.

36. (c)
India's services export has consistently been higher than import of services in the last ten years. Hence trade balance has been consistently positive.

Refer the Trends

37. (a)
Maximum export is petroleum products and maximum import is 'Crude Petroleum'

38. (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

39. (a)

40. (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)

41. (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 may make its exports less competitive.
Hence, **1st** 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, **2nd** statement is also true.

42. (d)
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 intervenes in the forex market indirectly through select public sector banks. These banks, in turn, buy or sell on behalf of RBI in the market. Indirect interventions became the primary mode of intervening in the forex market by RBI since 1997-98.

RBI regulates the Forex Market, Money Market and Govt. securities Market.

43. (a)
RBI intervenes in the forex market to contain volatility in exchange rate of Rupee with respect to dollar/foreign currency. 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. But if it happens in a day or two then RBI may intervene.

44. (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, the same item can be purchased in $1 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 the inflation percent remains same, then PPP exchange rates will remain same i.e., constant.
So, **1st** 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, **2nd** statement is also true.

45. (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".

46. (d)
From the above question we can derive that PPP exchange rate is: $1 = Rs. 20

Now if NER is: $1 = Rs. 15, then Mr. X will be richer than Mr. Y outside India and US

And if NER is $1 = Rs. 25, then Mr. Y will be richer than Mr. X outside India and US

So, who will be richer at a place outside India and US will depend on Nominal Exchange Rate (NER).

47. (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.

48. (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 investors come to India to invest in debt, which results in rupee appreciation.

So, none of the statements are true.

49. (d)
Trade competitiveness between two countries is dependent on the movement of domestic price, abroad price and nominal exchange rate. And real exchange rate includes all these three parameters.

For example, if our currency depreciates in nominal terms then our exports become more competitive but it assumes other parameters to be constant.

For example, if with currency depreciation, the price of our product increases much more then our exports may not be competitive.

But the Real Exchange Rate includes the net effect of all the three parameters and hence it's a better measure.

But real exchange rate is between two countries. If we want to measure export competitiveness with respect to a group of countries (trading partners) then we need to calculate real **effective** exchange rate.

Please refer the Indian Economy book for better understanding.

50. (a)
When a currency appreciates either in nominal or real terms then export competitiveness decreases.

If rupee is appreciating that means India's export competitiveness is decreasing but you cannot say India's exports is less competitive.

Please refer the Indian Economy book for better understanding.

51. (d)
Explanation of **1st** 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 **2nd** 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 will 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).

52. (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, **2nd** statement is false.

53. (a)
When rupee appreciates (either in nominal or real terms) that means it is becoming more valuable then its competitiveness decreases. For example, when potato price is increasing from Rs. 10/kg to Rs. 15/kg that means value of potato is increasing/appreciating and potato is becoming less competitive. When something becomes costlier/appreciates then it becomes less competitive.

Second thing is, when rupee appreciates in nominal terms or real terms then our NER/NEER or RER/REER increases. For example, if "$1 = Rs. 70" then it can be written as $.014/Rs. (abroad w.r.t. domestic is the standard) and if this number .014 is increasing that means we are getting more dollars per rupees and rupee is appreciating.

So, when NEER and REER increases then rupee appreciates in nominal and real terms and rupee becomes less competitive.

Explanation:
Real exchange rate (RER) = (NER* Domestic price)/Abroad Price.

If domestic price (i.e. inflation) is increasing then NER will depreciate (decrease in this formula), so the increase and decrease in the numerator will cancel out and there may not be any impact on trade competitiveness. BUT if there is domestic price increase (inflation) but RBI does not allow NER to depreciating (by selling dollars in Forex) then RER (or REER) will increase.... i.e. Rupee will appreciate and our trade competitiveness will decrease. Hence, only 1st Statement is true.

54. (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.

55. (d)
- An international currency is one that is freely available to non-residents, essentially to settle cross-border transactions. It is a process that involves increasing use of the local (rupee) currency in cross-border transactions i.e., international markets.
- In this process first current account transactions are allowed and then capital account transactions between resident Indians and non-Resident Indians. The last step is use of rupee for transactions between non-residents.
- Internationalization of a currency is an expression of external credibility in the currency as well as in the economy.
- All truly international currencies belong to large, advanced economies. And their use for international transactions confers substantial economic privileges to the host countries. The privileges/advantages include:
    - Immunity from BoP crises as the country can pay for its external deficits with its own currency
    - The dominance of its financial institutions, markets and policies in the global economy
    - Increased bargaining power of domestic business adding weight to the economy and enhancing the country's global stature and respect
    - Protection for its businesses from currency risk
    - Seigniorage that accrues to it
    - Reduces the need for holding foreign exchange reserves
    - Reducing dependence on foreign currency which makes the country less vulnerable to external shocks
- All of the above privileges flow from its status as the preeminent reserve currency.

- Clearly, very few countries can enjoy such privileges at any given point of time in history. And the preconditions - size of the economy and a dominant share of global GDP, globally dominant businesses, extraordinary military capabilities etc. limit the prospects of owning an international currency to any but the largest few economies.
- The preconditions for owning an international currency are - size of the economy and a dominant share of global GDP, globally dominant businesses, extraordinary military capabilities etc. And these preconditions limit the prospects of owning an international currency to only few largest economies.
- Hence internationalization of rupee cannot just be achieved by financial regulation alone.

56. (d)
Earlier Individuals/Retail Investors were not allowed to purchase G-Secs in the Primary Market although in secondary market they were allowed.

Then after some time Individuals/Retail Investors were allowed to purchase G-Secs in Primary Market but not directly but through Banks/NBFCs.

In 2021, Individuals/Retail Investors have been allowed to purchase G-Secs in Primary Market directly by opening a Gilt Account with RBI under 'Retail Direct Scheme'.

When Govt. wants money it issues G-Secs in Primary Market and Banks/NBFCs (called Primary Dealers) participate in bidding/auctioning process and through this auctioning 'Interest Rate' gets discovered on G-Secs. If there are less Banks/NBFCs interested in purchasing G-Secs then interest rate will move up and it will be costlier for Govt. to borrow.

Now, Individuals/Retail Investors participate in the bidding/auctioning process of G-Secs in Primary Market but are only passive participant (called non-competitive bidding). Banks/NBFCs participate in the bidding/auctioning process (competitive bidding) and interest rate gets discovered and the Individuals/Retail Investors are allotted G-Secs at the discovered interest rate, if they have applied to purchase G-Secs in Primary Market.

Allowing of retail investors 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.

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.

57. (c)
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. So, basically e-Kuber is a platform where primary market transaction happens.

Commercial banks, scheduled UCBs, Primary Dealers insurance companies and provident funds, who maintain funds account (current account) and securities accounts with RBI, are members of this electronic platform. All members of E-Kuber can place their bids in the auction through this electronic platform.

There is an active secondary market in G-Secs and Negotiated Dealing System-Order Matching is such a market/platform. Stock exchanges are also a secondary market for government securities.

58. (d)
A Government Security (G-Sec) is a tradable instrument issued by the Central Government or the State Governments. 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. As per RBI Act 1934, RBI manages the Public Debt of States.

59. (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 also)*

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 also).*

Dated Securities: Dated central government securities have a tenor of more than one year up to 40 years.

60. (b)
SLR is maintained as per Banking Regulation Act 1949 while CRR is maintained as per RBI Act 1934.

Banks maintain SLR with themselves in the form of Cash, Gold and Govt. securities. But if they want, they can also keep the cash with RBI. In another way, we can say that whatever cash the banks have with RBI in excess of CRR can be treated as SLR.

All the four Govt. securities are eligible under SLR.

61. (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.

62. (d)
Let us understand it with example:
Suppose next year (2023-24), central govt deficit is going to be Rs. 10 lakh crores, then it can plan for issuing bonds worth Rs. 10 lakh crores, 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 **into the market** 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.

63. (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**.*

64. (d)
Repo rate acts as benchmark interest rate in the economy and when it moves up/down then the market interest rate also moves up/down impacting G-Sec prices.

When US Federal Bank increases their interest rate then a lot of FPI debt investors in India sell their investments and return to US in search of better return and this leads to decline in G-Sec (bond) prices in India.

If the liquidity in the economy is surplus, the interest rate comes down in the economy resulting in higher bond prices. And if there is liquidity crunch then it moves the interest rate up resulting in decline in bond prices or G-sec prices.

65. (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, then he cannot refuse to take your currency note.)

66. (d)
Currencies and coins are fiat money because they derive their value from government "fiat"/ order and not because of its intrinsic material.

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.

Currencies and coins are 'Legal tender' which means it 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*".

As per the RBI Act 1934, all currency notes are guaranteed by the Central Government

67. (c)
Currency in circulation consists of Notes and Coins. All the currency notes (except one rupee note) are liability of RBI. But one-rupee notes 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 notes 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).

68. (c)
The RBI Act of 1934, Section 22 gives the central bank the sole right to issue currency notes.

69. (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.*

Ref: https://www.rbi.org.in/scripts/ic_coins.aspx
And RBI Act 1934, section 39

70. (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."*

71. (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."*

72. (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".*

73. (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.

74. (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 RBI with both the right and the obligation to function as banker to the government.

75. (b)
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. Only designated branches of agency banks can conduct government banking business.

Recent changes:
- Now any scheduled commercial private bank can act as agency banks without any limit on size (earlier only big private banks were allowed).
- Now RBI has allowed all scheduled Payment Banks and Small Finance Banks also to act as 'Agency Banks'.

76. (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 resort for example 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.)*

77. (d)
RBI comes to the rescue of a bank that is solvent (which 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.

RBI provides this emergency liquidity assistance only if the troubled financial institution has exhausted all the resources it can obtain from the market and from the RBI's regular liquidity facilities like LAF, MSF etc.

78. (c)
Lender of Last Resort (LOLR): RBI provides emergency liquidity assistance to stressed but solvent individual banks to foster macroeconomic and financial stability. The troubled bank is expected to first exhaust all the resources it can obtain from the market and from the Reserve Bank's regular liquidity facilities (like LAF and MSF), before requesting for the Lender of Last Resort (LOLR) support. It typically does so against specified collaterals, preferably the central or state governments' securities. The LOLR support is typically provided for short periods of up to 90 days at a penalty rate above the repo rate. The LOLR facility is provided to a solvent but illiquid bank which is facing temporary liquidity problem.

79. (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.

80. (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.

81. (c)
The call/notice money market forms an important segment of the Indian money market. Under call money market, funds are transacted on overnight basis and under notice money market, funds are transacted for the period between 2 days and 14 days. These are unsecured instruments.

Participants in call/notice money market currently include Commercial and Cooperative Banks, Primary Dealers (PDs), development finance institutions, insurance companies and select mutual funds.

82. (d)
Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note (promise to pay in future). The original tenor (time period) of a CP shall be between seven days to one year.

NBFCs, All India Financial Institutions (like NABARD, SIDBI etc.), cooperative societies, Govt. entities (PSUs) and other companies can issue CP to raise money in the money market.

83. (d)
Certificate of Deposits are negotiable/tradable, unsecured money market instruments issued by Scheduled Commercial Banks (and some All-India Financial Institutions like NHB, SIDBI etc. but mostly by banks) for a maturity period up to one year against funds deposited at the bank.

For example, if a bank is issuing a Rs. 100 CD paper to raise money from the money market then it will have to keep some percent (of Rs. 100) as reserves. These Certificate of Deposits are different from the 'deposit certificate' that we individuals get while doing Fixed Deposit in the bank. Our 'deposit certificates' are not tradable.

84. (d)
The money market is a market for short-term (maturity less than one year) financial assets (debt papers) that are close substitutes of money. The most important feature of a money market instrument is that it is liquid and can be turned over (bought/sold) quickly at low cost and provides an avenue for equilibrating the short-term surplus funds of lenders and the requirements of borrowers.

Cash management bills, Treasury bills and Certificate of deposits have less than one-year maturity and are traded in money market.

State Development Loans (SDL) have maturity more than a year and are not traded in money market.

85. (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/acquisition the 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.

86. (b)
In line with the recommendations of the P J Nayak committee and with a view to improve the Governance of Public Sector Banks (PSBs), the GoI appointed an autonomous **Banks Board Bureau (BBB)** but it was later on replaced by Financial Services Institutions Bureau (FSIB) through a Govt. resolution from 1st July 2022. **The following are the functions of the FSIB:**

- To recommend persons for appointment as whole-time directors (WTDs) and non-executive chairpersons (NECs) on the Boards of Directors in Public Sector Banks, financial institutions and Public Sector Insurers (hereinafter referred to as "PSBs", "FIs" and "PSIs" respectively.
- To advise the Government on matters relating to appointments, transfer or extension of term of office and termination of services of the said directors.
- To advise the Government on the desired management structure at the Board level for PSBs, FIs and PSIs
- To advise the Government on a suitable performance appraisal system for WTDs and NECs in PSBs, FIs and PSIs
- To build a databank containing data related to the performance of PSBs, FIs and PSIs
- To advise the Government on formulation and enforcement of a code of conduct and ethics for whole-time directors in PSBs, FIs and PSIs
- To advise the Government on evolving suitable training and development programmes for management personnel in PSBs, FIs and PSIs
- To help PSBs, FIs and PSIs in terms of developing business strategies and capital raising plan etc.
- To carry out such process and draw up a panel for consideration of competent authority for any other bank, financial institution or insurer for which the Government makes a reference

(FIs are basically public sector financial institutions like NABARD, NHB, SIDBI, EXIM, MUDRA etc.)

87. (c)
FSIB is responsible for appointment as whole-time directors (WTDs) and non-executive chairpersons (NECs) on the Boards of Directors in Public Sector Banks, financial institutions and Public Sector Insurers

Once FSIB selects the Directors/Chairman then it is sent for approval by the Appointments Committee of the Cabinet (ACC).

88. (a)
RBI has set up (100% subsidiary) Deposit Insurance and Credit Guarantee Corporation (DICGC) to protect the interest of small depositors in case of bank **failures/bankruptcy**. The DICGC provides insurance cover to all eligible bank depositors up to Rs. 5 lakhs (principal and interest combined) per depositor per bank.

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.

And every insured bank is liable to pay premium to DICGC as may be notified by DICGC after the approval of RBI. As per the rules, premium cost is required to be borne by the bank themselves and cannot be passed on to depositors.

Deposits of foreign governments, deposits of central and state governments, and inter-bank deposits are not covered/insured.

Even if a bank has not gone bankrupt but is **not doing well and** RBI has imposed moratorium/restrictions on withdrawal of deposits to improve the condition of the bank, then in that case also DICGC will have to pay to depositors Rs. 5 lakhs (maximum, depending on what is in your account) within 90 days. This was a major issue for depositors as in the last few years several banks had cases related to fraud and were not doing well and RBI imposed moratorium/restrictions on public deposit withdrawal. *(It was done by amending the DICGC Act in 2021).*

89. (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 lakhs 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 have been 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).*

90. (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.

91. (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.

92. (b)
Urban cooperative banks (UCB) (also called Primary cooperative banks), State Cooperative Banks (StCB) and District Central Cooperative Banks (DCCB) are under dual regulation of Central/State governments and the RBI.

StCB and DCCB are rural cooperative banks.

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 (UCB, StCB and DCCB) 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 like 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**.*

93. (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]

94. (d)
NABARD is 100% owned by Govt. of India. Govt. of India keeps on contributing share capital to NABARD time to time.

NABARD raises money by borrowing from RBI (Actually RBI gave Rs. 25,000 crore of special refinance facility at repo rate under Aatma Nirbhar 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

95. (c)
MUDRA is 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 but not agriculture.** Refinancing means MUDRA loans will be available through Banks/NBFCs/MFIs and not directly from MUDRA Bank.

MUDRA loans have been designed to cater to customers operating at the lower end of the enterprise spectrum i.e., informal/unorganized sector.

96. (c)
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.

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.

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.)*

97. (c)
Housing finance companies (HFCs) are a category of NBFCs and till recently, HFCs were regulated by National Housing Bank (NHB). But this 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.

98. (a)
P2P intermediaries are a class of NBFCs and are regulated by RBI that provides 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 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.

- 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;
    - provide assistance in disbursement and repayments of loan amount;
    - render services for recovery of loans originated on the platform.
    - all fund transfers shall be through and from bank accounts and cash transaction is strictly prohibited.

99. (d)
NBFCs borrow from banks and then lend. They also issue bonds in financial markets to raise money and then this money they lend at a higher interest rate. NBFCs also borrow from abroad through debt financing (called ECB). NBFCs also issue Commercial Papers (CP) in the money market to raise short term money.

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.

100. (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 re-pricing 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.

101. (d)
In October 2022, 24 Scheduled Commercial Banks launched 75 Digital Banking Units (DBUs) in 75 districts. DBUs would promote financial inclusion and digital literacy, which will boost the formalization of the economy. DBUs are physical banking units that will provide services without requiring paper.

The products and services in these DBUs will be provided in two modes, namely, self-service and assisted modes, with self-service mode being available on 24*7*365 basis. The banks are also free to engage the services of digital business facilitators and business correspondents to expand the footprint of the DBUs.

A **Neo-bank** is a digital bank that does not have any branches. Instead of having a physical presence at a set location, neo banking is entirely online. A broad collection of financial service providers, who primarily target tech-savvy customers, comes under the umbrella of neo banking. Some of the neo banks offering services in India are Jupiter, Fi Money, Niyo, Razorpay X etc.

102. (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. 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.

103. (d)
- An **angel investor** is a person who invests in highly risky companies, typically before those companies have any revenue or profits. They 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).

104. (d)
Anchor investor is a concept launched by SEBI in 2009. Anchor investors are institutional investors (not individual) who are invited to subscribe/purchase the shares before the Initial Public Offer (IPO) opens so that it popularizes the issue and increases the confidence of the other investors and improves the demand of the share. Each anchor investor needs to invest a minimum sum in the issue. The anchor investors are allotted share one day before the IPO opens and there is some lock in period before which they cannot exit their investment.

105. (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 come under AIF.

106. (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.

107. (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.

108. (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.

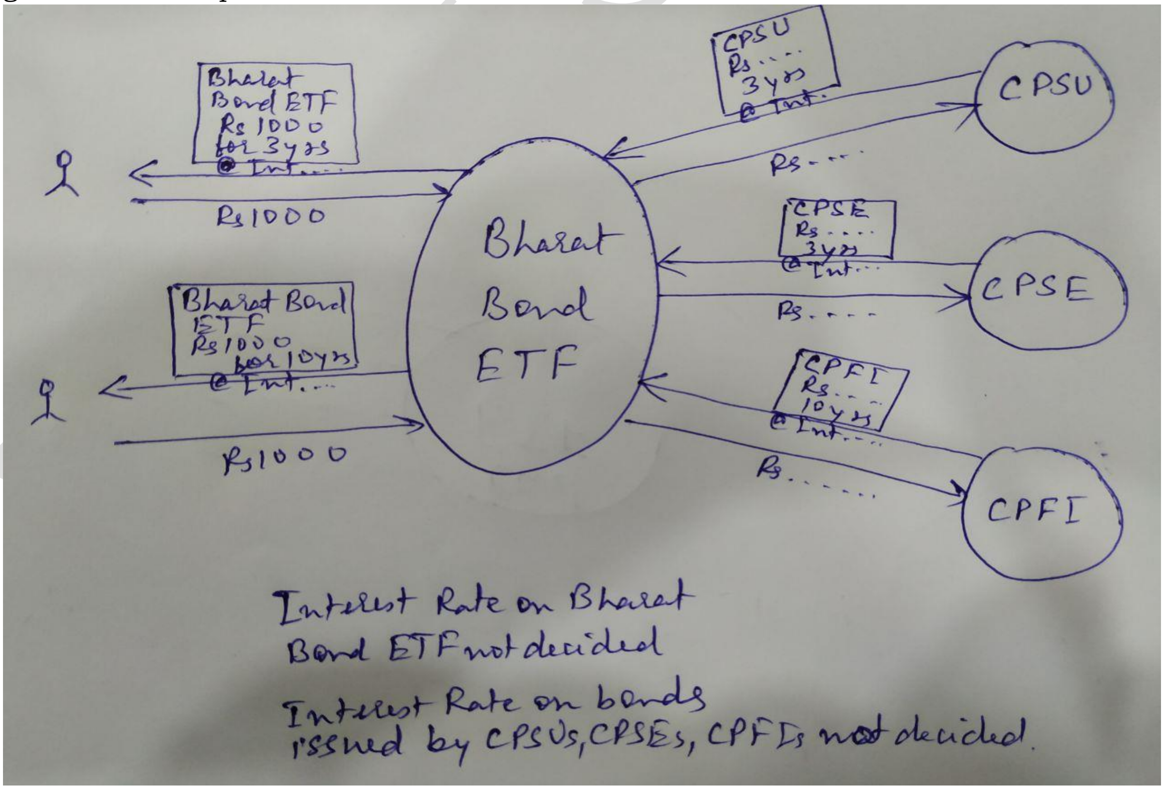
Exchange Traded Funds (ETFs) are almost similar to that of mutual funds but they differ in the sense that ETFs are traded on the stock exchange throughout the day. So, if any investor wants to purchase an ETF, they can always purchase it from the stock exchange/market throughout the day, just like the 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/PSUs which the government is disinvesting.

109. (b)
Bharat 22 is an Exchange Traded Fund (ETF) comprising shares of 22 Companies, mostly public sector companies or in which Government is having some stake. And through Bharat 22, government is planning to disinvest its stake in these PSUs/companies.

110. (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. For 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.

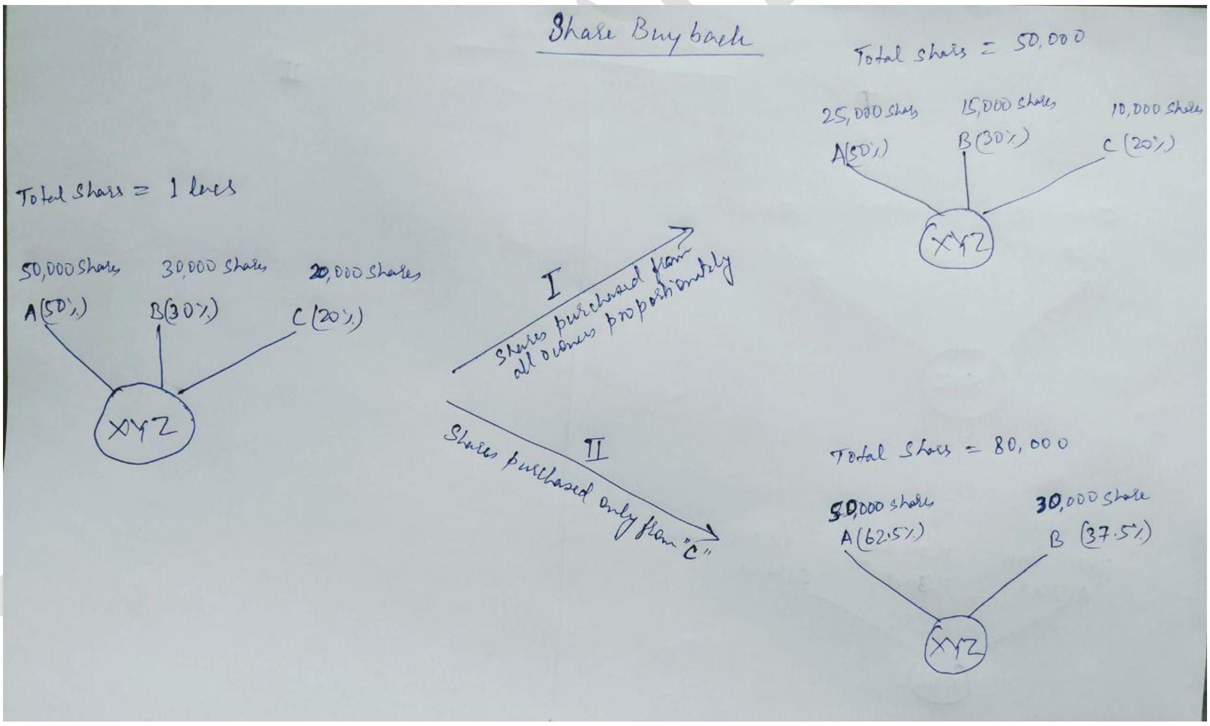
111. (d)
A Share Buyback (also known as share repurchase), is when a company buys its own outstanding shares to reduce the number of shares available in the open market.

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.



112. (c)
Impact bonds are innovative financing instruments that leverage private sector capital and expertise, with a focus on achieving results. It shifts the focus from inputs to performance and results. Rather than a government or a donor financing a project upfront, private investors (risk investors) initially finance the initiative and are repaid by 'outcome funders', only if agreed-upon outcomes are achieved.

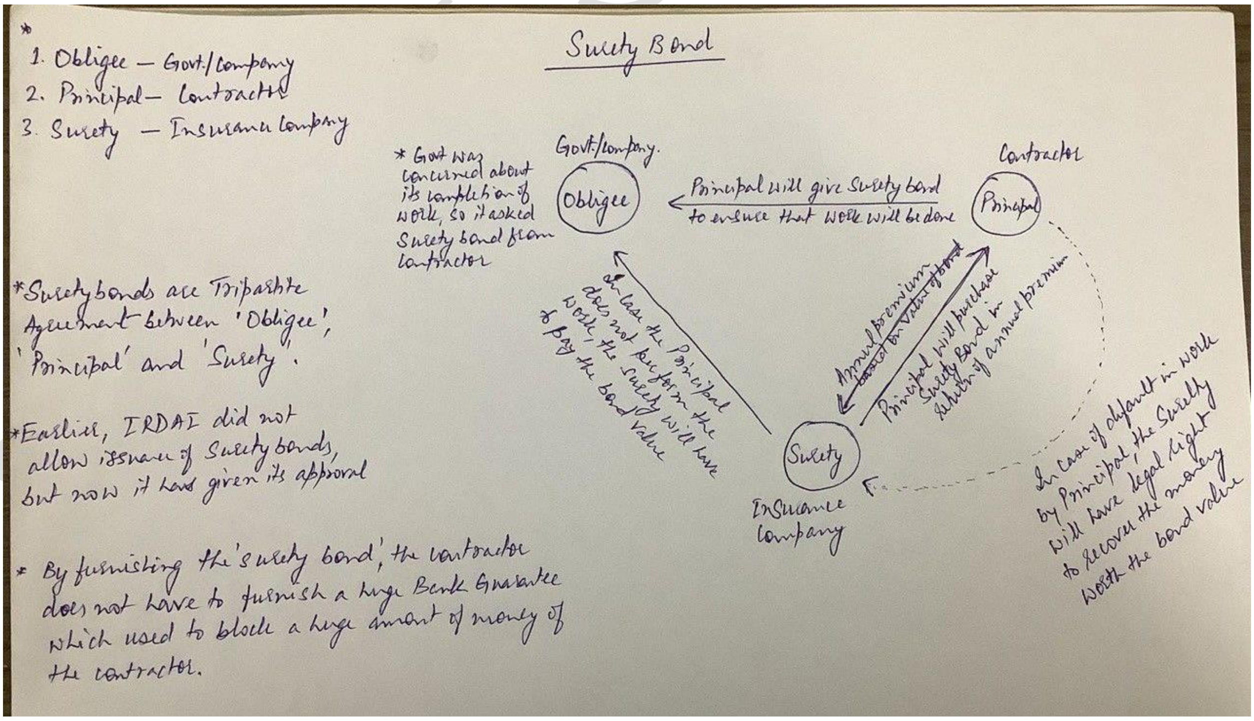
In an impact bond, a form of results-based financing, an investor provides upfront capital for social services programs, and this investment is repaid—often with interest—based on the program's achievement of predetermined outcomes. In a social impact bond, the repayment is made by government, while in a development impact bond, the repayment is made by a third party, usually a donor organization or a foundation.

National Skill Development Corporation (NSDC), in Oct. 2021, in collaboration with global partners launched first of its kind 'Impact Bonds' involving $14.4 million fund for skilling in India which will benefit 50,000 youth in four years by making them employment ready.

The target group includes 60 per cent women and girls and the objective is to equip them with skills and vocational training and provide access to wage-employment in Covid-19 recovery sectors including retail, apparel, healthcare and logistics. The stakeholders will work towards promoting effective interventions, supporting research and enhancing the impact of the skill development programme. The training will be imparted through NSDC's affiliated training partners.

113. (d)
When a contractor gets a project then he needs to provide a guarantee that he will complete the project as per the stipulated timelines and guidelines. This guarantee is provided in the form of bank guarantee but contractors incur cost in providing guarantee from banks. So, Surety bonds will act as a substitute for bank guarantees and it will reduce the indirect cost for suppliers and work contractors.

Recently, IRDAI allowed issuance of Surety (insurance) bonds which can be offered to infrastructure projects of government and private both.



114. (c)
Formosa bond is a bond which is issued in Taiwan, but is denominated in a currency other than the Taiwan dollar.

Recently, SBI issued 'Formosa bonds' to raise $300 million at an interest/coupon rate of 2.49 percent denominated in 'US Dollars'. The bonds will be listed on Taipei Exchange (TPEx) in Taiwan, Singapore Exchange Securities Trading Ltd (SGX-ST) and India International Exchange IFSC Ltd (India INX).

115. (c)
India is a globally significant market for gold business, but does not produce enough gold that can meet huge domestic demands. India stands at the second position in terms of gold import globally, after China. The country imports gold in the form of gold bars, which is governed by the RBI. According to the RBI circular, only the entities notified by the Directorate General of Foreign Trade (DGFT) are permitted to import gold to India after the issue of license by DGFT.

Gold is tightly regulated in India and currently only nominated banks and agencies approved by RBI can import gold and sell to dealers and jewellers across the country.

The Multi Commodity Exchange (MCX) and National Commodity and Derivatives Exchange (NCDEX) offer gold futures contracts in India, but there wasn't any physical exchange to buy gold.

The launch of the India International Bullion Exchange (IIBX) in GIFT City will bring in the following changes:

- IIBX with its technology-driven solutions, will facilitate transition of Indian bullion market towards a more organised structure by granting qualified jewellers and bullion dealers a direct access to import gold directly through the exchange mechanism.
- Standardization of Gold pricing in India
- It will make India a global price-setter for bullion
- IIBX is India's first International Bullion Exchange set up at International Financial Services Center (IFSC) at GIFT City

116. (a)
The term of appointment can be 5 years, but generally the practise has been to appoint for 3 years and then extend.

117. (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 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.

118. (a)
RBI is 100% owned by govt. of India but its surplus transfer to Govt. has fluctuated in the previous years.
Refer the Trends

119. (d)
As per RBI Act 1934, Section 47, there are two clear objectives for the Economic Capital Framework (ECF).

- First, the RBI as a macroeconomic institution has the responsibility to fight any crisis in the financial system and to handle such a crisis, the RBI should have adequate funds attached under the capital reserve.
- And, second is transferring the remaining part of the net income to the government.

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.

Bimal Jalan Committee has recommended that RBI should maintain 5.5% to 6.5% of the balance sheet (value of the assets/liabilities) as Contingency Risk Buffer. The committee also recommended that "there always needs to be harmony in the objectives of the Government and the RBI".

120. (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.

121. (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 reduces the legal tender (currency notes) circulating in the economy which basically reduces the liquidity.

"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."

122. (d)
Currency = Notes + Coins
Monetary base = Currency held by public + Currency held by bank + deposits of banks with RBI.

123. (b)
When people deposit money in banks (public deposits), then banks keep only a certain portion with them and the rest they lend. Whatever banks keep with themselves is considered as reserves of banks.

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 **2nd**, **3rd** & **4th** statements are true.

124. (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 let us say the bank kept Rs. 20 in reserves and rest i.e., Rs. 80 it lent to someone else. Now, money with me is still 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 I 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 (hard cash printed by RBI) and money supply is Rs. 180

Money multiplier = Money Supply/Monetary Base
=180/100 = 1.8

If banks are mandated to keep all the deposited money i.e., Rs. 100 as reserves (full reserve banking) 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.

125. (b)
From the above example, money multiplier decreases when banks are required to keep more reserves.

Money supply = (Money Multiplier) X (Monetary Base)

When we increase monetary base then money supply increases by the same proportion and money multiplier remains constant.
Money multiplier depends on reserves (CRR/SLR) and currency deposit ratio.
For better conceptual clarity, you can refer the book on Indian Economy by Vivek Singh.

126. (d)
Creation of more credit leads to increase in money supply but not monetary base.

Monetary base includes 'cash with public' + 'cash with banks' + 'deposits/reserves of banks kept with RBI'

Whether people are holding cash or depositing money in banks, it does not alter monetary base........ it just transfers the cash from public to banks and since both are part of monetary base, it will not change.

In the same way, when public withdraws cash from bank, cash is just transferred from banks to public.

127. (c)
The value of the money multiplier depends on two variables: the currency-deposit ratio and the reserves-deposit ratio.

While currency deposit ratio depends on the behaviour of the public, the reserve deposit ratio depends on RBI regulations on CRR and SLR. Both CRR and SLR are treated as bank reserves.

Currency deposit ratio (c) = currency held by public/deposit of public in banks
Reserve deposit ratio (r) = reserves of banks/deposit of public in banks

Then Money multiplier = (1+c)/(c+r)

128. (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.

129. (d)
Money supply = (Money Multiplier) X (Monetary Base or Reserve Money)
From the above formula, if RBI increased the reserve money (Monetary base) but still money supply did not increase that means money multiplier decreased.

Now money multiplier could decrease because of people holding more cash and not depositing money 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.

Currency deposit ratio (c) = Currency held by public/ deposits of public with banks.

130. (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 following:

- People's tendency of depositing money in banks (currency deposit ratio)
- Statutory reserve requirement of the banks (reserve deposit ratio)

131. (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.

132. (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, G-Secs and shares are tradable instruments and their prices fluctuate and are not part of money supply.

133. (c)
There are two types of Open Market Operations (OMOs). Outright and repo

1) Outright OMOs are permanent in nature: when the central bank buys these securities (thus injecting money into the system), it is without any promise to sell them later. Similarly, when the central bank sells these securities (thus withdrawing money from the system), it is without any promise to buy them in future.

2) Repo and Reverse Repo LAF:

   This is a type of operation in which when the central bank buys the security, the agreement of purchase also has specification about date and price of resale of this security. This type of agreement is called a repurchase agreement or repo.

   Similarly, instead of outright sale of securities RBI may sell the securities through an agreement which has a specification about the date and price at which it will be repurchased by RBI in future. This type of agreement is called a reverse repurchase agreement or reverse repo.

   RBI conducts repo and reverse repo operations at various maturities: overnight, 7-day, 14- day etc.

Whether outright OMOs or LAF, it happens at RBI's discretion i.e., when RBI feels then it will do these operations. And auction happens which decides the price.

134. (d)
If RBI is pumping more money/cash into the economy that means this money is going 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.

135. (c)
Income Velocity of money refers to the number of times the available money stock may roll over or change hands to finance transactions equivalent of nominal GDP.

The money multiplier is the link between "broad money" and "reserve money", whereas velocity is the link between "broad money" and "nominal GDP".

Money multiplier = "Broad money (M3)/Reserve money (M0)"

Velocity of money = "Nominal GDP/Broad money (M3)"

During economic crisis like Covid and Global Financial Crisis, due to liquidity hoarding and the fear of restrained access to liquidity, income velocity of money may fall. In order to restore monetary (M3) balance in the economy and to ensure that risk averse behaviour due to uncertainty does not freeze financial markets, central banks commit to and provide ample liquidity to the system, i.e., they compensate for the fall in velocity of money by increasing the reserve (base) money.

136. (c)
Money with banks, Government and RBI is not part of money supply. Money with public is called money supply.

In the first and second statement, money will reach to government but until and unless government spends that money and it reaches to public, it will not form part of money supply.

In the third statement, money is reaching in the hands of public which will immediately increase money supply.

In the fourth statement, RBI is giving money to banks. So, until banks lend it to public/businesses, it will not increase money supply.

137. (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.

138. (d)
Market Stabilization Scheme is 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 buy 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/buying back of the Treasury Bills/dated securities issued under the MSS.

139. (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%.

140. (c)
Keeping CRR with RBI provides monetary stability and safety to the public deposits. It also ensures solvency of banks i.e., staying in business and proper functioning of the banks.

Since banks do not earn interest on the CRR, so it is idle money for the banks which increases costs for banks.

141. (a)
The purpose of Statutory Reserve Requirements (CRR & SLR) is to enable the Central Bank to control the amount of advances the banks can create.

The purpose of CRR/SLR is not to prevent banks from making excessive profit but rather monetary stability. Having CRR/SLR makes the people deposits safe and liquid but this is not the intended purpose of maintaining CRR/SLR.

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.

142. (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

143. (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.

144. (d)
As per RBI Act clause 45ZN, (Bank here refers to RBI):

45ZN. Failure to maintain inflation target.

Where the Bank fails to meet the inflation target, it shall set out in a report to the Central Government—

(*a*) the reasons for failure to achieve the inflation target;
(*b*) remedial actions proposed to be taken by the Bank; and
(*c*) an estimate of the time-period within which the inflation target shall be achieved pursuant to timely implementation of proposed remedial actions.

145. (b)
MPC has the authority to decide only the repo rate and not CRR & SLR or even reverse repo rate. Its decision of repo rate is binding on RBI.

146. (b)
The repo rate is decided by the Monetary Policy Committee (MPC), and MPC keeps the repo rate such that "to primarily maintain price stability, while keeping in mind the objective of growth". MPC does not have any mandate for exchange rate

147. (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.

148. (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% and it wants money/cash from RBI then, the bank can offer 2% of the G-Securities from the SLR reserves (as collateral) to RBI and can get money/cash from RBI. This provides a safety valve against unanticipated liquidity shocks to the banking system.

149. (a)
Whenever banks want, they can deposit money with RBI at SDF and whenever banks want, they can withdraw money from RBI at MSF rate. So, SDF and MSF are available to banks at their discretion.

But Reverse repo (facility) and even repo is available at RBI's discretion. RBI from time-to-time pumps money or sucks out liquidity through repo or reverse repo respectively at its own discretion and not when banks want.

Some feature of Standing Deposit Facility (SDF):

- SDF facility has been introduced by amending the RBI act 1934 (Section 17).
- In SDF, RBI will not provide collateral (of Govt. securities), while in reverse repo rate collateral is provided by RBI. As there is no collateral requirement under SDF, it will strengthen the operating framework of monetary policy
- SDF role is in liquidity management but it also provides financial stability.
- Reverse repo will remain as MPC tool but now it has been made redundant as banks will now deposit money at SDF and not at reverse repo.
- Now the LAF (Policy) corridor will be SDF (repo - .25%) and MSF (repo + .25%)

150. (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.

151. (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.

152. (c)
RBI increases the repo rate when the inflation in the economy increases to reduce the money supply.

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. And hence, if the results of 'inflation expectation' survey show that it is high or increasing then RBI increases the repo rate.

153. (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.

154. (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.

When RBI sells dollars in forex market, the supply of dollar increases, and dollar depreciates and rupee appreciates.

155. (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 long-term interest rates in the economy.

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 and investment in infrastructure then RBI purchases debt papers of long-term maturity of government. This results in easy availability of money for long term, hence decrease in long term interest rate.

As the long-term interest rate comes down in the financial market due to Operation Twist, 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 leading to better monetary transmission.

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.

Operation Twist is "Open Market Operation" and it is a part of RBIs Monetary Policy.

Before Operation Twist	**After Operation Twist**
(Banks were having two things) Cash from one year time deposits which banks could have lent only for short term i.e., max one year.	RBI sold Govt. bonds (maturing after one year) to banks and took the cash from banks. *(Banks gave this cash as they have to return money to depositors only after one year)*
Banks have Govt. bonds which are maturing in 2032, which means banks are expecting cash after 10 years.	RBI gave this cash to banks and purchased the bonds from banks which were maturing in 2032. *(Now banks got this cash which they can lend for 10 years as they were expecting cash only after the maturity of bonds in 2032)*

156. (d)
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.

Repo as well as term repo auctions are part of liquidity adjustment facility.

157. (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 due to increased supply.)* 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**', '**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.

158. (d)
Liquidity in the banking system refers to readily available cash that banks need to meet short-term business and financial needs. On a given day, if the banking system is a net borrower from the RBI under Liquidity Adjustment Facility (LAF), the system liquidity can be said to be in deficit and if the banking system is a net lender to the RBI, the system liquidity can be said to be in surplus. The LAF refers to the RBI's operations through which it injects (repo) or absorbs (reverse repo) liquidity into or from the banking system.

Explanation of all statements:
1. Bank is giving more loan/credit leads to less cash with the bank

2. Corporates hold money in banks. When they pay advance tax then this money of corporates (which was in bank) moves to Government (with RBI).

3. If credit/loan demand is more than the deposits then definitely it will cause deficit of liquidity in banking system

4. To prevent rupee depreciation, RBI sells dollars in forex market and purchases rupees which results in deficit of (rupee) liquidity in banking system.

159. (d)
Currency Leakage means currency is flowing out of the banking system to the public, so this is reducing the money/liquidity with the banks rather than increasing it.

When Govt. will spend then this money (from the Govt.'s account with RBI which is not part of money supply/liquidity) reaches to the public who keeps their money with bank deposits and liquidity with bank increases. But here Govt. expenditure is not picking... so deficit in liquidity with banks.

160. (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).*

161. (d)
OMO, LTRO, repo and reverse repo are all done at RBI's discretion.

Standing Deposit Facility (SDF) and Marginal Standing Facility (MSF) are at banks discretion.

162. (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 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 calculate the lending rate based on marginal cost of deposits i.e., the new deposit rate. So, when RBI reduces the repo rate and banks reduce the deposit rate, the marginal cost of deposit gets reduced and the banks generally reduce the lending rates. This helps in better monetary policy transmission.

The banks shall review and publish their MCLR every month.

163. (b)

164. (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, the loans are linked to repo rate, which is an **external** benchmark, on which Axis Bank does 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 already** taken loan on 1st Jan 2022 and RBI changes the repo rate on 1st Feb 2022, 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 2022 (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, repo is an external rate).* But there is **no mandate for NBFCs** to link their lending rates.

165. (d)

166. (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.

167. (b)
Monetary policy transmission involves two stages:

In the first stage, monetary policy changes are transmitted through the money market to other markets, i.e., the bond market and the bank loan market.
The second stage involves the propagation of monetary policy impulses from the financial market to the real economy - by influencing spending decisions of individuals and firms.

Within the financial system, money market is central to monetary operations conducted by the central bank.

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. (b)
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.

If banks will not offer some nominal interest rate, then people will never deposit money in banks? People deposit in banks to get some nominal interest rate. Now if the nominal interest rate is positive then real interest rate may be positive or negative depending on inflation.

When the inflation increases a lot and banks do not increase their nominal interest rate then the real interest rate may turn negative.

170. (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.

171. (c)
Inflation premium is the higher return that investors demand in exchange for investing in a long-term security where inflation has a greater potential to reduce the real return.

For example, suppose presently the inflation in the economy is 6% and the bonds are being issued at a coupon/interest rate of 8%. So, basically it will give 2% real interest rate (real return) which is reasonably good and you may be willing to invest in bonds.

But, if most of the people think that going forward in the long run there are chances/risk of inflation going up and hence if they purchase this bond of 8% interest/coupon rate then in future they may lose as because of higher inflation in future their real return will be less than 2%.

So, if people think that there is inflation risk then they will demand some extra interest rate (return) above 8% to compensate for the higher risk of inflation in future. This extra interest/return demanded by the investors is called 'inflation premium'.

172. (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.

173. (d)
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 as further repo rate reduction is not possible.

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) as the interest rate is almost zero. *(Actually, people are not willing to spend and demand in the economy declines, that is why economy enters into liquidity trap).*

When the interest rate has come down to almost zero then the yield will also be close to zero as interest and yield are directly proportional.

174. (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 **2nd** statement is true

175. (c)

176. (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.

177. (b)
Economy under inflationary pressure means inflation is either increasing or there are chances that it will increase.

Inflation leads to depreciation of currency.

Inflation makes domestic goods costly and exports become less competitive.

Because of inflation in the domestic economy, imports become costlier because of domestic currency depreciation.

When inflation increases then interest rate goes up in the economy and cost of borrowing increases.

178. (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 which results 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.

179. (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.
Increased government spending increases aggregate demand rather than effective demand.

180. (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).

181. (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.

182. (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 **2nd** statement is true.

183. (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.

184. (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.

185. (b)
Stagflation is an economic anomaly where stagnation in the economy is accompanied by higher inflation (instead of low inflation due to stagnated economy/demand).

Stagflation was first triggered 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 supply side factors like steep rise in prices of some inputs required in the production process like in case of 1973 crisis which increases the inflation in the economy resulting in less demand and slowdown.

186. (d)
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 increases that means there is increase in demand by the foreign buyers resulting in demand pull 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.

187. (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.

188. (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.

189. (d)
When the output in the economy is high, that means factories are working at full potential and employing more labour. So, **1st** 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, **2nd** statement is also not true.

190. (c)
An overheating economy is an economy that is expanding at an unsustainable rate. The two main signs of an overheating economy are:
(a) rising rates of inflation; and
(b) an unemployment rate that is below the normal rate for an economy (which means there is more demand in the economy)

So, in an overheating economy, inflation is high because of 'demand pull' factors rather than 'cost push' factors.

In case of demand-pull inflation, by raising interest rates, RBI makes it costlier for firms and households to borrow. Demand for investment and consumption goods along with workers comes down, thereby cooling an overheated economy.

But if inflation is because of supply-shock, raising interest rates would risk worsening inflation by impeding supply as interest are cost in themselves.

191. (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 (change 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, **1st** 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, **2nd** statement is also true.

192. (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.

193. (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.

194. (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.

195. (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: When you buy Gold ETF, the fund invests your money in physical gold, shares of gold mining/extraction companies, gold bonds, and may be some amount in debt securities etc. 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 physical gold to generate ETFs. Constant trading and control by the 'Authorised Members' ensure that the cost of gold and ETFs remains the same.

When we buy Gold ETFs, at the backend physical gold is purchased but when we purchase SGBs, then it does not require physical gold to be purchased at the backend.
That is why investments in SGBs will reduce import of gold and hence reduce current account deficit. Purchase of gold ETFs may also reduce import of gold but it may also lead to procurement of physical gold too.

196. (d)

- Government will issue SGBs as part of its overall market borrowings for mobilizing resources for green infrastructure.
- The funds raised from SGB (Rs. 16,000 crore) will be part of (included in) the Govt.'s borrowing programme (capital receipts under budget) for 2022-23. These bonds will be debt on Govt. of India
- The proceeds raised from SGB will be deposited to the Consolidated Fund of India (CFI) in line with the regular treasury policy, and then funds from the CFI will be made available for eligible green projects.
- The proceeds will be deployed in public sector projects which help in reducing the carbon intensity of the economy.
- The proceeds from green bonds would be used to fund renewable energy, energy efficiency, clean transportation, water and waste management, pollution prevention and control and green buildings among others.
- Nuclear power generation, landfill projects, alcohol/weapons/tobacco/gaming/palm oil industries and hydropower plants larger than 25 MW have been excluded.
- All eligible 'green expenditures' will include public expenditure by the government in the form of investment, subsidies, grants-in-aid, or tax foregone or select operational expenditures, R&D expenditures in public sector projects that help in reducing the carbon intensity of the economy. Equity is allowed only in the sole case of metro projects under the 'Clean Transportation' category.
- The Ministry of Finance has constituted a Green Finance Working Committee (GFWC) including members from relevant line ministries and chaired by the Chief Economic Advisor. The GFWC will meet at least twice a year to support the Ministry of Finance with selection of projects from those submitted by different departments.
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- SGBs will be eligible for Repurchase Transactions (Repo)
- SGBs will be reckoned as eligible investment for SLR purpose
- SGBs will be eligible for trading in the secondary market
- Non-Residents will also be allowed to invest in SGB
- SGBs will be issued through Uniform Price Auction (at same interest rate)

197. (c)

198. (a)
When FDI/FPI investments (especially FDI) come in the country then it helps in economic growth and export from the country resulting in export earnings under current account. When foreign investors invest in a country then one of the major target is exports from that country.

Foreign investments in Govt. securities will impact capital account.

199. (d)
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. (d)

202. (d)
Integrated Ombudsman Scheme, 2021 integrates the earlier three Ombudsman schemes of RBI namely,

(i) the Banking Ombudsman Scheme, 2006;
(ii) the Ombudsman Scheme for Non-Banking Financial Companies, 2018; and
(iii) the Ombudsman Scheme for Digital Transactions, 2019.

The Integrated Ombudsman Scheme has been framed by the RBI in exercise of the powers conferred on it under the Banking Regulation Act, 1949, Reserve Bank of India Act, 1934 and The Payment and Settlement Systems Act, 2007.

The scheme will provide cost-free redress of customer complaints involving deficiency in services rendered by entities regulated by RBI i.e., banks (commercial as well as urban cooperative) and NBFCs both including digital transactions, if not resolved to the satisfaction of the customers or not replied within a period of 30 days by the regulated entity.

Some of the salient features of the Scheme are:

- It will no longer be necessary for a complainant to identify under which scheme he/she should file complaint with the Ombudsman.
- The Scheme defines 'deficiency in service' as the ground for filing a complaint, with a specified list of exclusions. Therefore, the complaints would no longer be rejected simply on account of "not covered under the grounds listed in the scheme".
- This scheme will be based on 'One Nation-One Ombudsman' with one portal, one email, and one address for the customers to lodge their complaints. Earlier, RBI had three separate ombudsmen — for banks, NBFCs and digital payments. These were operated from 22 RBI ombudsman offices across the country. These will be integrated into one centralised scheme to make the grievance redress mechanism simpler and much more effective. The Scheme has done away with the jurisdiction of each ombudsman office.
- A Centralised Receipt and Processing Centre has been set up at RBI, Chandigarh for receipt and initial processing of physical and email complaints in any language.
- The Executive Director-in charge of Consumer Education and Protection Department of RBI would be the Appellate Authority under the Scheme.
- RBI would appoint the Ombudsman and a Deputy Ombudsman for a period not exceeding three years at a time. Complaints may be made physically or electronically.
- There is no limit on the amount in a dispute that can be brought before the Ombudsman

203. (d)
Tokenization Process:
Earlier when we used to make payments through cards (debit/credit) from a PoS machine or any merchant website (amazon/flipkart) then these merchants used to store our card information for future transactions. But now with tokenization allowed by RBI from 1st Oct. 2022, the card holder can get the card tokenised by initiating a request on the app provided by the token requestor. The token requestor will forward the request to the card network which, with the consent of the card issuer, will issue a token corresponding to the combination of the card, the token requestor, and the device. The tokens will be saved by the Card Networks.

In case of an online transaction, the merchant or transaction platform sends out a message to Card network asking for token against that card number. This token is then passed to the bank for allowing the transaction.

Terminology
Merchant: Shops having PoS machines
Transaction Platform: Amazon/Flipkart/IAS 360 Website/App
Card Issuers: Banks
Card Networks: Mastercard/Visa

Token Service Providers (TSPs): Card Networks
Token Requestor: Any entity which first need to register with Card networks and agree to comply with norms. There are token requestor apps.
Device: Mobile, tablets, laptop, desktop, wearables (wrist watches, bands, etc.) and IoT devices
Payment Aggregator: Google Pay, Amazon Pay, PayTM etc.

Important Points

- Tokenisation of card data shall be done with explicit customer consent.
- Actual card data, token and other relevant details are stored in a secure mode by the authorised card networks
- A tokenised card transaction is considered safer as the actual card details are not shared with the merchant during transaction processing
- Token requestor cannot store PAN, Card number, or any other card detail
- Tokenisation is required wherever you are storing your card details for recurring payments
- Merchants, payment aggregators, payment gateways now will not be able to save crucial customer credit and debit card details such as CVV, Expiry Date etc.

Explanation:
Card Network generates/issues token corresponding to the combination of the card, the token requestor, and the device, and not for every transaction. The tokens will be saved by the Card Networks.

We can continue to make online transactions like before by entering card details manually. But we will have to repeat this every time as the merchant site will not be able to store our card details anymore.

204. (d)
Starting from 1st July 2022, to pay each time we need to enter full card details (name, date of expiry, cvv no) or opt for 'tokenization' because as per the RBI mandate, the card details saved on the merchant website/app will get deleted for enhanced card security.

From 1st July 2022, as per RBI, "no entity in the card transaction or payment chain, other than the card issuers (banks) and card networks (Mastercard/Visa/Rupay), should store the actual card data".

Tokenization is not mandatory for the customers. A customer can choose whether or not to let his/her card tokenized. If not tokenized, the card holder will have to enter full card details every time while he/she is doing the transaction.

Tokenization refers to replacement of actual card details with an alternate code called the "token", which shall be unique for a combination of **card**, **token requestor** (i.e., the entity which accepts request from the customer for tokenization of a card and passes it on to the card network/card issuer to **issue** a corresponding token) and **device** (presently the feature of tokenization is restricted to devices like mobile phones and / or tablets only).

Card Issuers and Card networks can offer tokenization services and are treated as Token Service Providers (TSPs).

Tokenization is different from encryption. Encrypted numbers can be decrypted with the appropriate key. Tokens, however, cannot be reversed, because there is no mathematical relationship between the token and its original number.

205. (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 and fishermen 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

206. (d)
The Kisan Credit Card Scheme is being implemented by Commercial Banks, RRBs, Small Finance Banks and Cooperatives.

207. (a)
Share of Commercial banks credit to agriculture sector is around 80%.

208. (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 taxpayer's 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.

209. (c)

210. (d)
Prompt Corrective Action (PCA) is a supervisory framework of RBI where it uses various measures/tools to maintain sound financial health of banks. Based on three parameters (once these parameters cross certain level) RBI puts the bank under PCA. And once RBI puts the bank under PCA, then it can take discretionary actions against the bank.

Earlier three parameters were Capital (Capital Adequacy Ratio), Asset Quality (NPA) and Return on Assets (profit). Now the three parameters are:
- Capital (Capital Adequacy Ratio),
- Asset Quality (NPA), and
- Leverage (equity capital/total assets of bank)

Earlier PCA framework was applicable on all Scheduled Commercial Banks except Regional Rural Banks. Now it is applicable on all Scheduled Commercial Banks except Regional Rural Banks, Payment Banks and Small Finance Banks.

Scheduled Commercial Banks include:

- Public Sector Banks
- Private Sector Banks
- Foreign Banks
- *Regional Rural Banks*
- *Payment Banks*
- *Small Finance Banks*

Once RBI puts a bank under PCA framework then RBI can take the following actions on the bank?

- RBI can put restrictions on Branch expansion, distributing dividends, capping compensation and fees of management and directors.
- In extreme cases, banks may be stopped from lending and there can be a cap on lending to specific sectors/entities.
- May increase the provisioning requirement for banks
- Further, RBI may take steps to bring in new management/Board, appoint consultants for business/ organizational structuring, take steps to change ownership, can also take steps to merge the bank and can supersede the bank board.

The objective of PCA 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.

RBI has brought in PCA framework for NBFCs also.

211. (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. SAF is invoked based on three parameters (NPA level, two consecutive years loss and capital adequacy ratio). 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.

212. (c)
RBI has been taking various initiatives in strengthening supervision, which among other initiatives include adoption of latest data and analytical tools as well as leveraging technology for implementing more efficient and automated work processes. In continuation of this effort, RBI recently launched a new SupTech initiative named "दक्ष (DAKSH) - Reserve Bank's Advanced Supervisory Monitoring System", which is expected to make the Supervisory processes more robust.

दक्ष (DAKSH)' means 'efficient' & 'competent', reflecting the underlying capabilities of the application.

दक्ष (DAKSH)' is a web-based end-to-end workflow application through which RBI shall monitor compliance requirements in a more focused manner with the objective of further improving the compliance culture in Supervised Entities (SEs) like Banks, NBFCs, etc.

The application will also enable seamless communication, inspection planning and execution, cyber incident reporting and analysis, provision of various MIS reports etc., through a Platform which enables anytime-anywhere secure access.

213. (b)
RBI has been conducting Financial Literacy Week (FLW) every year since 2016 to propagate financial education messages on a particular theme among members of public across the country.

The theme selected for current year FLW is "Good Financial Behaviour - Your Saviour" which will be observed between February 13 and 17, 2023. The theme aligns with the overall strategic objectives of the National Strategy for Financial Education: 2020-2025 which aims at building financial resilience and well-being while creating awareness among members of public. Focus will be on creating awareness about savings, planning and budgeting, and prudent use of digital financial services.

RBI will undertake a centralized mass media campaign during the month of February 2023 to disseminate financial awareness messages. Banks too have been advised to give out information and create awareness among their customers.

214. (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.

215. (a)

216. (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 is 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

217. (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

218. (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.

219. (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.

220. (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.

221. (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 or 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.

222. (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 are worth 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/investors. NBFCs will get immediate liquidity/money from the investors 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.

223. (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. As per Basel III norms, banks need to maintain 11.5% CAR.

224. (d)
Additional Tier 1 Bonds (AT-1) bonds have several unusual features, 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/issuers 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, 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 on these bonds).

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%.

In the recent judgement (January 2023), Bombay High Court quashed the 'write-off' of AT1 bonds because these bonds were meant for 'Institutional Investors' and were sold to 'Retail Investors' by the Yes Bank in the guise of 'Super Fixed deposit' or 'as safe as Fixed Deposit' without telling the risks of this bond.

225. (b)
"Recapitalization of public sector banks" through 'recapitalization bonds' is done in the following way.
Govt. borrows money from banks by issuing 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 little bit technical and difficult to explain here.

226. (c)
As per Economic Survey 2022-23, both the statements are true.

227. (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.

However, the rules do not allow trading in "foreign exchange" (for example Dollar and Pound trading).

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.

228. (d)

- Foreign Investment means any investment made by a 'person' resident outside India in '**capital instruments**' of an Indian company. Person means foreign individuals, NRIs, companies etc.

- 'Capital Instruments' means **equity shares**, **debentures** (fully, compulsorily and mandatorily convertible debentures), **preference shares** (fully, compulsorily and mandatorily convertible preference shares) and **share warrants** issued by the Indian company.

    - Equity shares: Equity shares represent ownership of the company and voting rights

    - Preference shares (fully, compulsorily and mandatorily convertible preference shares): They have preferential rights over dividend and to repayment of the capital in the case of a winding-up of the company. They must be converted into (common) equity shares after some time.

    - Debentures (fully, compulsorily and mandatorily convertible debentures): They are like bonds but must be converted into equity shares after some time:

    - Share Warrants: Share warrant is a document issued by the company to the investor that gives the warrant holder (investor) a right to subscribe to equity shares of the company at a predetermined price on or after a pre-determined time period. The warrant holder is given a right but not an obligation to subscribe equity shares. If the warrant holder does not exercise his option to subscribe to equity shares, then the initial amount (some percent of the total amount paid by the warrant holder to purchase the warrant) paid stands forfeited.

229. (b)

FDI is into equity shares or bonds/debentures which has a condition for compulsory conversion into equity shares.

Govt. cannot issue equity securities and hence Govt. securities are always of debt in nature. Hence, investment in Govt. securities cannot be classified as FDI

FCCB can be converted into equity hence can be included in FDI.

Global Depository Receipts are shares only, hence included in FDI.

A Financial Lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Basically, the lessor takes the asset on behalf of the lessee and gets compensated by the rental payments that are paid by the lessee during the days of the lease. The ownership of the asset is with the lessor, but the lessee gets exclusive right to use the asset in the way desired.

Financial Lease is a kind of debt instrument and hence not part of FDI.

230. (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

FDI investors are not allowed to purchase debt securities.

231. (d)

232. (d)

233. (a)

Foreign Direct Investment (FDI)	**Foreign Portfolio Investment (FPI)**
It happens generally through primary market.	Generally, through secondary market but can happen through primary market as well
Generally new shares are issued and the capital 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
The foreign investor appoints Board of Directors and get involved in the decision making (active management) of the company by purchase of large shareholdings	Foreign investors generally do not get involved in the management of the company and purchase minority stakes
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 change of share prices
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 get a share of the profit	It is in general capital market. For example, a foreign investor is not particular about any sector and is willing to invest in any sector/company which gives a chance of share price appreciation
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
Generally, there is 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. It results in exchange rate volatility
It can happen in three ways viz. by purchase of shares, by forming a Joint Venture company or by establishing a subsidiary company	It happens through purchase of shares

234. (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.

235. (a)
FDI is mostly into equity shares which are classified as non-debt.

Once a foreign investment becomes FDI in India then it will always be treated as FDI even if the investment % falls below 10%. That is why it is said as "Once an FDI always an FDI"

Some students are saying that the above statement should be false because of the following rule:

"*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. If the stake is not raised to 10% or above, then the investment shall be treated as portfolio investment*".

But try to understand that in the above case, FDI was conditional that the stakes should be raised to above 10%, it will not become FDI if the stakes are not raised beyond 10%.

But once a foreign investment becomes FDI then it can always remain FDI.

"Once an FDI always an FDI" — This is RBI statement. The rule says that: "*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*".

236. (b)
FPI investors require SEBI license/approval for making investments in India. FDI, if happening under 'Govt. approval route' requires approval of specific ministry/department.

Since Both FPI and FDI investment involves foreign currency, so they need to inform about the foreign currency/exchange coming to India to the RBI.

237. (d)
FDI investment happens only in shares but FPI can invest in shares/bonds both.

When an FDI investor comes in India to invest in shares (ownership) then they target the profit of the company.

Now 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%. So, if revenue 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 of 12% 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% because higher inflation depreciates the currency and when the FDI investor will return then they will lose.

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 the destination and the home country", 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 mostly attracted by higher growth.

238. (d)
All the statements are true.

1. Overseas Direct Investment (ODI) is what Indian residents are investing abroad. This is opposite of FDI. So, this is basically in shares and hence its asset for us but liability on foreign residents.

2. Reserve Assets means the foreign currencies that RBI is holding. Again, this is also an asset for us but liability for other countries

3. Our Portfolio Investments abroad means Indian residents investing in shares and bonds abroad. This is opposite of FPI. If we have purchased bonds and shares of abroad companies then its asset for us.

239. (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.

240. (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.

Whether FDI is coming under 'Automatic Route' OR 'Government Approval Route', Cabinet Committee on Economic Affairs (CCEA) approval is must if the FDI value is more than Rs. 5000 crores.

241. (c)
External Commercial Borrowings (ECBs) are commercial loans/debt raised by resident entities from recognised non-resident entities. So, it is basically debt denominated in foreign currency or Indian rupee and includes:

1. Bank Loan

2. Trade Credits:
It refers to the credits/loan extended by the overseas supplier, bank, financial institution and other permitted recognised lenders for imports (into India) of capital/non-capital goods permissible under the Foreign Trade Policy of the Government of India. Depending on the source of finance, such Trade Credits are called suppliers' credit and buyers' credit.

3. Bonds, Debentures which should not have condition of fully/compulsorily convertibility.
Bonds/debentures are basically debt but some have option to convert into shares/equity. So, only those debentures/bonds which does not have a condition of fully/compulsorily convertibility are treated as ECB.

4. Preference Shares which should not have condition of fully/compulsorily convertibility:
Preference shares have basically preferential rights over dividend and to repayment of the capital in the case of winding-up of the company. Some preference shares have option of conversion into equity shares after some time. So, in ECB only those preference shares are included which does not have fully/mandatorily convertibility condition. Actually, preference shares features are like bonds for example preferential rights over dividend (a kind of fixed income) and priority over repayment of capital in case of bankruptcy. These characteristics make them a part of ECB but they should not have condition of fully/mandatorily conversion into normal/common equity shares.

5. Foreign Currency Convertible Bonds (FCCB): FCCBs are bonds issued by an Indian company expressed in foreign currency, and the principal and interest in respect of which is payable in foreign currency and subscribed by a non-resident and convertible into ordinary shares of the issuing company.

6. Financial Lease: A Financial Lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
   Basically, the lessor takes the asset on behalf of the lessee and gets compensated by the rental payments that are paid by the lessee during the days of the lease. The ownership of the asset is with the lessor, but the lessee gets exclusive right to use the asset in the way desired.

242. (c)
Foreign investment includes 'FDI' and 'FPI' and does not include ECB.

Foreign investments are into 'Capital Instruments' which includes **equity shares**, **debentures** (fully, compulsorily and mandatorily convertible debentures), **preference shares** (fully, compulsorily and mandatorily convertible preference shares) and **share warrants** issued by the Indian company.

FCCB can be part of both ECB as well as 'Foreign Investment'.

243. (d)
Through Masala bonds money is raised from abroad in foreign currency but the bonds are denominated in Rupee.

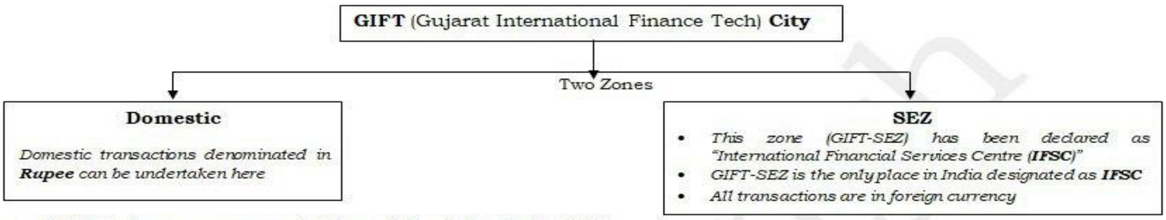
Masala Bonds are a kind of ECB where the bonds are issued outside India but denominated in Indian Rupees, rather than the local currency. Masala is an Indian word and it means spices. Unlike dollar bonds, where the borrower takes the currency risk, Masala bond makes the investors bear the risk.

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 dollar equivalent of Rs. 70 (Rs.70/Rs.80* $1 = $0.875) to the foreign investor rather than $1. So, basically the conversion/exchange risk was borne by the foreign investor.

244. (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.

245. (d)



- *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.*

246. (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 get 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 transaction 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 it is not a 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.

247. (a)
Earlier there was a cap/ceiling on how much a foreign investor can invest in government securities. But in March 2021 RBI removed this cap for NRIs investments in Govt. securities under 'Fully Accessible Route'. But still there is limit on investment by FPIs in Govt. securities.

248. (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 nature which means investments that pass through empty corporate shells. These shells, also called special purpose entities, have no real business activities but are used for financial transactions only.

249. (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

Other PSUs cannot participate and bid in the strategic disinvestment process of a PSU as it would defeat the very purpose of the disinvestment policy.

250. (c)

251. (d)

252. (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.

253. (c)
The Balance of Payments (BoP) as a statistical statement that summarises economic transactions between residents of one economy and those of the rest of the world (non-residents) during a specific time period.

The concept of "residence" is central to BoP compilation.

For Households: The residence of an individual is determined by that of the household of which he is a part and not by the place of his work. His status of residence continues till he acquires a centre of predominant economic interest abroad. Normally, the predominant economic interest and, therefore, the status of residence is said to have been acquired by staying or intending to do so for one year or more in a territory.

For Enterprises: As a general principle, an enterprise is resident in an economic territory where the enterprise is engaged in a significant amount of production of goods and/or services.

So, first statement is not true.

Those transactions which happen between Indian residents and Foreigners or non-resident Indians (NRIs) are recorded in India's balance of payment.
In the second statement, an Indian resident is earning income from abroad from a foreign entity and in the third 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.

254. (d)
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.
NRI deposits create liability on the banks in India.

Securities are basically financial assets, so it will always be included in Capital Account.
So, all are part of Capital Account of BoP

255. (a)
Global Depository Receipts (GDRs) are basically shares issued abroad by a domestic company.

For detailed understanding please refer the Indian Economy book by Vivek Singh.

256. (d)
Masala bonds are issued outside India and money is raised in foreign currency which acts as debt on Indians, 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 goods or services whether consumption or capital goods are part of current account.

257. (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 **1st** 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 **2nd** 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.

258. (d)

- World Bank publishes 'Migration and Development Brief' twice a year. It provides an update on key developments in the area of migration and remittance flows and related policies over the past six months.
- In 2022, India is expected to cross $100 billion in remittances. Last year it had received $89.4 billion. In FDI, India had received around $85 billion in 2021-22. So, basically remittances are more than FDI.
- The World total remittances are expected to touch $794 billion in 2022, out of which $626 billion went to Low and Middle Income Countries.
- The largest sources of remittances for India comes from Gulf Cooperation Council (GCC) Countries and the US, UK.
- The top five recipient countries are going to be India, Mexico, China, Philippines and Egypt

259. (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.

260. (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.

261. (d)
RBI can supersede the Board of a commercial or cooperative bank as per the Banking Regulation Act 1949.

Which activities of banks RBI can regulate is mostly covered in Banking Regulation Act 1949.

Govt. of India can supersede the Board of RBI as per the RBI Act 1934.

Punjab and Maharashtra Co-operative (PMC) Bank is a Multi-State Cooperative Bank registered under the Multi-State Cooperative Societies Act 2002. PMC is an Urban scheduled Cooperative Bank which are also called Primary Cooperative Banks.

262. (c)
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.)***

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'.

263. (b)
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.
As per the Supreme Court judgement in 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".*

Lenders do not require RBI permission to move to IBC Code 2016.

264. (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" is possible to see that the CoC had taken into account, inter alia, the fact that the interest of all stakeholders, including operational creditors has been taken care of.

265. (a)
The resolution plan finalized by the Committee of Creditors must be approved by the NCLT (NCLT is the final approving authority).

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. But, Supreme Court on 15th Nov 2019 ruled that, corporate insolvency resolution process can be extended beyond even 330 days in case of exceptional cases.

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

266. (d)
IBC Code 2016 was not 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.

267. (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.

268. (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]

269. (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.

270. (c)
Govt. of India created a 'Bad Bank' named 'National Asset Reconstruction Company Ltd.' (NARCL) in 2021 which is basically an 'Asset Reconstruction Company' (ARC). NARCL will be 51% owned by Public Sector Banks and financial institutions, and the remaining 49% stake will be held by private sector lenders. NARCL is "Government Company", "Public Company" and "Unlisted Company". Another entity, India Debt Resolution Company (IDRCL), has also been set up which is a 'Non-Govt.' Company.

NARCL and IDRCL will together act as bad bank. NARCL will first purchase the bad loans from commercial banks and then IDRCL will try to sell out the bad loans and recover money. A two entity structure has been created for operational and governance purpose.

Let us understand with an example. Suppose SBI had earlier given loan worth Rs. 1000 crore and it turned into NPA. So, SBI would sell this NPA to the bad bank for recovery and would rather focus on its banking business.

So, Bad bank will purchase this NPA from SBI but not in Rs. 1000 crore. The bad bank will try to estimate how much money it would actually be able to recover from the NPA and accordingly it would quote a price for it. If SBI also agrees then, SBI will sell this NPA/bad loan (paper) to bad bank, let us say in Rs. 300 crore. But the bad bank will not immediately pay in cash Rs. 300 crore to SBI. Rather, the bad bank will pay just 15% of the agreed amount (of the Rs. 300 crore) i.e., Rs. 45 crore in cash and the rest 85% i.e., Rs. 255 crore in securities (a kind of debt paper), which will be paid once the bad bank recovers the money by resolution or liquidation of the bad asset.

But what if the bad bank in future is unable to sell the bad loan or sells the bad loan at a loss (i.e., at less than Rs. 300 crore) and is not able to pay Rs. 255 crore to SBI. So, in that case Govt. of India has agreed to provide "Government Guarantee" on the securities that will be issued by the bad bank.

271. (d)
Pre-Pack Resolution Process (PIRP):
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 owners of the defaulted company (MSME) will prepare a resolution plan on their own and initiate the PIRP (with the approval of 2/3 creditors) 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.

In case of pre pack resolution process, if the "Operational Creditors" have not been paid their total dues then other "Resolution Applicants" (**outsiders**) will also be allowed to participate in the bid to take over the MSME company (debtor). But the owners of the MSME company will still be asked to match the bid of the other applicants (Swiss Challenge) and if the owners of the MSME match the bid then the company will remain with its (present) owners. And if the MSME owners are not able to match the bid of other applicants then the MSME company will go in the hands of the new owners and the previous owners will lose their MSME company/Investments done in the MSME.

Right now, pre-pack 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.

272. (c)
The LCR is calculated by dividing institutions (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.

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%.

273. (d)
Crypto currencies are just digital assets and are not a currency. Govt. has not made crypto currency legal tender, nor it has legalized the trade in crypto currencies but it is not illegal too to transact in crypto currency. So, govt. is yet to frame any law/rule related to crypto transactions.

But Govt. in the budget 2022-23, has imposed 30% tax on any income from transfer of any virtual digital asset (crypto currencies). And no deduction in respect of any expenditure or allowance shall be allowed while computing such income except cost of acquisition.

But levying of 30% tax on transfer of digital assets does not automatically legalizes crypto currencies. The Finance Minister has clarified that imposing tax does not legalize trade in crypto currencies.

As per past court judgements also, *"if the business is illegal, neither the profits earned, nor the losses incurred would be enforceable in law. But that does not take the profits out of the taxing statutes."*

274. (d)
A CBDC is the legal tender issued by a central bank in a digital form. It is the same as a fiat currency and is no different from cash and is exchangeable one-to-one with the fiat currency (bank notes/cash) at par. Only its form is different i.e., digital.

If someone is holding cash and making payment to other person then it does not require any kind of settlement with a third party and the RBI's liability moves from one person to the other person. But when I make payment through cheque/card then it requires inter-bank settlement (through RBI in case of different banks).

CBDCs could bring a lot of benefits like it could make payments faster/instantaneous allowing for immediate settlement and no processing delays

275. (d)
- E-Rupee will be a bearer instrument i.e. whoever is holding the e-Rupee will be assumed to be the owner at any given point of time.
- E-rupee will not earn any interest like cash
- E-rupee would offer features of physical cash like trust, safety and settlement facility
- To introduce 'Central Bank Digital Currency' (CBDC), RBI Act 1934 was amended through Finance Act 2022.

276. (b)
"e-RUPI" is not a digital/virtual currency. It is not a currency at all. It is just an electronic voucher backed by Indian rupee.

"e-RUPI" can be issued by Govt. agency or private corporate entities THROUGH banks. This means that a Govt. agency can use this electronic voucher (e-RUPI) facility if they want to implement welfare schemes. For example, if the price of Rice is Rs. 25/kg in the market and Govt. wants to provide it in Rs. 3/kg to a particular beneficiary, then Govt. agency will approach a (partner) bank and will provide the details of that particular person/beneficiary to the bank. The bank will send the e-RUPI (SMS string or QR code) to the mobile No. of that beneficiary. The beneficiary can then go to specified shops and use this e-RUPI which will be scanned at that particular shop and the beneficiary will get one KG rice by paying just Rs. 3. The shopkeeper (after scanning) will get Rs. 25 - Rs. 3 = Rs. 22/kg from the bank. The bank will get Rs. 22/kg from the Govt. agency.

In the same way a private corporate entity can also use this if they want to provide any benefit to its employees.

So, basically "e-RUPI" can be issued by Govt. Agency/Corporate entity (which means that Govt./private agency can use this system) but the e-RUPI (SMS string/ QR code) will be sent by banks to the beneficiaries.

'e-RUPI 'has been developed by National Payments Corporation of India (NPCI) on its UPI platform. e-RUPI is accessible to anyone with a mobile phone even without a bank account and does not require internet access to redeem the e-RUPI. e-RUPI cannot be transferred or converted into cash.

277. (d)
Non-Fungible Tokens (NFTs) are unique cryptographic assets on a blockchain with unique identification codes that distinguish them from each other. NFTs can represent items like artwork, music etc.

But Hard currencies or crypto currencies are fungible meaning they can be exchanged/replaced one for another. For example, one bitcoin is always equal in value to another bitcoin. This fungibility characteristic makes crypto currencies suitable as a secure medium of transaction in the digital economy.

278. (d)
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 a cost for banks. So, if the cost is high, banks will keep the interest rate high.

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 depositors will move towards govt. schemes. When banks don't reduce the deposit rate, they do not reduce lending rate too.

If there is liquidity crunch in the economy i.e., supply is less, so suppliers (banks/FI) will try to charge higher interest rate rather than reducing the lending rates.

279. (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 for a limited time period 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.

280. (c)
For detailed understanding refer the Indian Economy Book by Vivek Singh.

281. (c)

282. (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 2% and lending rate is 10%, then real interest rate for the businessmen is 8%. For businessmen, it is the real interest rate of 8% 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 in the economy, then businessmen defer new investments.

283. (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 and increasing the competitiveness of products of country B, resulting in negating the effect of tariffs imposed against B.

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.

284. (a)
If there is inflation in the economy then it means rupee is losing value with respect to goods and services. Now, when rupee has lost value with respect to goods and services in the economy then rupee will lose value with respect to dollars also. This is because now the same rupees will not be able to purchase those goods and services (and the only purpose of rupee is to purchase goods and services in the economy) and hence per dollar the foreigners will demand more rupees leading to depreciation of rupee.

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 that 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.)*

285. (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 increase 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.

286. (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.

287. (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.

[For example, if there are too many flats built in the country then the price of flat will fall and the rentals on flat will also fall].

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.

288. (c)
Bond yield is dependent on interest rate in the market. When interest rate goes up then (bond price goes down and) bond yield goes up.

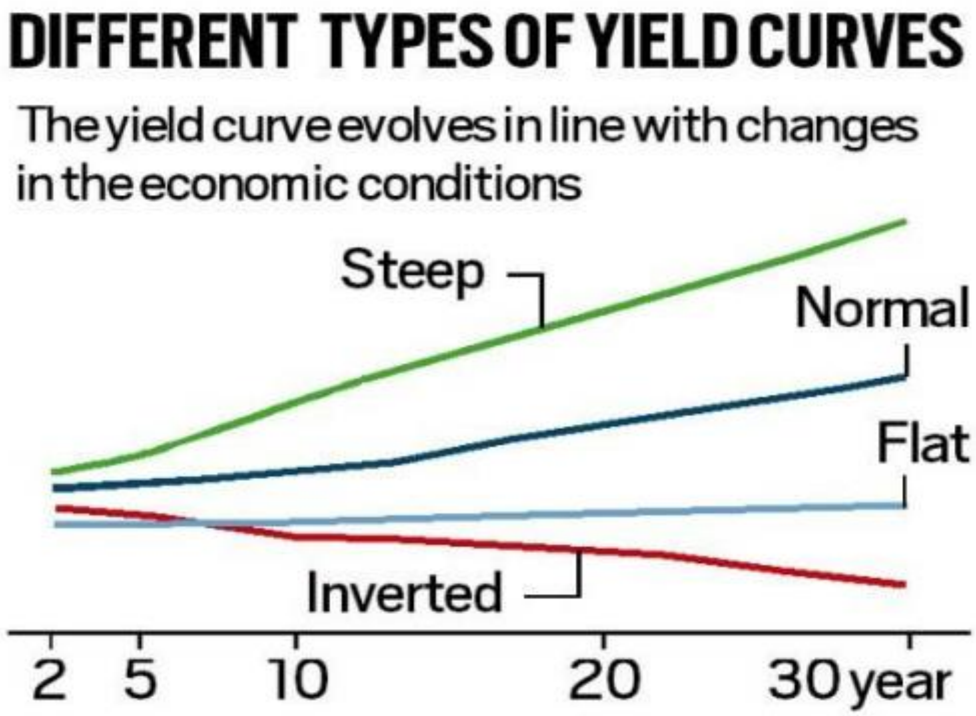
But suppose interest rate is not changing in the economy. In this case also, if a lot of bondholders start selling their bonds, then the price of bond will go down and the yield will move up.

289. (b)
If there is a surge in bond yields that means those people holding bonds, their prices are going down, so bondholders will loos.

If the bond yields are increasing (alternatively you can that bonds prices are going down) then definitely it will attract a lot of FPI debt investors to invest in bonds.

When the bond yields move up then investors will shift to debt/bond investments rather than equity investments, so it will hurt government's disinvestment plan.

290. (d)
Typically, yields are higher for longer tenures because one is lending money for longer. If the yields for different tenures of bonds are mapped, it will give an upward-sloping curve ("Normal" in the chart below).



The curves can be flat or steep depending on the money available in the market and the expected overall economic activity. When investors feel buoyant about the economy, they pull money out of long-term bonds and put it into short-term riskier assets such as stock markets. As prices of long-term bonds fall, their yields rise — and the yield curve steepens.

Yield inversion happens when yields for shorter duration bonds are higher than the yields on longer duration bonds. If investors suspect that the economy is heading for trouble, they will pull out money from short-term risky assets (such as stock markets) and put it in long-term bonds. This causes the prices of the long-term bonds to rise and their yields to fall. This process first leads to flattening and eventually the inversion of the yield curve. Yield inversion has long been a reliable predictor of recession in the US

291. (d)
Microfinance (micro + finance) is provision of **financial services** to **poor and low-income households**. These financial services include small loans/credit, savings, insurance, funds transfer/remittance facilities etc. Microfinance is an economic tool designed to promote financial inclusion which enables the poor and low-income households to come out of poverty, increase their income levels and improve overall living standards.

Microcredit (one of the services under microfinance) is delivered through a variety of institutional channels like banks, NBFCs, MFI-NBFCs etc.

292. (c)
Important features of new guidelines for Micro finance loans published by RBI in March 2022:

- It is applicable to all commercial banks (except payment banks as they do not give loan), cooperative banks and NBFCs

- A microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children.

- All collateral-free loans, irrespective of end use and mode (either through physical or digital channels), provided to low-income households, i.e., households having annual income up to ₹3,00,000, shall be considered as microfinance loans.

- The Banks/NBFCs should clearly mention a ceiling on the interest rate and all other charges applicable to the microfinance loans. Banks/NBFCs should separate the components of the interest rate such as cost of funds, risk premium and margin, etc. based on objective parameters. Interest rates and other charges/ fees on microfinance loans should not be usurious. These shall be subjected to supervisory scrutiny by the Reserve Bank. *(As such RBI is not fixing/regulating the interest rate on microfinance loan but has given clear guidelines how to do it and put a cap/ceiling).*

293. (a)

- Scheduled commercial banks (SCBs) including small finance banks (SFBs) and regional rural banks (RRBs) (lending both directly as well as through business correspondents (BCs) and self-help groups (SHGs)) and Cooperative Banks [**59.72%**]
- Non-banking financial companies (NBFCs) [**8.71%**]
- Microfinance institutions (MFIs) registered as NBFCs [**30.8%**]
- 'Not for profit' MFIs [**0.78%**]

294. (c)

295. (d)

Financial repression occurs when governments implement policies to channel to themselves funds that in a deregulated market environment would go elsewhere. Policies include directed lending to the government by captive domestic audiences (such as pension funds or domestic banks), explicit or implicit caps on interest rates, regulation of cross-border capital movements, and (generally) a tighter connection between government and banks, either explicitly through public ownership of some of the banks or through heavy "moral suasion" (persuading banks to act in a certain way). Financial repression is also sometimes associated with relatively high reserve requirements (or liquidity requirements), prohibition of gold purchases, or the placement of significant amounts of government debt that is nonmarketable (debt for which there is no secondary market).

296. (b)

Deleverage means reducing the level of debt of a company by selling its assets.

297. (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.)

298. (b)

299. (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, reduces 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.

300. (d)

301. (d)
The National Financial Reporting Authority (NFRA) was constituted on 01st October, 2018 by the Government of India under the Companies Act, 2013. As per the Act, the duties of NFRA are:

- Recommend accounting and auditing policies and standards to be adopted by companies for approval by the Central Government;

- Monitor and enforce compliance with accounting standards and auditing standards;
- Enforce compliance with accounting/auditing standards and undertake investigation of the auditors of listed and unlisted companies
- Protect the public interest and the interests of investors, creditors and others associated with the companies

302. (d)
An efficient and robust financial system acts as a powerful engine of economic development by mobilizing resources and allocating the same to their productive uses. In a developing country, however, financial sectors are usually incomplete in as much as they lack a full range of markets and institutions that meet all the financing needs of the economy. For example, there is generally a lack of availability of **long-term finance** for infrastructure and industry, finance for agriculture and small and medium enterprises (SME) development and financial products for certain sections of the people. **The role of development finance is to identify the gaps in institutions and markets in a country's financial sector and act as a 'gap-filler**'. The principal motivation for developmental finance is, therefore, to make up for the failure of financial markets and institutions to provide certain kinds of finance to certain kinds of economic agents and sectors. The failure may arise because the expected return to the provider of finance is lower than the market-related return (notwithstanding the higher social return) or the credit risk involved cannot be covered by high risk premium as economic activity to be financed becomes unviable at such risk-based price.

The vehicle for extending development finance is called development financial institution (DFI) or development bank. A DFI is defined as "an institution promoted or assisted by Government mainly to provide development finance to one or more sectors or sub-sectors of the economy. The institution distinguishes itself by a judicious balance between commercial norms of operation, as adopted by any private financial institution, and developmental obligations; it emphasizes the "**project approach" - meaning the viability of the project to be financed – against the "collateral approach**"; apart from provision of long-term loans, equity capital, guarantees and underwriting functions, a development bank normally is also expected to upgrade the managerial and the other operational pre-requisites of the assisted projects. Its insurance against default is the integrity, competence and resourcefulness of the management, the commercial and technical viability of the project and above all the speed of implementation and efficiency of operations of the assisted projects. Its relationship with its clients is of a continuing nature and of being a "partner" in the project than that of a mere "financier".

The first DFI established in India in 1948 was Industrial Finance Corporation of India (**IFCI**).

303. (d)
National Bank for Financing Infrastructure Development (NaBFID) has been established through an act of Parliament as a 'Development Finance Institution' (DFI).

As per the act, *"The financial objective of the Institution shall be to lend or invest, directly or indirectly, and seek to attract investment from private sector investors and institutional investors, in infrastructure projects located in India, or partly in India and partly outside India, with a view to foster sustainable economic development in India."*

Non-recourse debt is made to finance a particular project, with the condition that the project's profits are the only assets out of which the borrower is legally obliged to repay the loan. Unlike non-recourse debt, recourse debt/loans generally require collateral.

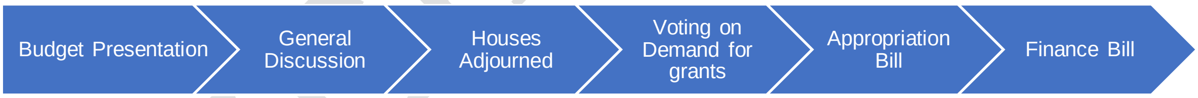
304. (d)

305. (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.*

306. (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 just after budget presentation.

307. (d)
In normal budget, 'Demand for Grants' of every ministry/department is discussed and voted in Lok Sabha (it can be discussed in Rajya Sabha but no voting happens in Rajya Sabha on demand for grants) which basically gives approval of every ministry's expenditure. And then Appropriation Bill is passed to extract that money out of CFI.

But in Vote-on-Account, there is no approval of demand for grants of every ministry/department, but only an approval is taken of the Parliament to extract money out of CFI for expenses purpose of the Govt. for 2/4/6 months.

Taxes from UTs without Assembly get deposited in the Consolidated Fund of India (CFI) and then from CFI amount is spent on various activities of 'UTs without Assembly'. So, just like 'Demand for Grants' of every Union Ministry is passed in the same way a

'Demand for Grants' of every UT without assembly is also passed in the Union Budget and that amount is also included in the Appropriation Bill (to be spent from CFI).

308. (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.

309. (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.

310. (b)
The RBI transferred its accumulated surplus reserves (which it was holding since long) to its annual income and then this annual income was transferred to Govt. of India as dividend. Dividend from PSUs (RBI is a PSU which is 100% owned by Govt. of India) is considered as non-tax revenue receipts.

311. (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.

312. (b)
Effective Capital Expenditure = Capital Expenditure by Central Govt. + Grants given to states for creation of capital assets.

Grants given to States (by Govt. of India) is a revenue expenditure for Govt. of India but ultimately it is spent for creation of capital assets by State Governments, so effectively it is capital expenditure for the economy.

This same concept is used to calculate "Effective Revenue Deficit" which is equal to Revenue deficit minus grants given to states for creation of capital assets.

313. (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, **3rd** statement is not true.

314. (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 and once it gives dividend to Govt. of India then it will be counted in non-tax revenue receipts.

315. (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, dated securities or cash management bills) then it will be debt creating capital receipts. And money received in Public Account is also liability for Govt. of India and are considered as debt creating capital receipts.

316. (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 funds contributed by Govt. to create a PSU (an asset) will come under capital budget/expenditure of Govt. of India.

A PSU purchasing capital equipment is not part of Govt. of India budget.

317. (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.

318. (d)
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.

Sovereign Green Bonds are also a kind of borrowing by Govt. of India.

319. (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.

320. (c)
The central government budgeted expenditure for 2023-24 is Rs. 45 lakh crore and the projected GDP for 2023-24 is Rs. 302 lakh crores, so it comes around 15% of GDP.

Revenue expenditure is Rs. 35 lakh crores
Capital expenditure is Rs. 10 lakh crores

In 2023-24, Centre has allowed States a fiscal deficit of 3.5 per cent of GSDP of which 0.5 per cent will be tied to power sector reforms.

321. (d)

	2022-23	2023-24
Budgeted expenditure		Rs. 45 lakh cr
Capital expenditure		Rs. 10 lakh cr
Gross Tax Revenue (Centre)	Rs. 30.4 lakh cr	Rs. 33.6 lakh cr
Nominal GDP	Rs. 273 lakh cr	Rs. 302 lakh cr
Tax to GDP (Centre)	11.1% (30.4 lcr/273 lcr)	11.1% (33.6 lcr/302 lcr)
Tax buoyancy: (% Change in tax revenue) / (% change in GDP)		1: (33.6 – 30.4)/30.4 / (302 – 273)/273

322. (d)

- As per the new tax regime (Personal Income Tax), till Rs. 7 lakh there is no tax. But if the income is more than Rs. 7 lakhs then the following slab will be applicable in the new tax regime:

Rs. 0 to 3 lakhs	Nil
Rs. 3 lakhs to 6 lakhs	5%
Rs. 6 lakhs to 9 lakhs	10%
Rs. 9 lakhs to 12 lakhs	15%
Rs. 12 lakhs to 15 lakhs	20%
Above Rs. 15 lakhs	30%

- In the old tax regime, till Rs. 5 lakh there is no tax but if income is more than Rs. 5 lakhs then the following slab will be applicable:

Rs. 0 to 2.5 lakhs	Nil
Rs. 2.5 lakhs to 5 lakhs	5%
Rs. 5 lakhs to 10 lakhs	20%
Above Rs. 10 lakhs	30%

In this old tax regime individuals can claim exemptions related to savings under various schemes like PPF, NPS etc. up till certain limit.

Persons are free to choose either the old or new tax regime for tax payment.

323. (d)

324. (c)
Most of the taxes in our country are ad-valorem i.e., imposed on value (Quantity X Price). So, tax revenue collection depends on the quantity of production and price (or we can say inflation) both.

325. (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 the growth in tax revenue per percentage change in GDP. If tax buoyancy is greater than one then it is good for economy.

326. (d)
Tax buoyancy = %change in tax revenue/%change in GDP

Since we have progressive tax system, so when GDP increases and people income increases, then their tax increases more as compared to GDP/income. Hence, increase in GDP may lead to increase in tax buoyancy.

All the other factors will increase tax even without an increase in GDP, hence it will also increase tax buoyancy.

327. (c)
The Central Consumer Protection Authority (CCPA) was established in July 2020 under the 'Consumer Protection Act 2019'. CCPA regulates matters relating to violation of rights of consumers, unfair trade practises and false or misleading advertisements which are prejudicial (detrimental) to the interest of public and consumers and to promote and enforce the rights of consumers as a class.

CCPA considers 'service charge' as unfair trade practises and misleading and hence issued guidelines (in July 2022) banning restaurants and hotels across the country from levying service charge.

But the Delhi High Court on July 20 **stayed** the guidelines issued by the CCPA. The court said that the restaurants and hotels have to ensure that the levy of service charge in addition to the food bill and taxes and the obligation of customers to pay it must be displayed prominently on the menu.

The court said hotels and restaurants will undertake not to levy the service charge on takeaway items. The court also said if you don't want to pay, don't enter the restaurant. It is ultimately a question of choice.

328. (c)
Receipts under Public 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 Samriddhi 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.

329. (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 these 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 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

330. (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
= Domestic market borrowing + 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 crores 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 crores.

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 crores (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.

331. (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.

332. (a)
Here, budget deficit means fiscal deficit.
Rationalization of subsidies means reducing leakages and wastages in subsidies.

333. (c)
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.

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.

334. (b)
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 yield goes up.

Higher fiscal deficit increases aggregate demand in the economy.

335. (c)
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 and NRIs. But Foreign Direct Investors are not allowed to invest in bonds/debt.

As per FRBM Act 2003, RBI should not fund Govt. of India's fiscal deficit (in primary market) other than in exceptional circumstances. Although RBI can purchase Govt. securities in secondary market.

336. (d)
A 'stimulus' is an attempt by policymakers to kickstart/stimulate 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.

337. (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.

338. (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

339. (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.

340. (d)
Fiscal dominance occurs when central banks use their monetary powers to support the prices of government securities and to keep interest rates at low levels to reduce the costs of servicing sovereign/government debt. Fiscal dominance implies that Fiscal considerations limit the scope for an independent and prudent monetary policy.

This term can be understood in the context of WPI and CPI both are high but still RBI is not willing to increase the repo rate (and reverse repo rate) because it may lead to increase in interest rates and increase in cost of borrowing by the Govt. Recently RBI also scrapped the plan for issuance of Central government securities to raise debt (for govt.) in light of higher interest rate in the market.

341. (d)
As per the FRBM Act 2003, the following three statements should be presented along with the Annual Financial Statement (budget) in both the houses of the parliament:

- Medium Term Fiscal Policy Statement
- Fiscal Policy Strategy Statement
- Macro-economic Framework Statement

But, the 'Medium-term Expenditure Framework Statement' should be laid in the session immediately following the session of the Parliament in which the budget has been presented.

342. (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).

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.

As ultimately this money will be spent in the economy, it will increase the money supply in the economy resulting in inflation which may result in macroeconomic instability.

This is allowed as per FRBM act 2003 only but only in exceptional circumstances.

343. (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.* 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.

344. (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 controlling inflation, supporting growth and preserving financial stability.

345. (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.

346. (d)
Suppose GST on car of Rs. 5 lacs is Rs. 1 lakh.

Now if I purchase a 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.

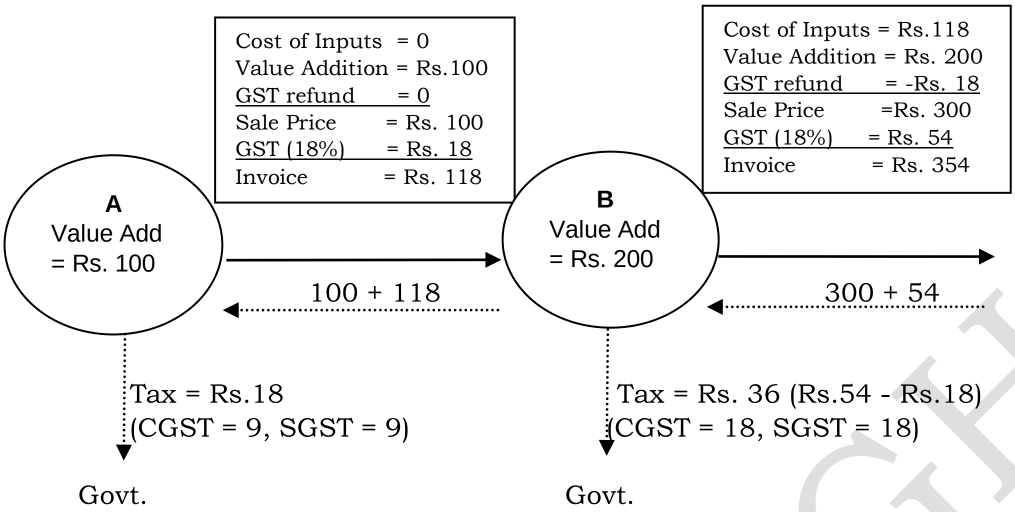
Income tax is progressive, as poor people need to pay less tax rate as compared to rich people.

347. (a)
Regressive tax means tax percentage decreases with increase in income.

Inflation is a regressive tax. The logic is same as indirect taxes are regressive in nature. For example, if because of inflation the price of a product increases by Rs. 10 then as a percentage of income, this Rs. 10 will be higher for poor people as compared to rich people.

348. (d)

349. (d)
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 effectively 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 worth Rs. 18 to the government then government credits 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 back to B by the government.

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 among 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 end is 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.

350. (a)

When Central government was planning to introduce GST, States were worried that after the implementation of GST, tax revenue of States may fall and they will not have the freedom under GST regime to impose extra taxes. So, Government of India 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 it found an average annual growth of 14%. So, Govt. of India promised States that if after implementation of GST, the States Indirect Revenue growth is less than 14% annually from 2015-16 (base year) onwards then Govt. of India (through GST council) will impose Cess on luxory and demerit goods and that money it will give to States as compensation for the next five years (1st July 2017 to 30th June 2022). For this purpose, Goods and Services Tax (Compensation to States) Act 2017 was enacted.

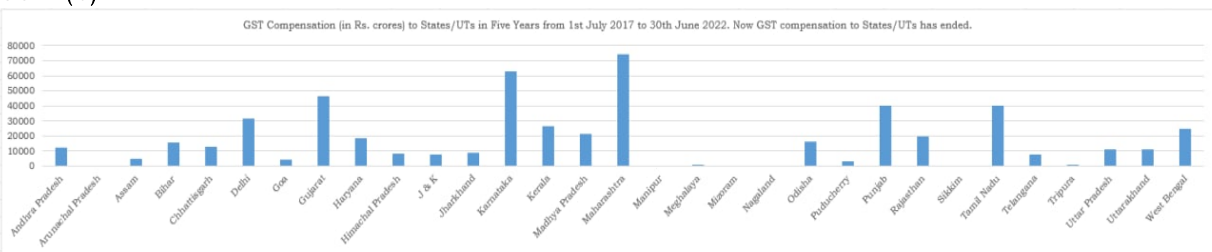
Govt of India levies and collects the GST compensation cess in Consolidated Fund of India and then it is transferred under "GST Compensation Fund" in Public Account of India (because it is not Govt. of India's money, and it belongs to States) and then it is transferred to States/UTs.

So, after GST kicked in there was some shortfall and States were compensated. But in Covid, shortfall increased too much and it was not possible to increase the Cess on demerit and luxury goods to compensate the huge shortfall. So, a tussle started in Nov. 2020 regarding how to handle that situation. So, ultimately it was decided that 'Centre' will borrow the (additional) shortfall amount (due to covid) and it will pass (give loan) to States on 'back-to-back' basis. And States will have to pay for the principal and interest amount in future. (When Centre borrows the cost of borrowing is less as compared to States, as Centre can't default and its credit rating is better).

But from where the States will repay this amount (principal and interest) in future. So, it has been decided that for the payment of this 'principal and interest' amount, the cess will be imposed even after 30th June 2022 till 31st March 2026.

States were demanding that in general the cess should be allowed to continue for the next 5 years (starting from 1st July 2022). But Centre said no. The cess will continue only for the repayment of principal and interest which was borrowed by Centre and passed to States on back-to-back basis because of the Covid crisis.

351. (b)



352. (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 in the entire supply chain. This is called exports are 'zero rated'.

353. (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 and is transferred to the National Disaster Response Fund (NDRF) established under Public Account of India.

354. (a)
Exports, imports and movement of goods from one state to another state are treated as interstate supply for the purpose of GST. On imports, first customs duty is imposed and then Integrated GST (IGST) is also imposed.

355. (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, 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.

356. (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. It is an **optional** scheme wherein the eligible person 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.

357. (d)
Earlier National Anti-Profiteering Authority (NAA) was dealing with GST related complaints like reduction in GST rates not passed to consumers or input tax credit availed by a registered GST entity not resulting in commensurate reduction in price of product. But now from 1st Dec. 2022, it will be dealt by Competition Commission of India (CCI).

358. (c)
Supreme Court Judgement [May 2022]

- *The recommendations of the GST Council are recommendatory in nature and not binding on the Union and States.*
- *The Parliament and State Legislatures posses' simultaneous power to legislate on GST.*
- *The recommendations of the GST Council are binding on the Government for only secondary/subordinate legislations like changes in tax rates or framing of rules under*

CGST/SGST/IGST but not for primary legislations. For primary legislations (like amendment in acts.... CGST/SGST), the recommendations have only persuasive value.

359. (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.

360. (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.

361. (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.

362. (c)
Inverted Duty Structure: Suppose there is a supply chain, A——->B——>Consumer. Now if the product which A sells to B has more GST rate say 18% and the product which B sells to the consumer has less GST rate say 5%, then we will say that the chain is having "inverted duty structure". Ideally the raw material should have less tax rate and final products should have more tax rate, but if it is not so then it creates an inverted duty structure.

So, suppose B purchased paper as raw material from A on which GST rate is 18% and then converted into book and sold the book to the consumer (on which GST rate is 5%). Now while purchasing the paper B paid more GST but it will collect less GST from the consumer. So, B will claim GST refund which he paid while purchasing the paper (18%) from A. This is effectively reducing the GST collection of the Govt. on the entire value chain to just 5% while Govt. was expecting to collect 18% GST on paper.

363. (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 there from 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."

364. (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.

365. (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.

366. (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.

367. (c)
Suppose 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 just 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)

368. (d)
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 the government (and hence there is 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%.

369. (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 "equalization 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, "equalization 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% (no need to remember 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.

"Equalization 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.

370. (d)

Global Minimum Corporate Tax:

- ✓ Big Technology companies shift their profits to such countries where the corporate tax rate is less. The companies do not shift the actual business, but mostly financial transactions are involved. As the competition among the countries is increasing, to attract more business/investment, countries also resort to reduction in corporate taxes. This has led to the loss of tax revenue to the home country government. That is why countries have agreed to implement a Global Minimum Corporate Tax.

- ✓ E.g.: Let us say there is a company XYZ in the US where corporate tax is 20%, and the company shifts its business revenues to another country, say Mauritius where corporate tax is 5%. Now as per GMCT (assuming it to be 15%) US Govt. will have the authority to collect tax from XYZ = 15% - 5%. This means that now if the companies shift their business revenues to tax havens then also they will have to pay a minimum tax.

- ✓ If there is another company which is based in Mauritius, then they can pay 5% tax. GMCT is applicable on companies which have shifted their business to tax havens where tax rate is less.

The Global Minimum Corporate Tax Framework that the countries have agreed has two-pillar package.

- ✓ Pillar 1 will ensure a fairer distribution of profits and taxing rights among countries with respect to the largest Multi-National Enterprises (MNEs), including digital companies. It would re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there. (So, because of this pillar, Equalization Levy will not be required anymore)

- ✓ Pillar 2 seeks to put a floor on competition over corporate income tax, through the introduction of a global minimum corporate tax rate that countries can use to protect their tax bases. (This is related to GMCT of 15%)

Once the 'Global Minimum (Corporate) Tax' kicks in, India may have to abolish the 'Equalization Levy' which it imposes on multinational technology companies such as Google, Facebook etc.

371. (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.

372. (b)

Central government gives grant to States to implement Centrally Sponsored Schemes (CSCs). And for Central Government this expenditure is revenue 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.

373. (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.

374. (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

375. (d)
For detailed understanding, refer Indian Economy by Vivek Singh

376. (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.

377. (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)

378. (a)
Public Debt of **Govt. of India** includes Central Government's internal and external debt. Treasury bills and dated securities are 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 **1st** statement is correct.

379. (a)
As commercial banks are required to keep SLR (cash, gold, government securities) of 18%, they keep the maximum percent of government securities. Out of cash, gold and government securities, government securities give the best returns (interest), so they prefer this instrument.

The following is the share of public debt as on end March 2021

Commercial Banks	**38%**
Insurance Companies	25%
RBI	16%
Provident Funds	4%

Rest is Mutual Funds & Others share.

380. (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.

There is difference between "**India**" and "**Govt. of India**".

381. (d)
As on end Sept. 2022, India's external debt stood at $610.5 billion which was 19.2% of GDP including sovereign debt of 4% of GDP.

Commercial borrowings remained the largest component of external debt.

382. (d)
All are part of India's external debt, and all are denominated in rupees.

Non-Resident External (NRE) Accounts are NRI deposits in India in Rupees.

383. (a)
Currency wise, India's external debt includes:
- US Dollar denominated (55.5%)
- Indian Rupee denominated (30%)
- And then some is SDR (6.1%), Yen (4.9%) and Euro (2.6%).

The Rupee denominated debt is basically FPIs/FIIs purchasing Indian Govt. and companies' bonds in the Indian market and Masala bonds raised by Indian companies in abroad market and some NRI deposits in Indian rupees.

384. (d)
For the first statement which is true please check the trends.

As on end March 2022, the total debt of Govt. of India was Rs. 134 lakh crore and out of this, public debt (internal + external) was Rs. 121 lakh crores which is 90% of the total debt.

All figures in Rs. lakh crore	
Components of Central Govt. Debt	As on 31st March 2022
1) Internal Debt	114.6
2) External Debt	6.6
3) Public A/c Liabilities	11.9
4) Extra Budgetary Resources	1.39
Total	134

As per Economic Survey 2022-23, Public debt in India is primarily contracted at fixed interest rates, with floating internal debt constituting only 1.7 per cent of GDP in end-March 2021. The debt portfolio is, therefore, insulated from interest rate volatility, which also provides stability to interest payments.

385. (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.

Just for Info: FRBM Act 2003 has not been amended in the Budget 2023-24.

386. (a)
States need to take prior approval from Centre for borrowing (from anywhere) only if they have taken debt from Centre and there are pending dues OR there is any outstanding loan on States (from anywhere) with respect to which Central Govt. has given guarantee.

But as almost every state has taken loan from Centre and there are pending dues that is why in the budget document or economic survey it is written that Centre has allowed States to borrow up to this/that limit.

387. (c)
Please refer the trends

388. (d)
The country's forex reserves as on end March 2023 stood at $560 billion, while India's external debt stood at $610.5 billion as on end Sept. 2022. So, if we want to pay of the complete external debt, it is not possible as forex reserves are less than the external debt.

The country's one-year import of goods and services for FY 2021-22 is around $750 billion. So, our forex reserves will not be able to cover the entire one-year imports.

389. (a)
Forex reserve includes foreign currency assets, gold, SDR and RTP

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, but it 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 our forex 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.

390. (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.

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.

Forex reserves are the financial assets held by our residents (RBI) which are basically claims on non-residents. So, more foreign currency assets improve our NIIP position.

Our NIIP position as on end Sept. 2022 as a percent of GDP was -11.5% ($3896 billion). India's international financial assets covered only 68.5 per cent of international financial liabilities as on end Sept. 2022.

391. (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.

392. (d)
Generally, when central government wants to implement some scheme/project then it asks PSUs to borrow but it acts as a debt on Central Government and the principal and interest is paid by Central Government. This is not reflected in Centre's borrowing and hence is not part of its fiscal deficit.

Govt. did not estimate any off budget borrowing for 2022-23 and 2023-24.

393. (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.**

394. (a)
In view of a higher multiplier effect of capital expenditure and to provide the much-needed resources to the state in the wake of 2nd wave of the COVID-19 pandemic, the scheme 'Special Assistance to States for Capital Expenditure for 2021-22' was launched in April, 2021.

For 2022-23, the allocation is Rs. 1 lakh crore to assist the states in catalysing overall investments in the economy. These fifty-year **interest free loans** are over and above the normal borrowings allowed to the states. These loans will form part of capital expenditure of Central Government. It has been continued in 2023-24 budget also.

395. (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 taxpayers 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.

396. (c)
Agriculture Census is conducted after every 5 years. The 11th Agricultural Census (2021-22) was launched in July 2022. The first Agriculture Census was conducted in 1970-71.

Agricultural Census is the main source of information on a variety of agricultural parameters at a relatively minute level, such as the number and area of operational holdings, their size, class-wise distribution, land use, tenancy and cropping pattern, etc. This is the first time that data collection for agricultural census will be conducted on smart phones and tablets, so that data is available in time. Most of the States have digitized their land records and surveys, which will further accelerate the collection of agricultural census data. The use of digitized land records and the use of mobile apps for data collection will enable the creation of a database of operational holdings in the country.

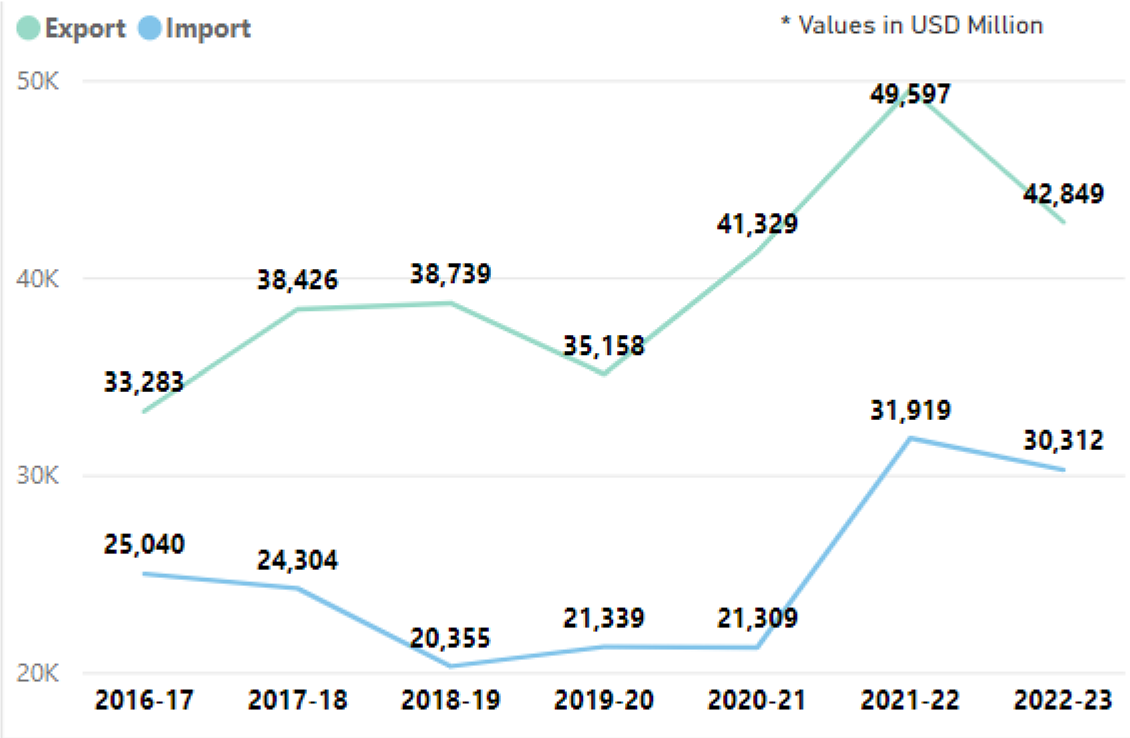
397. (c)
Refer the Trends.
Horticulture production surpassed food grain (wheat, rice, pulses and coarse grains) production since 2012-13. In 2021-22, horticulture production was around 342 MT and food grain production was 316 MT.

398. (a)
As per Second Advance Estimates, the estimated production of foodgrains for 2022-23 is as under:

Rice	131 MT
Wheat	112 MT
Coarse grains	53 MT
Pulses	28 MT
Total	**324 MT**

This has been the trend in previous years too.

399. (a)



The 2022-23 data is for April to Jan period.

400. (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.

401. (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 2021-22, 100% of the foodgrains and 20% of sugar were required to be mandatorily packed in jute bags.

402. (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.

403. (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 **1st** statement is true and **2nd** statement is not true. Post-harvest activities are not included in the cost hence **4th** statement is not true.

Let us understand the depreciation on agriculture equipment's.

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.

404. (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).

405. (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.

<u>Important features of the model Act:</u>

- 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.

406. (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 consumers 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 some time.
But in April 2020, the following 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

407. (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).

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.

408. (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.

409. (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.

410. (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.

411. (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

412. (d)

413. (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 especially in the deficit regions.

414. (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.

415. (b)
Government has officially deregulated the petroleum products market and the price of petrol/diesel is decided/changed by the market forces on a daily basis based on an average of the previous 15 days' global prices of the crude basket.

Central Govt. imposes Customs Duty on import of crude and Excise Duty on processing of crude and States impose VAT on sales of petrol/diesel. And these fuel are sold by Oil Marketing Companies (OMCs) like IOCL, BPCL, HPCL which are government controlled and few private players also like Reliance/Adani.

Although on paper/officially the prices of petrol/diesel are decontrolled but generally when the crude oil prices goes too down then Government increases the Excise/VAT tax (during Covid, crude fell to around $20 per barrel but retail priced did not come down much) and when the crude price goes up then it decreases the tax. So, generally you will not see the impact of crude price change reflecting in retail petrol/diesel prices.

But if Govt. is changing the tax rate, to smoothen the prices then you cannot say that Govt. is controlling the prices, as Govt. has full freedom/right to change the tax. BUT sometimes, when crude prices increase steeply and Govt. is not willing to reduce taxes and it also does not want retail prices to go up (because of elections as as was the case in the last one month) then it indirectly/unofficially forces OMCs like IOCL/BPCL/HPCL (which are controlled by Govt.) to not increase the prices which leads to loss of profit and pricing freedom to the OMCs. And this loss of profit or just loss is called "under recovery" of OMCs. When OMCs do not increase prices then private retailers can also not increase the fuel prices because of competition.

There is 'under-recovery' in case of LPG also when Govt. does not want to increase the subsidy amount while the crude prices move up.

416. (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 gas (input).

417. (c)
Nutrient Based Subsidy" is applicable for Phosphatic, Potassic (P&K) and Complex fertilizers only and not for Urea which is a Nitrogenous fertilizer. Govt. fixes the subsidy annually on 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.

418. (b)
Government has made it mandatory for all the domestic producers of urea to produce 100% neem coated urea.

Fertilizer data

Fertilizer (MT)	UREA (N)	DAP (P)	MoP (K)	Complex (NPK)
Domestic Production	25	5	0	12
Imports	10	7	3	1
Total Consumption	35	12	3	13

Urea price is regulated/fixed for the farmers and it does not change with change in price of gas. All the domestic urea manufacturing plants are categorized into three groups based on technology and all the plants under one group get the same amount of subsidy per kg from the Government.

419. (d)
Liquid Nano Urea has been developed and Patented by IFFCO. IFFCO Nano Urea is the only Nano fertilizer approved by the Government of India and included in the Fertilizer Control Order (FCO). To ensure adequate availability of right quality of fertilizers at right time and at right price to farmers, Fertilizer was declared as an Essential Commodity and Fertilizer Control Order (FCO) was promulgated under Section 3 of Essential Commodities Act,1955 to regulate, trade, price, quality and distribution of fertilizers in the country.

- Application of 1 bottle (half litre) of Nano Urea can effectively replace at least 1 bag of Urea (50 kg).
- Presently there is no subsidy on Nano Urea. And the subsidy on normal Urea is around Rs. 15 to Rs. 20 per kg. Presently Govt. regulates the price of normal urea at Rs. 5.36/kg
- When sprayed on leaves, Nano Urea easily enters through stomata and other openings and is assimilated by the plant cells. It is easily distributed through the phloem from source to sink inside the plant as per its need.
- Liquid Nano Urea contains 4% nitrogen by volume and comes in the form of nanoparticle.
- Its efficiency is 85%-90% as compared to 25% for conventional urea
- Unutilized nitrogen is stored in the plant vacuole and is slowly released for proper growth and development of the plant.
- Small size (20-50 nm) of Nano Urea increases its availability to crop by more than 80%.

420. (d)
- Under One Nation One Fertilizer (ONOF) scheme, companies are allowed to display their name, brand, logo and other relevant product information only on one-third space of their bags.

- On the remaining two-thirds space, the "Bharat" brand and Pradhanmantri Bharatiya Jan Urvarak Pariyojana logo will have to be shown.
- The single brand name for UREA, DAP, MOP and Complex Fertilizers (NPK) etc. would be BHARAT UREA, BHARAT DAP, BHARAT MOP and BHARAT NPK etc. respectively for all Fertiliser Companies, State Trading Entities (STEs) and Fertiliser Marketing Entities (FMEs).
- It will bring about uniformity in fertiliser brands across the country
- The farmer will get rid of all kinds of confusion about the quality of the fertiliser and its availability.
    - BHARAT Logo:

421. (b)
For 2023-24
Food Subsidy = Rs. 1.97 lakh crore
Fertilizer Subsidy = Rs. 1.75 lakh crore
Petroleum = Rs. 2257 crores

422. (d)
Government has eliminated the Kerosene subsidy which has traditionally been used to meet the lighting and cooking needs, especially in rural areas. Government has decided to phase out use of kerosene for cooking and lighting in view of the increasing coverage of electricity for lighting needs and LPG as a clean cooking fuel. Post Saubhagya (Pradhan Mantri Sahaj bijli har ghar yojana) and Ujjwala Yojana the use of kerosene is steadily going down.

Out of 37 states/UTs, 11 states/UTs are kerosene free i.e no PDS Kerosene is allocated to these states/ UTs by Ministry of Petroleum and Natural Gas (MOP&NG) [As per Eco Survey 2021-22]. The balance states/UTs are allocated PDS Kerosene by MOP&NG on a quarterly basis. Kerosene is distributed through PDS and is sold at market price with **zero central subsidy**. The allocation varies from State to State depending on factors like LPG penetration, non-lifting of PDS Kerosene, voluntary requests for surrender/reduction. State Government of Tamil Nadu is still subsidizing kerosene through state subsidy.

Effective from 1st March, 2020, the retail selling price of PDS Kerosene is being maintained at NIL under-recovery level on pan India basis and is made available to the states at market prices.

423. (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.

424. (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.

425. (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.

426. (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.

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). E-NWRs can be traded on e-NAM also.

427. (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.

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**.

428. (d)
SAMPADA (Scheme for Agro-Marine Processing and Development of Agro-processing clusters) is a Central Sector scheme. 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.

429. (b)
The PMMSY is implemented as an umbrella scheme with two separate Components namely (a) Central Sector Scheme (CS) and (b) Centrally Sponsored Scheme (CSS). The scheme will bring about **Blue Revolution** through sustainable and responsible development of fisheries sector in India. Under the scheme Central govt. is funding some percentage of the project cost (investments in plants and machinery) up to a certain limit. Following are some important features.

- The scheme is implemented in all the states and UTs
- Post-harvest management and quality improvement
- Development of infrastructure - fishing harbours, cold chains, markets etc.
- **Doubling fishers and fish farmers' incomes** and generation of employment
- Enhancing contribution to Agriculture GVA and exports
- Govt. will register "***Sagar Mitra***" to provide fisheries extension services and will encourage formation of **Fish Farmers Producer Organizations** to help achieve the PMMSY goals

430. (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 including shrimp.

431. (d)
Operation Greens (also called Tomato Onion Potato (TOP)) scheme aims to promote Farmer Producers Organizations (FPOs), agri-logistics, processing facilities and value addition etc. in identified production clusters.

The scheme provides for short term intervention by way of providing transportation and storage subsidy @ 50% and long-term intervention through value addition projects in identified production clusters with Grant-in-aid @ 35% to 70% of eligible project cost subject to maximum of Rs. 50 crore per project.

Under the scheme, state-wise funds are not allocated as the scheme is demand driven and projects are approved as per scheme guidelines on the basis of applications received for setting up of projects in eligible production clusters.

432. (c)
APEDA was established in 1986 under the Agricultural and Processed Food Products Export Development Authority Act, 1985.

The APEDA under Ministry of Commerce & Industries, Government of India is implementing the National Programme for Organic Production (NPOP) which involves accreditation of Certification Bodies, standards for organic production, promotion of organic farming and marketing etc.

433. (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

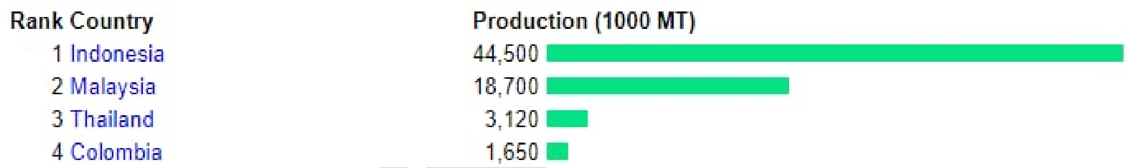
Indian textile segment is estimated at $16 billion which is approximately 6% of world market size of $250 billion. Penetration level of technical textiles is low in India at 5-10%, against 30-70% in advanced countries. However, the annual average growth of the segment is 12% in India, as compared to 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

434. (c)
Palm Oil is the world's most widely used vegetable oil with its global production around 75 MT annually. Palm oil makes up 40% of the global supply of the four most widely used edible oils: palm, soyabean, rapeseed/mustard and sunflower. Palm oil is used as cooking oil, and in cosmetics, processed food, cleaning products etc.

Indonesia is the world's biggest producer, exporter and consumer of palm oil. Indonesia and Malaysia together account for almost 90% of the global palm oil production with Indonesia accounting for 60% of the global palm oil supply.



435. (b)
- National Mission on Edible Oils – Oil Palm (NMEO-OP) was launched in Nov 2021 for increasing the domestic production of edible oils in which increasing area and productivity of oil palm plays an important part.
- Special focus on the Northeast region and the Andaman and Nicobar Islands
- Centrally sponsored scheme where Centre and State both are providing funds.
- There are two major focus areas of the scheme. One is price assurance will be provided to the farmers in the form of 'Viability Gap Funding (VGF)'. And the other is to substantially increase the assistance of inputs/interventions.
- Industry procures Fresh Fruit Bunches (FFBs) from the farmers and if the payment to the farmers by the industry is below the viability price then Government will provide a viability gap payment to the farmers.
- The scheme will immensely benefit the oil palm farmers, increase capital investment, create employment generation, shall reduce the import dependence and also increase the income of the farmers.
- The maximum potential area for palm oil production under the mission has been identified in Andhra Pradesh > Telangana > Assam.
- Presently around 98% of the crude palm oil is imported.

436. (b)
Indian Council of Agricultural Research (ICAR) established the National Research Centre for Oil Palm at Pedavegi in West Godavari district of Andhra Pradesh in 1995. In 2014, the institute was upgraded as Indian Institute of Oil Palm Research (IIOPR) to cater to oil palm research requirements across the country.

437. (d)
- Govt. is notifying ethanol price (administered price) for blending since 2014 and it is approved by Cabinet Committee on Economic Affairs.

- Since 2018, differential price of ethanol based on different feedstock (ex. C heavy molasses, B heavy molasses, sugarcane juice/sugar/sugar syrup etc.) utilized for ethanol production is being announced by the government.

- Higher ethanol price will help in early payment (of FRP) to cane farmers. Actually, the price of sugar in the market is not that much and hence sugar mills are delaying the payment of Fair and Remunerative Price (FRP) to the farmers. Increasing the price of by products (ethanol) helps sugar mills to get more revenue and repay the farmers dues.

- The EBP programme will reduce import dependence for energy requirements and give boost to agriculture sector

- Government has advanced the target of 20% ethanol blending in petrol from earlier 2030 to 2025-26 (Ethanol Supply Year)

438. (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/

439. (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 and 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.

440. (d)
Central Govt. (FCI) procures the food grains at MSP then stores it and then transports it to different States and then gives the foodgrain staock to the States at a price called Central Issue Price (CIP) which is basically Rs. 3/kg for Rice, Rs. 2/kg of wheat and Rs. 1/kg of Coarse grains. So, States pay this price to FCI and get the food grains and then

they arrange for within the State transportation and distribution and then this food grains is given to PDS beneficiaries at this same price of Rs. 3/kg rice, Rs. 2/kg of wheat and Rs. 1/kg of Coarse grains. CIP is fixed by Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution.

Let us say MSP of Wheat is Rs. 20/kg and Transportation cost from one State (Punjab) to Assam is Rs. 9/kg and Storage cost is Rs. 10/kg per year then this is called 'Economic Cost' = Rs. 20/kg + Rs. 9/kg + Rs. 10/kg = Rs. 39/kg

And FCI gets Rs. 2/kg of wheat
So, all this burden is borne by the Central Govt. (FCI)

For within the State transportation and distribution, Centre and State share the cost. So, most of the food subsidy burden is borne by Centre.

Now Pradhan Mantri Garib Kalyan Anna Yojana has been stopped on 31st Dec 2022 and NFSA 2013 will continue from 1st Jan 2023. From 1st Jan 2023 Central Govt. has started providing foodgrains at zero prices (free of cost) [rather than than at Rs. 3/kg rice, Rs. 2/kg wheat and Rs. 1/kg coarse grains] to the 81 crore beneficiaries. This is an additional benefit only for the year 2023, and hence it may not require amendment in NFSA 2013.

441. (d)
The main objective of the "Integrated Management of Public Distribution System (IM-PDS)" scheme is to introduce nation-wide portability of ration cards under National Food Security Act, 2013 (NFSA) through 'One Nation One Ration Card' plan with an objective to enable migrant beneficiaries to lift their entitled quota of food grains from any Fair Price Shop (FPS) of their choice anywhere in the country by using their existing/same ration card after biometric/Aadhaar authentication on electronic Point of Sale (ePoS) device.

Besides national portability, following are some of the other key focus areas of the IM-PDS scheme:
- National level de-duplication of all ration cards/beneficiaries' data
- Integration of States/UTs PDS systems/applications with Central PDS systems/applications.
- Use of advanced data analytics techniques to bring about continuous improvements in PDS operations.
- Development of advanced web and mobile based applications
- Facilitation of cross-learning and sharing of best practices between States/UTs, etc.

442. (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.

443. (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.

444. (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 (HCES), generally comes after every five years (quinquennial) during these annual rounds of NSS.

The NSS Household Consumer Expenditure Survey (HCES) 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.

Recently, the 79th Round of NSS started from 1st July 2022 which will be on HCES and will continue till 30th June 2023. This HCES will also collect data on items received free from the Government's welfare programmes.

445. (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 i.e. those factories employing ten or more workers using power and those employing twenty or more workers without power) of the economy and extends to the entire country. It is conducted annually by MoSPI.

446. (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.

447. (b)
AQEES (All-India Quarterly Establishment-based Employment Survey) has been started by **Labour Bureau (Ministry of Labour and Employment)** to provide frequent (quarterly) updates about the employment and related variables of establishments, in **both organized** and **unorganized** segments of **nine** selected sectors. These sectors altogether account for majority of the total employment in the non-farm establishments.

These nine selected sectors are Manufacturing, Construction, Trade, Transport, Education, Health, Accommodation and Restaurant, IT/ BPO and Financial Services.
There are two components under AQEES:

- **Quarterly Employment Survey (QES):** This is in respect of establishments employing 10 or more workers (mostly constituting the '**organized**' segment)

- **Area Frame Establishment Survey (AFES):** This is to build up a frame in respect of establishments employing 9 or less workers (mostly the '**unorganized'** segment)

AQEES (QES and AFES) will provide employment scenario from demand side at regular intervals which was required for policy planning. **Economic Censuses** are establishment based (demand side) but have been conducted at irregular intervals and do not cover all types of establishments.

448. (c)

449. (b)

450. (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.

451. (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.

452. (b)
These kind of job losses are because the economy is facing fundamental/structural changes and that is why it is a structural unemployment.

453. (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, **2nd** 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

454. (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, **2nd** 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, **3rd** & **4th** statements are also true.

455. (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.

The major problem that India is presently facing is of underemployment rather than unemployment.

456. (c)
Jobless growth implies that GDP/Output is increasing but job creation is not happening. This means that the same labour is now producing more output. And that implies that Productivity of Labour is increasing (which is defined as Output/Labour)

Employment Elasticity is a measure of the percentage change in employment associated with a 1 percentage point change in economic growth. If employment elasticity is decreasing means with per percentage increase in GDP, employment is not increasing which again implies that more output/GDP is getting produced with the same labour. So, productivity of labour is increasing.

457. (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]*

458. (c)
Human capital considers education and health as a means to increase labour productivity. Human capital treats human beings as a means to an end; the end being the increase in productivity.

In the human development perspective, human beings are ends in themselves. Human development is based on the idea that education and health are integral to human well-being because only when people have the ability to read and write and the ability to lead a long and healthy life, they will be able to make other choices which they value.

459. (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 was low) rather than new investments then it may not create much jobs.

460. (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.

461. (d)
<u>Important features of e-SHRAM portal</u>

- Ministry of Labour & Employment has developed eSHRAM portal for creating a National Database of Unorganized Workers (NDUW), which will be seeded with Aadhaar.

- These unorganized workers are basically construction workers, migrant workers, street vendors, domestic workers, milkmen, truck drivers, Fishermen, Agriculture workers (nor farmers) and similar other workers.

- The workers will be issued an e-Shram card containing a 12-digit unique number [Universal Account Number (UAN)], which will be valid throughout the country and going ahead, will help in including them in social security schemes

- A worker can register on the portal using his/her Aadhaar card number and bank account details, apart from filling other necessary details like date of birth, home town, mobile number and social category. The registration of workers on the portal will be coordinated by the Labour Ministry, state governments, trade unions and Common Service Centres (CSCs) and it is totally free for workers.

- For the first time in the history of India, a system is being made to register 38 crore **unorganised** workers. It will not only register them but would also be helpful in delivering various social security schemes (being implemented by the Central and state governments) anywhere anytime.

- Central Govt. has sanctioned Rs 2.0 Lakh Accidental Insurance cover on death or permanent disability (and Rs 1.0 lakh on partial disability) to every registered unorganised worker on e-SHRAM Portal.

462. (a)
The Global Gender Gap Index benchmarks the evolution of gender-based gaps among four key dimensions (Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment) and tracks progress towards closing these gaps over time.

The index is released annually by World Economic Forum. As per the 2022 report, India has ranked quite low at 135 out of 146 countries.

463. (c)

464. (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.

465. (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.**

466. (c)

467. (a)
- 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 the level of fertility at which a population exactly replaces itself from one generation to the next. Ideally it should be 2.0 but generally it is 2.1 all over the world as we cannot expect all the female children will survive till the child bearing ages.
- As per the latest National Family Health Survey (NFHS), India's TFR has declined to 2.0 which is below the replacement level fertility. But still 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

468. (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.

469. (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

Different States can have different MGNREGA wages depending on their minimum wages.

470. (c)

471. (c)

472. (c)

473. (c)
Read the important provisions of the four labour codes from the Indian Economy book.

474. (c)

475. (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 caregiving 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.

476. (c)
World Bank has introduced the concept of 'Learning Poverty', in coordination with the UNESCO Institute for Statistics. Learning poverty means being unable to read and understand a simple text by age 10.

World Bank believes that all children should be able to read by age 10. Reading is a gateway for learning as the child progresses through school—and conversely, an inability to read slams that gate shut. Beyond this, when children cannot read, it's usually a clear indication that school systems aren't well organized to help children learn in other areas such as math, science, and the humanities. And although it is possible to learn later in life with enough effort, children who don't read by age 10—or at the latest, by the end of primary school—usually fail to master reading later in their schooling career.

There is an urgent need for a society-wide commitment to invest more and better in people. If children cannot read, all education SDGs are at risk. Eliminating learning poverty is as important as eliminating extreme monetary poverty, stunting, or hunger.

477. (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.

478. (a)

479. (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** (like zero or less tariff on imports) to developing and LDC countries. 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.

480. (b)
In the 12th MC of WTO, members have forged an 'Agreement on Fisheries Subsidies' which sets new global rules to curb harmful subsidies and protect global fish stocks. The following are some important aspects of the Agreement:

- The Agreement will enter into force upon acceptance of its legal instrument by two-thirds of the members
- The agreement prohibits support for illegal, unreported and unregulated (IUU) fishing.
- It bans support for fishing in overfished stocks.
- And it takes a first but significant step forward to curb subsidies for overcapacity and overfishing by ending subsidies for fishing on the unregulated high seas
- For a period of 2 years from the date of entry into force of this Agreement, subsidies granted or maintained by developing country Members, including LDC Members, up to and within the Exclusive Economic Zones (EEZ) shall be exempt from actions
- A Member shall exercise due restraint in raising matters involving an LDC Member
- Developing country members including LDC members shall be provided targeted technical assistance for the purpose of implementation of the various measures in the agreement. For this a voluntary WTO funding mechanism shall be established in cooperation with relevant international organizations such as the Food and Agriculture Organization of the United Nations (FAO) and International Fund for Agricultural Development

481. (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.

482. (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' 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.

483. (c)

484. (c)
<u>Remission of Duties or Taxes on Exported Products (RoDTEP)</u>
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.

485. (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.

486. (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.

487. (a)

488. (a)

489. (d)

490. (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.

491. (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 145 percent of its quota annually and 435 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)

In August 2021, IMF did the largest allocation of 456.5 billion SDRs leading to total SDR allocation of around 650 billion. Out of the 456.5 billion SDRs allocated, India was allocated 12.57 billion SDRs (2.75% of allocation).
India's total SDRs holding increased to 13.66 billion SDRs from the previous 1.09 billion SDRs which is a drastic increase.

492. (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.

As the SDR allocation is a debt on Govt. of India given by IMF, so this transaction is recorded in capital account under balance of payment.

In the backdrop of covid-19 to increase global liquidity, in Aug 2021 IMF has created 456 billion more SDRs and allocated to the member countries due to which capital inflows under BoP increased.

SDRs are not present in hard currency and are thus called paper gold or notional currency and can be held only by Govt. entity.

493. (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 and national security clause.

494. (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.

495. (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 preconditions 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).

496. (a)
Tariff rate quotas (TRQs) allow a pre-determined quantity of a product to be imported at lower import duty rates (in-quota duty) than the duty rate normally applicable to that product.

For example, in the India-UAE FTA, India has given UAE a TRQ of 200 tonnes on gold (imports) from UAE. This means that till 200 tonnes of gold import from UAE, India will impose a concessional tariff and after that, the tariff will be equal to what it is for the rest of the world.

497. (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**.

498. (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.

499. (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.

500. (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)

501. (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.

502. (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'**.

503. (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 attribute called eugenol in betel leaves as it gives the leaf a special desirable quality for chewing and influences its smell and taste.

504. (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.

505. (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)

506. (b)
As per Ministry of Commerce & Industry (DPIIT), an entity shall be considered as a Startup:

- *Up to a period of ten years from the date of its incorporation*
- *Turnover of the entity since its incorporation has not exceeded Rs. 100 crores in any FY*
- *The entity is working towards innovation, development or improvement of products or process or services, or if it is a scalable business model with a high potential of employment generation and wealth creation*

In August 2020, RBI included 'Startups' under priority sector lending.

507. (c)
Factoring is a transaction where an entity (like MSMEs) sells its receivables (the dues from the corporates/buyer) to a third party (a 'factor' like a bank or NBFC) for immediate funds. So, the bank/NBFCs will provide immediate funds to MSMEs and they purchase the receivables of MSMEs. And then the banks/NBFCs will try to collect/recover the money from the corporates/buyer through these receivables/dues.

Note that credit facilities provided by a bank against the security/collateral of receivables are not considered as factoring business. **In case of 'factoring' the receivables (the dues) are sold rather than kept as collateral to raise finance.**

Factoring is done on an online **TReDS** (Trade Receivables Discounting System) platform initiated by RBI. If the buyer (of goods and services from MSMEs) defaults in payment to the bank/NBFCs then banks/NBFCs do not have any recourse to the MSMEs.

Earlier Factoring could be done by the banks or NBFCs that have a factoring licence (those who do over 50 per cent of business through factoring). Now, as per the "Factoring Regulation (Amendment) Bill, 2021" all NBFCs have been allowed to do factoring business, irrespective of proportion of income from factoring. This, therefore, will bring liquidity into factoring business.

NBFCs' lending to MSMEs is typically against the balance sheet strength of these smaller companies, leading to interest rates which are very high. But in the case of factoring, the NBFC is taking a risk on the customer of the MSME who is generally larger corporate, leading to lower (nearly halving) interest costs.

508. (b)
MSMEs can register themselves on Udyam Registration Portal and are allocated a unique "Udyam Registration Number" which enable MSMEs to seek information and apply online about various services being offered by all Ministries and Departments.

Recently, the retail and wholesale trade was included as MSMEs and they are allowed to be registered on Udyam Registration Portal. **However,** the benefits to retail and wholesale trade MSMEs are to be restricted to Priority Sector Lending only.

In this regard, now, street vendors can also register as retail traders on Udyam Registration portal and avail the benefit of priority sector lending.

509. (a)

Important features of National Monetization Pipeline (NMP)

- NMP estimates aggregate monetization potential of Rs 6.0 lakh crores through **core assets** of the **Central Government and Central Public Sector Enterprises**, over a four-year period, from FY 2021-22 to FY 2024-25.

- Considering that infrastructure creation is inextricably linked to monetization, the period for NMP has been decided so as to be co-terminus (end together) with balance period under National Infrastructure Pipeline (NIP).

- The various sectors under NMP are roads, ports, airports, railways, warehousing, gas & product pipeline, power generation and transmission, mining, telecom, stadium, hospitality, and housing

- The pipeline has been developed by **NITI Aayog**, in consultation with infrastructure line ministries

- The strategic objective of the program is to unlock the value of investments in brownfield public sector assets by tapping institutional and long-term patient capital, which can thereafter be leveraged for further public investments.

- Modality of such unlocking is envisaged to be by way of structured contractual agreements (PPP agreements/concessions) **as against complete privatization** and through Infrastructure Investment Trusts (InvIT). Assets would be handed back to the Govt. at the end of the contract/transaction period.

- NMP consists of brownfield assets, which have been de-risked from execution risks.

- Monetization through disinvestment and monetization of non-core assets have not been included in the NMP

- Asset Monetization needs to be viewed not just as a funding mechanism, but as an overall paradigm shift in infrastructure operations, augmentation and maintenance considering private sector's resource efficiencies and its ability to dynamically adapt to the evolving global and economic reality.

- The end objective of this initiative is to enable 'Infrastructure Creation through Monetization' wherein the public and private sector collaborate, each excelling in their core areas of competence, so as to deliver socio-economic growth and quality of life to the country's citizens.

510. (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).

511. (c)
Let me explain the Production Linked Incentive Scheme (PLIS) with an example.

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.

Currently this scheme is available for around 13 sectors, and it is a quite successful scheme.

512. (a)
Under National Infrastructure Pipeline (NIP), Government has a plan to spend around Rs. 111 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.

513. (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.

514. (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.

515. (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.

516. (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

517. (b)
Industrial Outlook Survey is conducted quarterly by RBI. The survey encapsulates qualitative assessment of the business climate by Indian manufacturing companies and their expectations.

518. (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.

519. (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

520. (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.

Core industries index is released by Department for Promotion of Industry and Internal Trade (DPIIT) under ministry of Commerce.

521. (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.

522. (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.

523. (a)

Open access is the non-discriminatory use of transmission and distribution infrastructure of the licensees by consumers for procuring electricity from the source of their choice.

524. (b)

It is a method of awarding projects by the government.

Let us understand with an example.

Suppose Govt wants to build Railway platforms by the private sector. So Govt. will finalize a business/financial model on which the private sector will be building and operating and maintaining the railway platform. But let us say Govt. is not very sure that which model will be good for the country's railway platforms. So, it asked private parties to submit/suggest different business models for the modernization of railway platform. Suppose 10 companies submitted the model and Govt selected one of the business model (let us say submitted by company XYZ based on their viability or Govt. thinks that, that could be the best model) for modernizing the platform. Now, all the companies will be asked to submit their bids based on that business model/plan which has been finalized by the Govt. (and which was submitted by XYZ).

Now, there will be one parameter (let us say lowest cost, or highest profit sharing or revenue sharing to govt. or any other parameter) based on which all companies will submit the bid. If the company XYZ bid is the highest or lowest (depending on which parameter bidding is happening) then that company XYZ will be selected to do the project on the business model/plan which was submitted by the company XYZ.

But suppose some other company quoted the highest or lowest bid then in that case again company XYZ will be asked (given a chance) that can XYZ do the project at the price/bid submitted by the lowest/highest bidder? If company XYZ agrees then XYZ will get the project. And if company XYZ did not agree to work on the highest/lowest quote/bid/rate submitted by the other company then the other company will be allowed to do the project at their quote/bid.

So, basically the company whose plan is the best and selected by the Govt., is given a chance in the bid process to match the highest/lowest bid and they get the preference to do that project. This is called "Swiss Challenge".

525. (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

526. (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.

527. (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.

528. (c)
When a company is first time getting listed on the stock exchange then it should release 10% of the shares for trading i.e. Public Shareholding. But within 3 years of listing, the public shareholding should be increased to 25%. Govt. had planned to increase the public shareholding in the listed companies to 35% but was not done. So present rule is Public shareholding should be at least 25% in listed companies.

529. (a)
Recently, National Stock Exchange of India received the final approval from the markets regulator Securities and Exchange Board of India (SEBI) to set up a Social Stock Exchange (SSE). The SSE would function as a separate segment within the existing stock exchange and help social enterprises raise funds from the public through its mechanism. It would serve as a medium for enterprises to seek finance for their social initiatives, acquire visibility and provide increased transparency about fund mobilisation and utilisation.

Any non-profit organisation (**NPO**) or for-profit social enterprise (**FPSEs**) that establishes the **social intent** would be recognised as a social enterprise (**SE**) which will make it eligible to be registered or listed on the social stock exchange. Any corporate foundations, political or religious organizations or activities, professional or trade associations, infrastructure and housing companies (except affordable housing) would not be identified as social enterprise.

530. (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.

531. (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)*

532. (c)

Generation Capacity from various sources as on 31.01.2023

Coal	Gas	Nuclear	Renewable	**Total**
51% (211 GW)	6% (25 GW)	1.7% (6.8 GW)	41% (168 GW)	**100%** **411 GW**

As per the new classification of government, all hydro projects, big or small come under renewable energy.

533. (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 sets the target of RPOs for States and UTs.

534. (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.

535. (a)
India is the second biggest coal producer and second biggest coal consumer in the world. The top position is held by China in both production and consumption. And USA is just next to India in coal production and consumption.

In 2021-22, India produced 778 MT of coal and imported around 209 MT of coal (coking and non-coking combined)

536. (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.

537. (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.

538. (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.

539. (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

540. (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.

541. (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).

542. (b)

543. (b)
Force Majeure is a French phrase that means a 'superior force'. It is an unforeseeable circumstance that prevents 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.

544. (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 is 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 is 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

545. (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.

546. (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).

547. (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.

548. (d)
To ensure that the farmers pay a minimal interest rate to the banks, the Government of India has introduced the Interest Subvention Scheme (ISS), now renamed Modified Interest Subvention Scheme (MISS), to provide short-term credit to farmers at subsidised interest rates. Under this scheme, short-term agriculture loan up to ₹3 lakh is available at 7 per cent per annum to farmers engaged in Agriculture and other Allied activities, including Animal Husbandry, Dairying, Poultry, Fisheries etc. An additional 3 per cent subvention (Prompt Repayment Incentive) is also given to the farmers for prompt and timely repayment of loans. Therefore, if a farmer repays his loan on time, he gets credit at 4 per cent per annum.

549. (b)
For better understanding of Aatma Nirbhar Bharat philosophy/vision please refer Indian Economy book by Vivek Singh.

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.

Additional Notes

1. **Exports of Agriculture**

   Main agriculture products exported in 2021-22 are:

   Rice = $9.65 billion
   Marine products = $7.7 billion
   Sugar = $4.6 billion
   Spices =$4 billion
   Buffalo meat =$3.3 billion
   Wheat =$2.1 billion
   Coffee =$1 billion

2. **India's Trade Figures** (2021-22) [B = Billion]
   GDP = Rs. 235 lakh crore = $3147 B = $3.15 Trillion

   Exports (Goods + Services) = $420 B + $250 B= $670 B = 21.3% of GDP

   Imports (Goods + Services) = $612 B + $145 B = $757 B = 24% of GDP

   Trade Deficit = $87 B = 2.76% of GDP

3. **Lemons: Some facts**
   - India is the largest producer of lemons in the world i.e. around 17% of the world's lemons.
   - Andhra Pradesh is the highest lemon-growing state, followed by Maharashtra, Gujarat, Odisha and Tamil Nadu.
   - Lemon cultivation requires a warm, moderately dry and moist climate.

4. In the last few years, **toy industry** has benefitted from a number of interventions by the government and results show the success of Make in India programme. Following are the interventions by the Govt. for the Toy sector:

   - Directorate General of Foreign Trade (DGFT) mandated sample testing of each consignment and no permission for sale unless the quality testing is successful.
   - Basic Custom Duty (BCD) on Toys increased from 20% to 60% in February, 2020.
   - The Government issued Toys (Quality Control) Order, 2020 through which toys have been brought under compulsory Bureau of Indian Standards (BIS) certification with effect from 01/01/2021. As per the Quality Control Order (QCO), every toy shall conform to the requirements of relevant Indian Standard and bear the Standard Mark under a licence from BIS. This QCO is applicable to both domestic manufacturers as well as foreign manufacturers who intend to export their toys to India.
   - Toys have been put under restricted category for imports which means only few category of toys can be imported with specific permissions.

5. A **windfall tax** is a tax levied by governments against certain industries or economic sectors when economic conditions allow those industries to experience abnormal or above-average profits.

On 1st July 2022, Government imposed windfall (gain) taxes on the export of petrol, diesel and ATF and on the domestic production of crude oil. It also mandated exporters to meet the requirements of the domestic market first. So, now Indian companies will have to pay 'Special additional excise duty/Cesses' of Rs. 6/per litre on exports of petrol and ATF and Rs. 13 per litre on exports of diesel and upstream producers will have to pay 'Special additional excise duty/Cesses' of Rs. 23,250/tonne of crude oil produce in India. 'Windfall' is not the name of any particular tax rather it has been imposed by raising the 'Special additional excise duty/Cesses'. Due to high crude oil prices, Indian oil producers and exporters were earning huge profit. Later on these taxes were reduced.

6. Vostro/Nostro Account

RBI has put in place a mechanism to settle international trade in rupees "in order to promote growth of global trade with emphasis on exports from India and to support the increasing interest of global trading community in the rupee". This has come in the wake of increasing pressure on the Indian currency in the wake of Russia's invasion of Ukraine and sanctions by the US and the EU.

Correspondent banks are financial institutions that act as an agent on behalf of other financial institutions (usually foreign banks). Correspondent banks may perform Treasury services, manage foreign exchange, manage international investments and facilitate international trade and finance on behalf of the foreign bank. The correspondent bank charges the foreign bank for these services.

Foreign banks use the services of correspondent banks when it's not financially feasible to establish a branch in the country. The accounts that correspondent banks serve on behalf of foreign banks are referred to by the correspondent banks as **vostro**, meaning, "your account on our books." The same account is referred to as **nostro**, by the foreign bank, meaning, "our account on your books."

India	**Russia**
Correspondent bank (in India) of a foreign bank in the partner country (Russia)	Foreign bank (in Russia)

The correspondent bank in India (of the partner country, Russia) will open special Rupee vostro account of the foreign bank. Indian importers undertaking imports from Russia shall make payment in rupee into this vostro account in India.

If Indians are exporting to Russia then they will be paid out of this special vostro account of the correspondent bank (in India) of the partner country (Russia).

Authorized Dealers (AD) in India are basically banks who perform such kind of services like acting as a correspondent banks and opening vostro accounts.

Authorized Dealer banks in India will have to seek RBI approval for opening such kind of vostro accounts and they will also have to ensure that the foreign bank (for which the AD is acting as a correspondent bank) should not be from a country or jurisdiction in the updated Financial Action Task Force (FATF) public statement on high risk and non-cooperative jurisdictions on which FATF has called for counter measures.

7. As per Clause (1) of section 2 of the Legal Metrology Act 2009, "**pre-packaged commodity**" means a commodity which without the purchaser being present is placed in a package of whatever nature, whether sealed or not, so that the product contained therein has a predetermined quantity.

   - In GST Notification the term "prepackaged and labelled" has been used which basically means a "pre-packaged commodity" as defined under the Legal Metrology Act 2009, where the package in which the commodity is prepacked, or a label securely affixed thereto is required to bear the declarations under the provisions of the Legal Metrology Act

   - The GST Council in its previous meeting decided to impose 5% GST on single packages of food items like cereals, pulses, and flour weighing up to 25kg (or 25 litre) as these will be considered as 'prepackaged and labelled'. Once GST council recommends, then CBIC publishes notification.

   - It is also clarified that if a retail shopkeeper supplies in loose quantity the item bought from a manufacturer or a distributor in a 25kg pack, such sale to consumers will not attract GST.

   - And the supply of a 30 kg pre-packed atta will be exempt from GST. (actually there is some distinction of retail/wholesale at 25 kg for this rule and no need to go into it)

   - Earlier these pre-pack cereals were under Nil/zero rate GST. And only branded cereals (like Aashirwaad Atta) had 5% GST.

8. Open Offer

(Adani Group has acquired 29.18% in NDTV, and, as required by SEBI rules, launched an open offer to acquire an additional 26% from the company's public shareholders)

According to the SEBI, an open offer is made by a company [in this case Adani, which is acquiring shares] to the shareholders of the target company (NDTV), inviting them to sell their shares at a particular price. The purpose of an open offer is to provide an exit option to the company's (NDTV) shareholders since there is a change in control or substantial acquisition of shares.

An open offer to buy stocks from shareholders (of NDTV) is made if an entity (Adani) has acquired or agreed to acquire shares, voting rights, or control of a target company.

9. Startup Accelerator Fund

A startup accelerator is a mentor-based program that provides guidance, support and limited funding in exchange for equity. Startup accelerators support early-stage, growth-driven companies through education, mentorship, and financing. Startups enter accelerators for a fixed-period of time, and as part of a cohort/group of companies. The accelerator experience is a process of intense, rapid, and immersive education aimed at accelerating the life cycle of young innovative companies, compressing years' worth of learning-by-doing into just a few months.

Startups that want to join an accelerator submit an application and are often admitted in batches split up throughout the year. Once accepted, the startup accelerator will provide resources and services such as guest speakers, advising hours, a negotiated amount of capital and sometimes a shared coworking space. Term periods average around 3-4 months and require anywhere around 3-8% ownership of the startup.

10. Hindenburg Research & Adani Group Issue

- Basic Concepts: When an investor goes long on an investment, it means she has bought a stock believing its price will rise in the future. Conversely, when an investor goes short, he is anticipating a decrease in share price.

- “Buy low, sell high” is the traditional investment strategy in which one buys a stock or security at a particular price and then sells it when the price is higher, thereby booking a profit. This is referred to as a “long position”, and is based on the view that the price of the stock or security will appreciate with time.

- Short selling, or shorting, on the other hand, is a trading strategy based on the expectation that the price of the security will fall. In short selling, the trader usually does not own the securities he sells, but merely borrows them.

- In the stock market, traders usually short stocks by selling shares they have borrowed from others through brokerages. When the price of the shares falls to the expected levels, the trader would purchase the shares at the lower price and return them to the owner, booking a profit in the process. If, however, the price of the shares appreciates instead of falling, the trader will be forced to buy shares at a higher price to return to the owner, thereby booking a loss.

- Hindenburg Research prepares its investigation report on a target company by going through its public records and internal corporate documents, as well as talking to its employees. The report is then circulated to Hindenburg's limited partners, who, together with Hindenburg, take a short position in the target company. Hindenburg takes profits if the target company's share price declines.

- Hindenburg Research revealed that Adani Group has engaged in a brazen stock manipulation and accounting fraud scheme over the course of decades. Hindenburg Research said it holds short positions in Adani Group companies.

11. EPFO

Employee Provident Fund Organization (EPFO)

- EPFO is a statutory body established under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 and is under the administrative control of the Ministry of Labour and Employment, Govt. of India.

- EPFO provides two schemes EPF and EPS

Employees Provident Fund (EPF) Scheme

- Employees Provident Fund (EPF) is a scheme under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 and is regulated under the purview of EPFO. Basically, it is a social security scheme.

- If an establishment (factory or service industry) has more than 20 workers then it is mandatory to get registered with EPFO. But all the employees working in such a registered (with EPFO) establishment don't need to subscribe to the EPF scheme. Only those workers whose salary is up to Rs. 15000 need to contributes 12% of his/her basic salary (including dearness allowance) into this scheme and the same amount is also contributed by the employer. For other employees earning more than Rs. 15000, it is voluntary.

Employees' Pension Scheme (EPS) 1995

- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 originally did not provide for any pension scheme. In 1995, through an amendment, a scheme was formulated for employees' **pension** (existing and new EPF members), wherein the pension fund was to comprise a deposit of 8.33 per cent of the employers' contribution to be made towards provident fund (EPF) corpus. At that point of time, maximum pensionable salary was Rs 5,000 per month which was later raised to Rs 6,500.

- Both the employee and the employer contribute 12 per cent of the employee's basic salary and dearness allowance to the EPF. The employee's entire part goes to EPF, while the 12 per cent contribution made by the employer is split as 3.67 per cent contribution to EPF and 8.33 per cent contribution to EPS. Apart from this, the Government of India contributes 1.16 per cent as well for an employee's pension. Employees do not contribute to the pension scheme.

- EPF Pension which is technically known as EPS (Employees' Pension Scheme), is a social security scheme provided by EPFO. The scheme makes provisions for employees working in the organized sector for a pension after their retirement at the age of 58 years.

What was the amendment in EPS in 2014?

- The EPS amendment of August 22, 2014 had raised the pensionable salary cap to Rs 15,000 a month from Rs 6,500 a month, and allowed members along with their employers to contribute 8.33 per cent on their actual salaries (if it exceeded the cap) towards the EPS.

- It gave all EPS members, as on September 1, 2014, six months to opt for the amended scheme. The amendment, however, required such members (with actual salaries over Rs 15,000 a month) to contribute an additional 1.16 per cent of their salary exceeding Rs 15,000 a month towards the pension fund.

- Employees' Pension (Amendment) Scheme 2014, capped the maximum salary for joining the EPF **Pension** Scheme as Rs 15,000 per month with effect from 1st Sept. 2014. As per the 2014 amendment, employees who join service after September 1, 2014 are not eligible to join the **pension** scheme if their monthly salary is above Rs. 15000.

The latest Supreme Court judgment - dated November 4, 2022 - has confirmed the following:

- Any individual who joined the Employees' Provident Fund (EPF) Scheme on or after September 1, 2014, will not be eligible to join the Employees' Pension Scheme (EPS) if their basic salary exceeds Rs 15,000 per month.

- The maximum pensionable salary for the purposes of calculating the pension is still Rs 15,000 per month as notified by the EPFO in 2014. This means that even if basic salary is higher than Rs 15,000 the contribution to pension will continue to be calculated on a basic salary of Rs 15,000.

- The court has allowed an additional window of four months period for those who were members of the scheme before the 2014 amendment and whose salaries exceeded the threshold introduced in 2014 to join the scheme (as the members were not communicated properly regarding this).

12. **Pension Scheme:** A comparison between New Pension Scheme (also called National Pension System) which is being implemented since 2004 and Old Pension Scheme.

New Pension Scheme (National Pension System) [NPS] (since 2004)	**Old Pension Scheme (OPS)**
• In NPS, those employed by the government contribute 10 percent of their salary (basic plus dearness allowance), while their employers contribute 14 percent. • Private sector employees can also participate in the NPS voluntarily and their employer contributions is optional. • At the time of retirement, employees are required to purchase an annuity plan for a monthly pension with a minimum of 40% of the accumulated corpus. The employee can withdraw the remaining corpus (60%) as a lump sum. • With NPS, the customer has much greater flexibility and has a greater sense of control over her fate as the customers can choose fund managers as well as they can decide the percentage of funds invested in equity and debt.	• In the OPS, upon retirement, employees receive 50 percent of their last drawn salary (basic plus dearness allowance) or their average earnings in the last ten months of service, whichever is more advantageous to them. • A ten-year service requirement should be met by the employee. • Under OPS, employees are not required to contribute anything to their pensions. • OPS was a major incentive for taking government employment as there was guarantee of a pension post-retirement without any contribution. • OPS became unsustainable for governments due to rise in life expectancy.

13. Kirit Parikh Committee Recommendations on Gas Pricing

The mandate of the panel was to suggest a regime that would help raise domestic production to help meet the goal of 15% of energy coming from gas by 2030 and at the same time, provide fair price to consumers.

The committee has looked at the pricing of gas from two sources:

1. The first set is the legacy or old fields (also called Administered Price Mechanism gas) which were given to ONGC and OIL on a nomination basis without any condition of

sharing profits and therefore the government controls its price. The gas primarily goes to city gas distribution, fertilizer production and power plant.

Recommendation: Link it to imported crude oil price with a floor ($4MMBTU) and ceiling price ($6.5 MMBTU) till some time and then complete pricing freedom starting January 1, 2027.

2. The second set is for the ones that are in difficult geology like deep-water, ultra-deep water, and high pressure-high temperature.

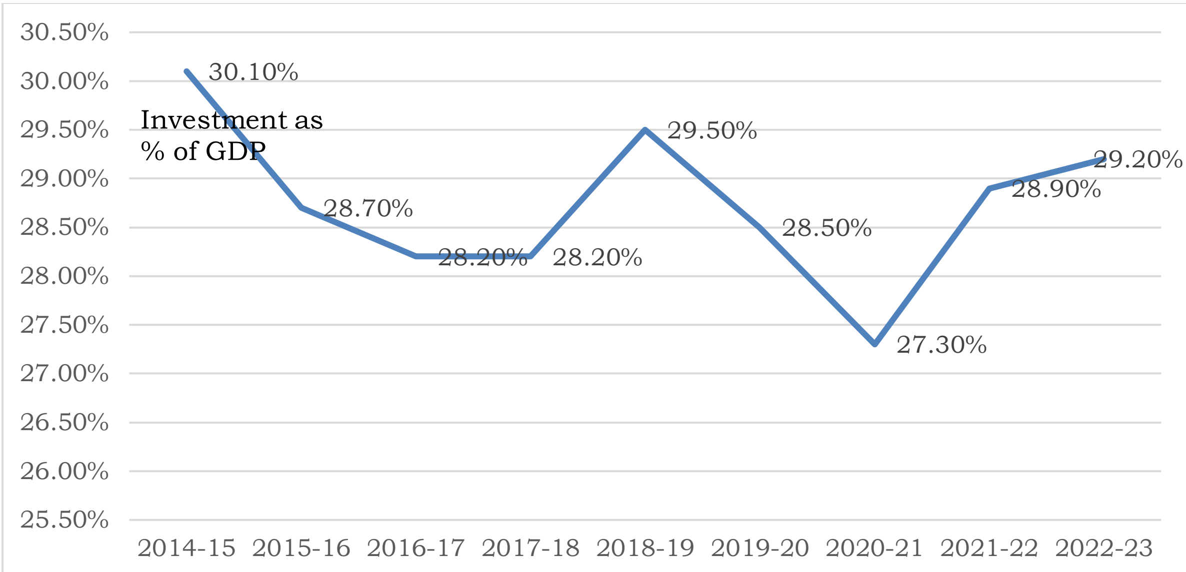
   Recommendation: Such producers have marketing and pricing freedom which is constrained by an upper bound fixed by the government. The committee has suggested continuing with the cap for three years and giving total pricing freedom from January 1, 2026, by removing the cap.

The committee has also suggested including natural gas in the one-nation-one-tax regime of GST by subsuming excise duty charged by the central government and varying rates of VAT levied by state governments.

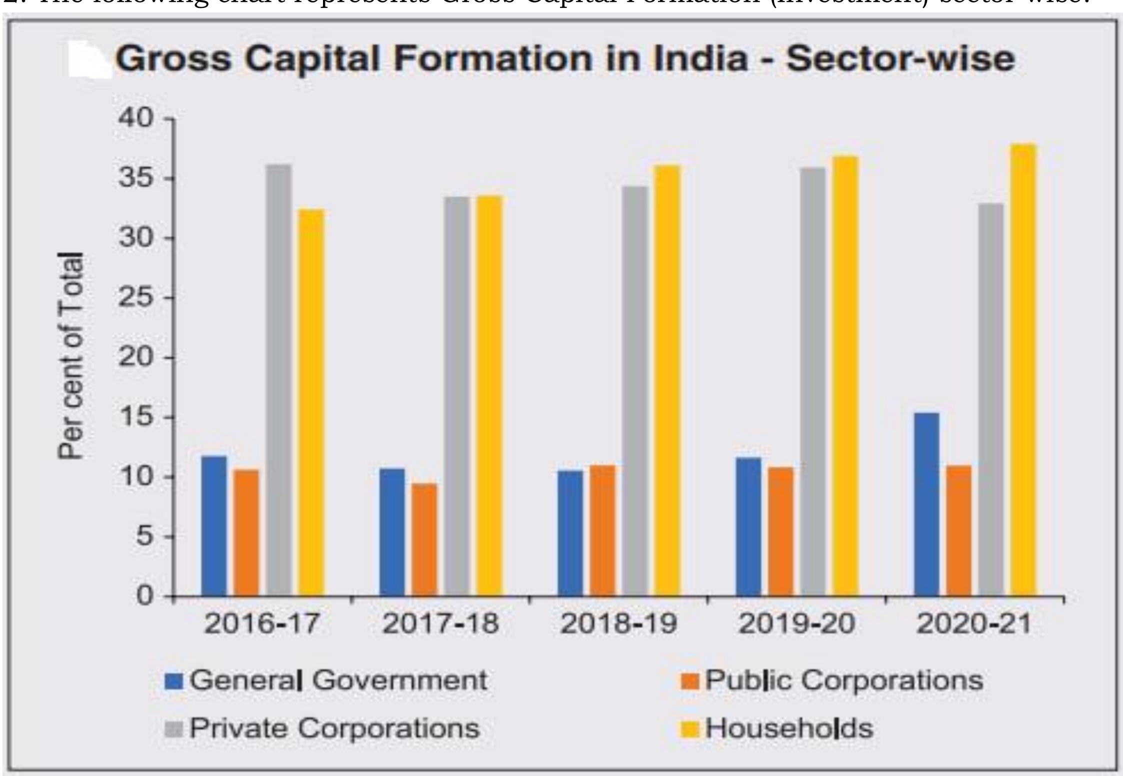
Additional Information: For the oil and gas extracted under the HELP policy, it is sold exclusively in the domestic market through a transparent bidding process i.e. the price is discovered by market based on demand and supply.

1.The following chart represents gross fixed investment (as % of GDP) of India in last few years.

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
30.10%	28.70%	28.20%	28.20%	29.50%	28.50%	27.30%	28.90%	29.20%

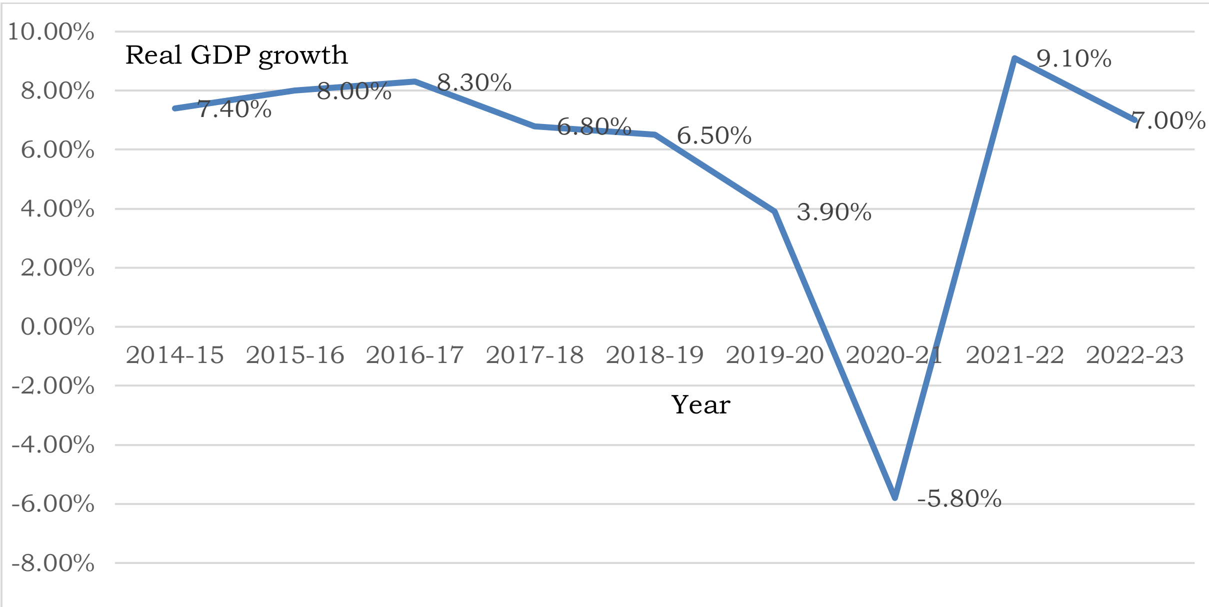


2. The following chart represents Gross Capital Formation (Investment) sector wise.



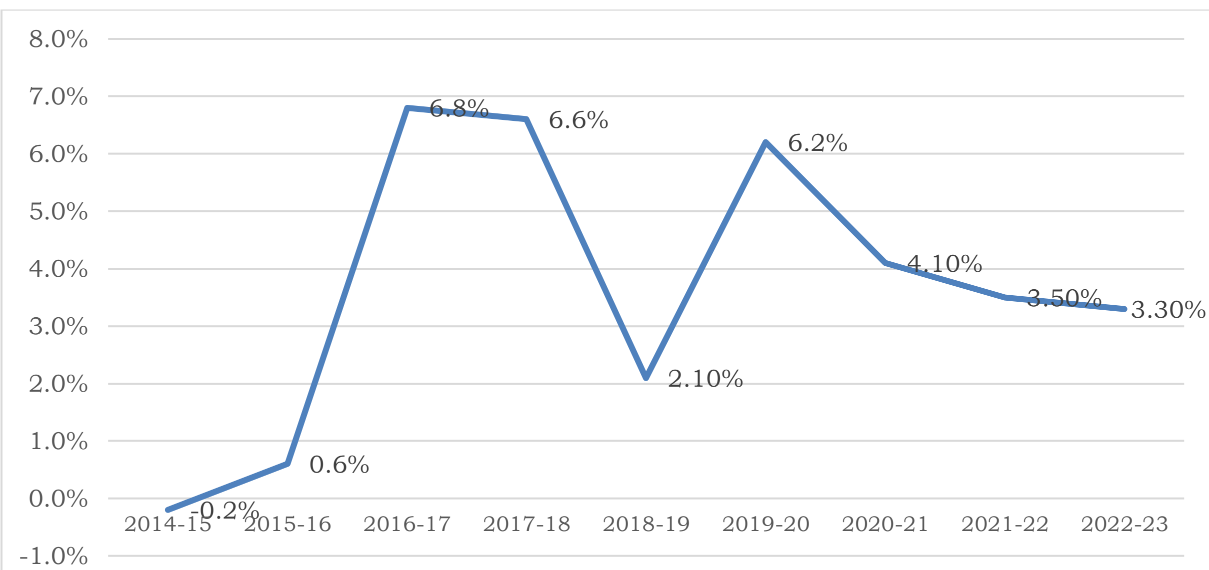
3. The following chart represents Real GDP growth rate of India in the last few years.

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
7.40%	8.00%	8.30%	6.80%	6.50%	3.90%	-5.80%	9.10%	7.00%



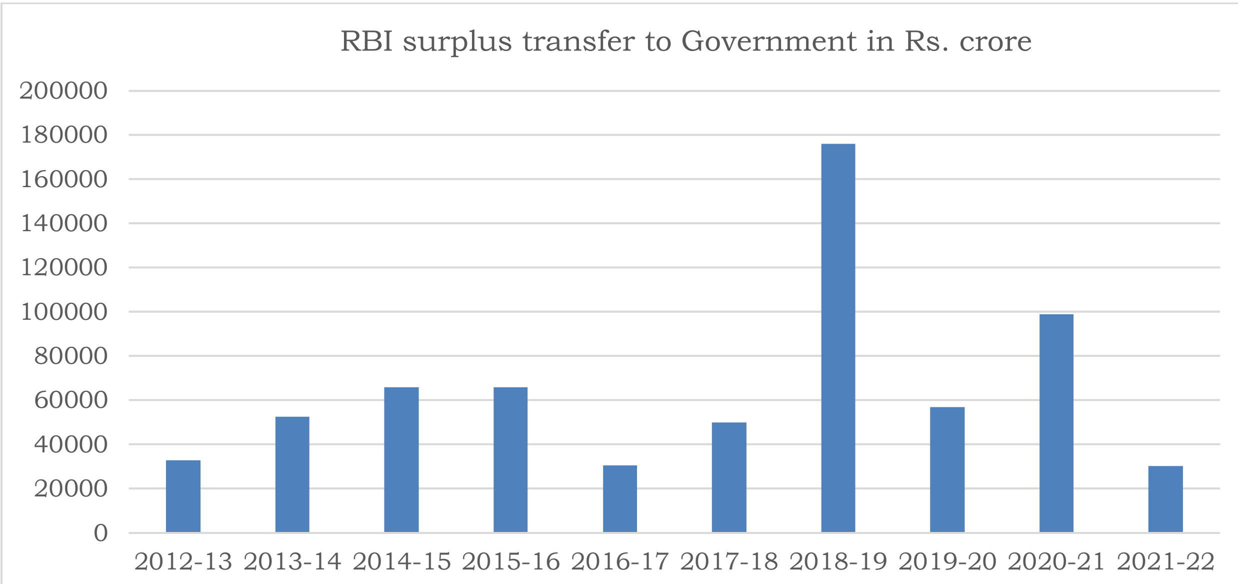
4. Following chart represents agriculture (and allied) sector real GDP growth rate in last few years:

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
-0.2%	0.6%	6.8%	6.6%	2.10%	6.2%	4.10%	3.50%	3.30%



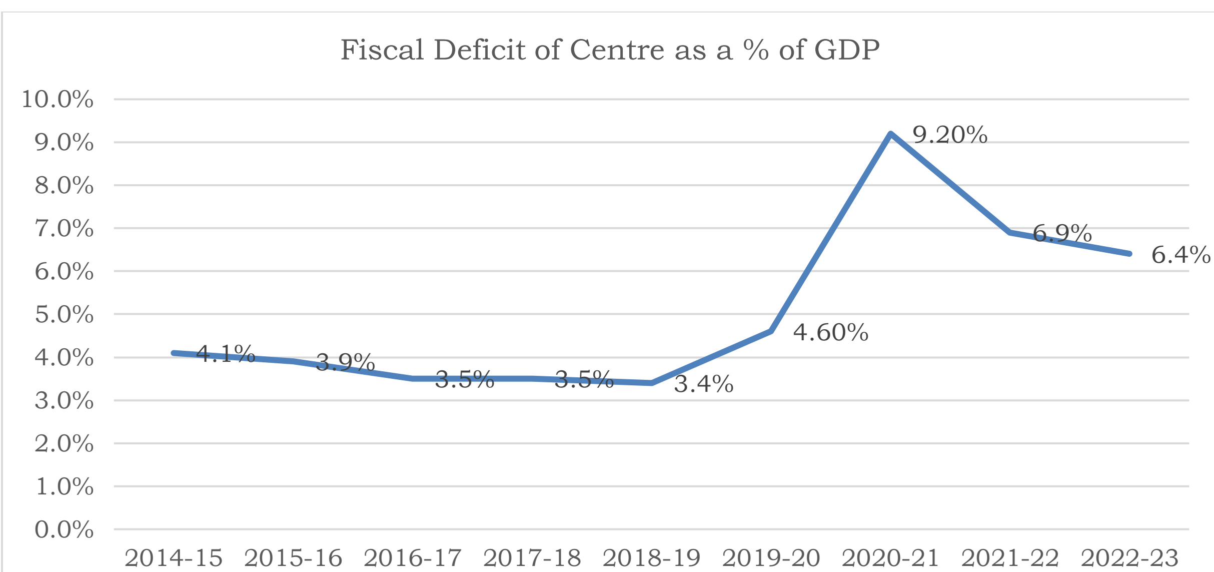
5. The following chart represents RBI's surplus transfer to central government in Rs. Crores.

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
33010	52679	65896	65876	30659	50000	176000	57000	99000	30307



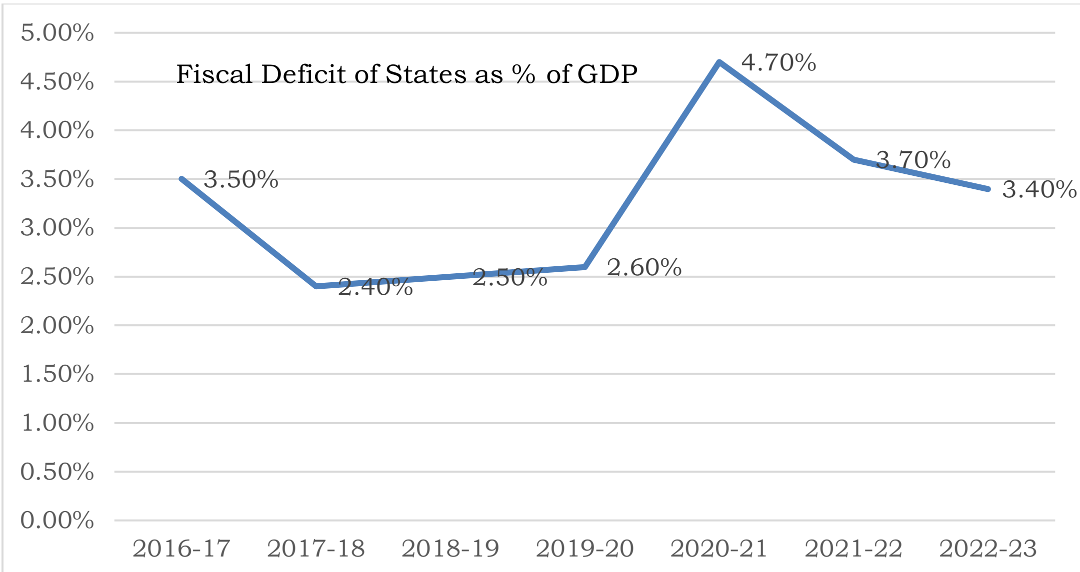
6. The following chart represents Fiscal Deficit (as % of GDP) of Govt. of India in last few years.

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
4.1%	3.9%	3.5%	3.5%	3.4%	4.60%	9.20%	6.9%	6.4%



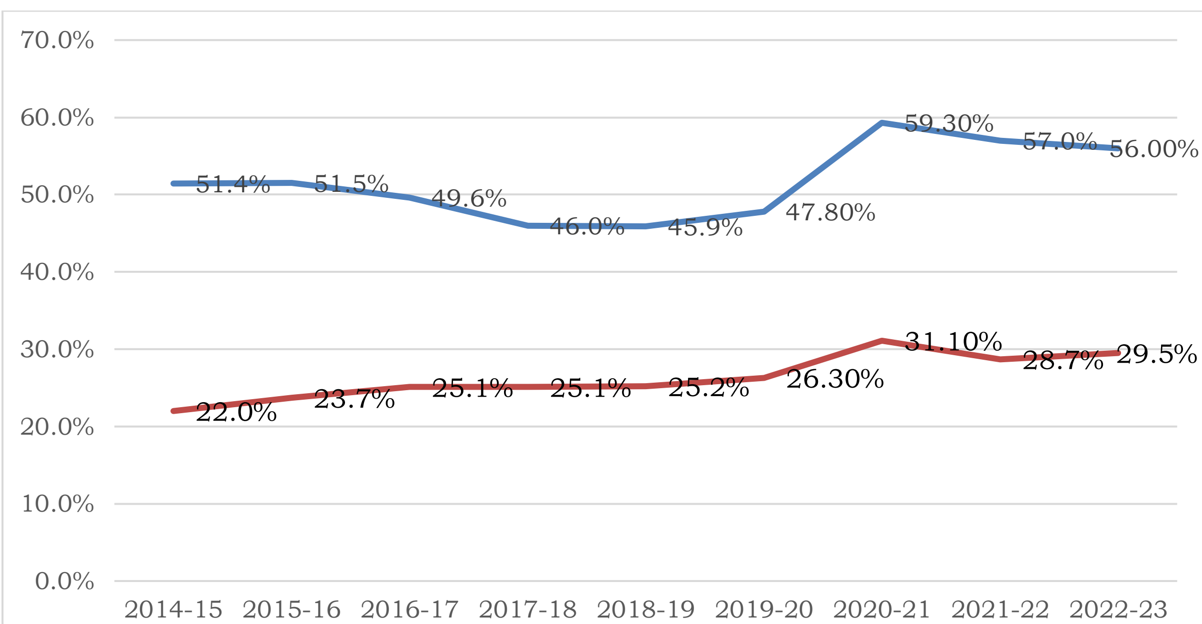
7.Following chart represents Fiscal Deficit (as % of GDP) of State Governments in last few years.

2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
3.50%	2.40%	2.50%	2.60%	4.70%	3.70%	3.40%



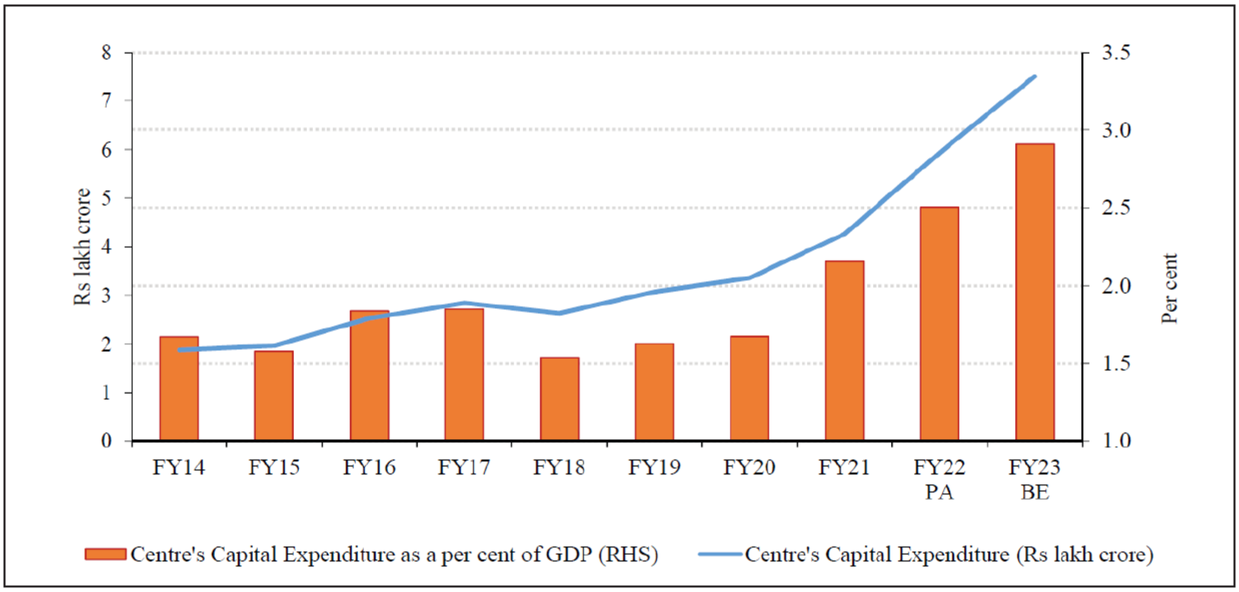
8.The following chart represents Debt to GDP ratio of Centre and states for the last few years:

Debt/ GDP	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Centre	51.4%	51.5%	49.6%	46.0%	45.9%	47.80%	59.30%	57.0%	56.00%
State	22.0%	23.7%	25.1%	25.1%	25.2%	26.30%	31.10%	28.7%	29.5%



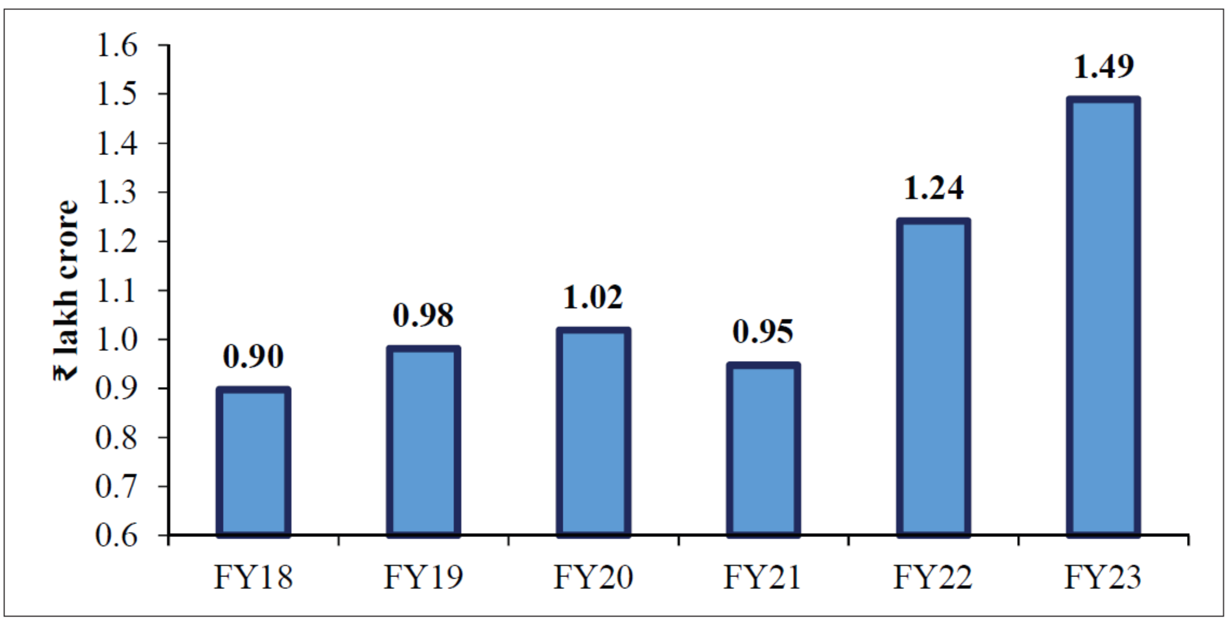
9. The following chart represents Central Govt. capital expenditure for the last few years.

Union government's capital expenditure as a per cent of GDP on the rise



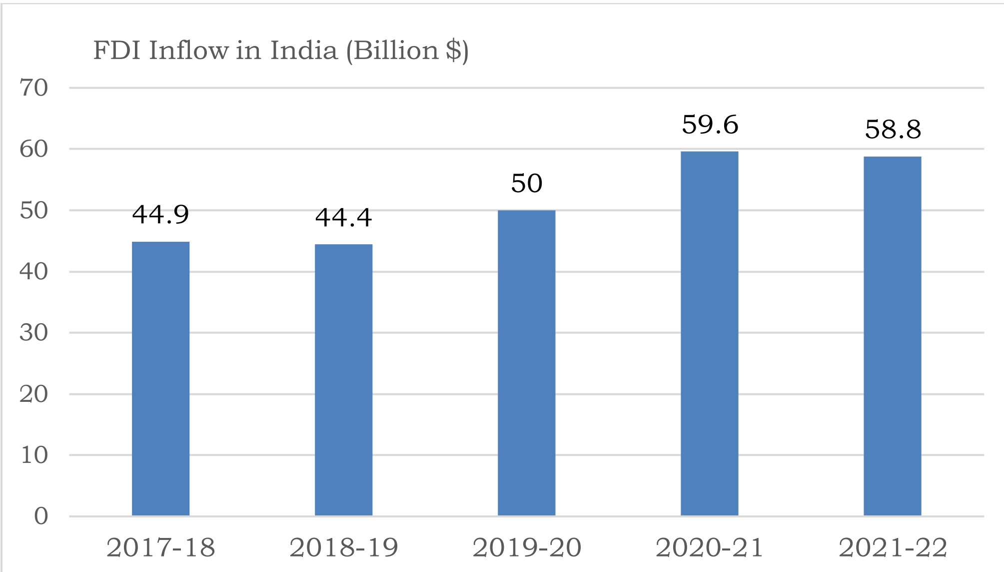
10. The following chart represents monthly GST collection (Centre plus states combined)

Rising average monthly gross GST collection

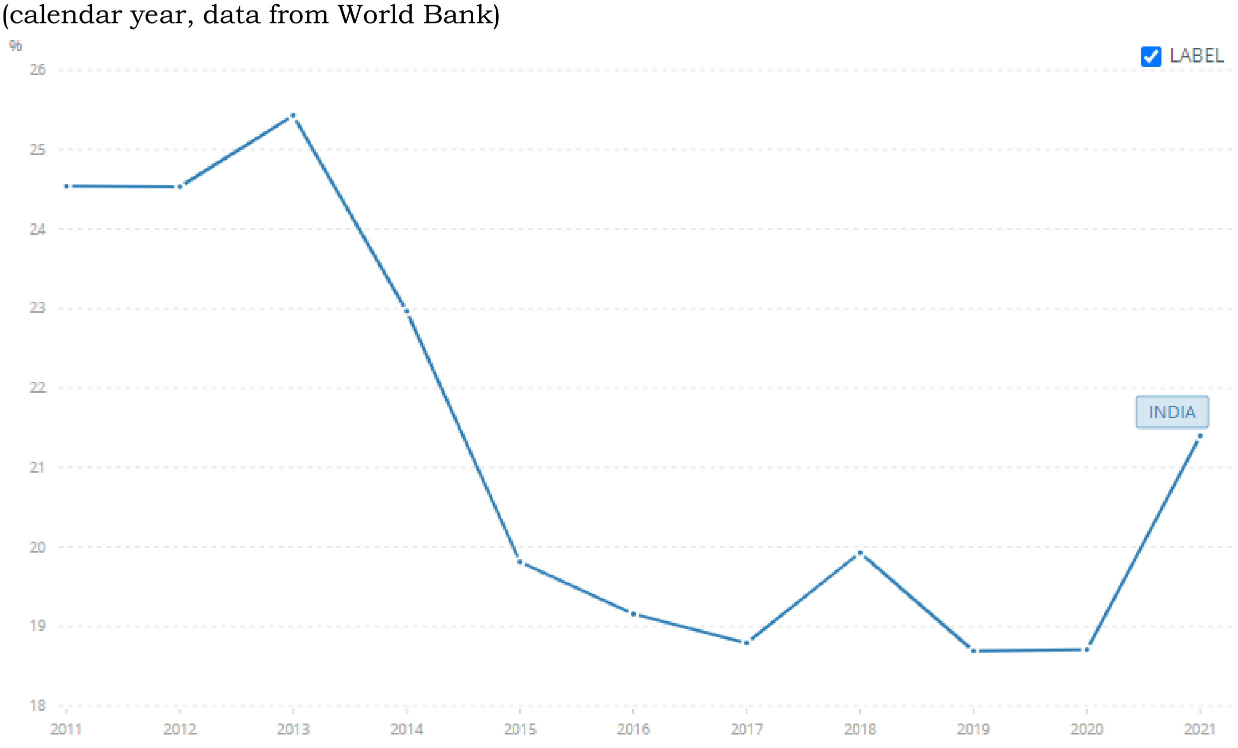


11. Following chart represents FDI inflow in India in the last few years in billion dollars.

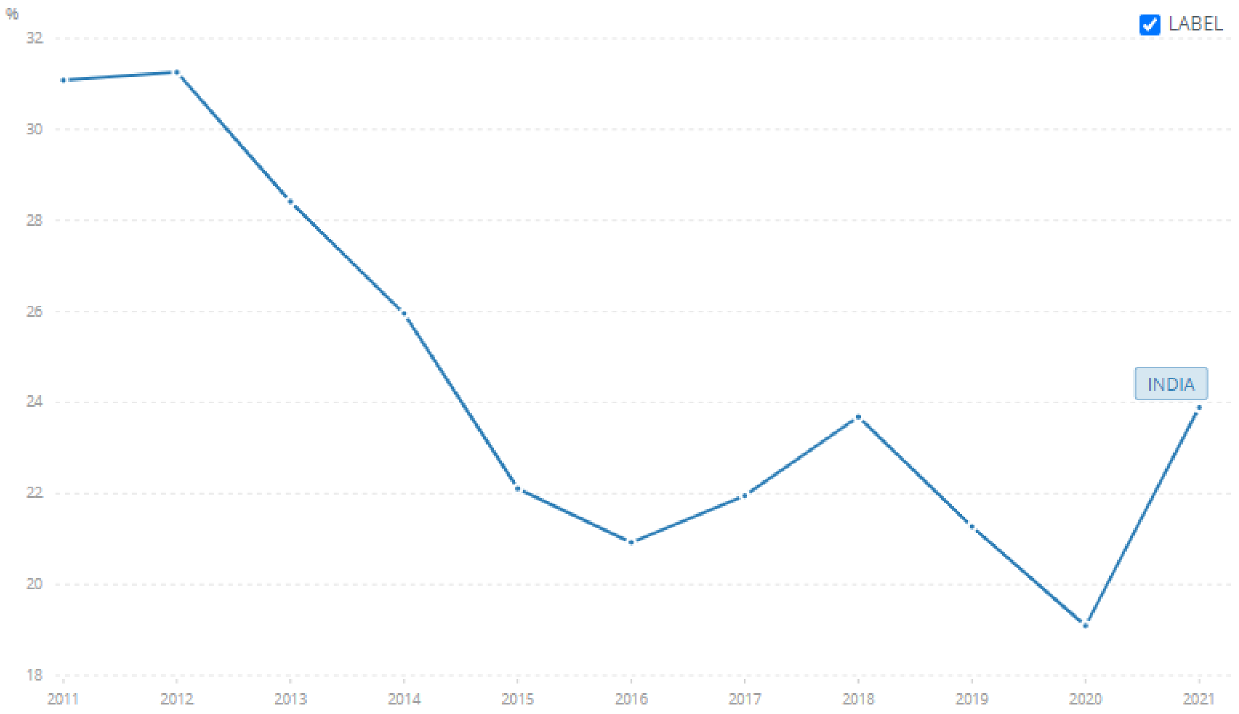
Year	2017-18	2018-19	2019-20	2020-21	2021-22
FDI	44.9	44.4	50	59.6	58.8



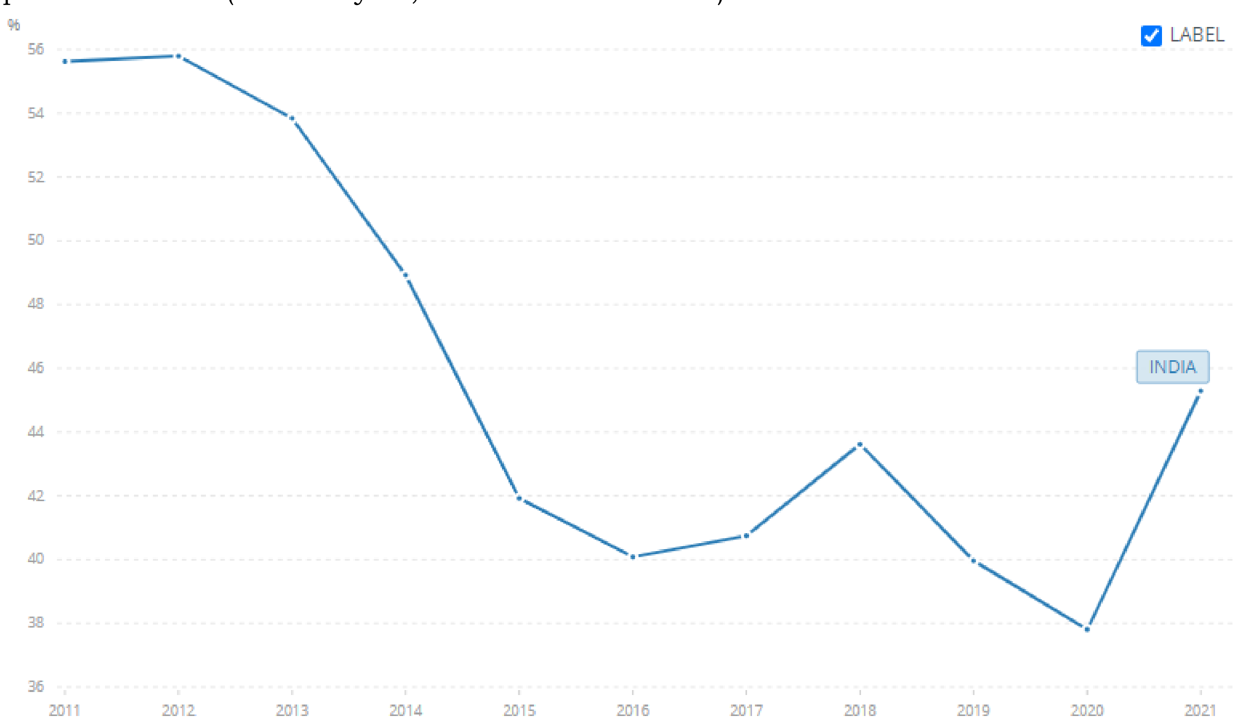
12. Following chart represents India's **exports** of goods and services as per cent of GDP (calendar year, data from World Bank)



13. Following chart represents India's **imports** of goods and services as per cent of GDP. (Calendar year, data from World Bank)



14. 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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