

READING COMPREHENSIONS

Directions (1-2): Read the following passage to answer the given questions.

Regulations play a vital role in modern society, and with good design and management regulations deliver important public benefits. Poorly designed regulations, however, can result in rules that create only costs and little or no public benefits. More importantly, poor regulatory management of accumulated regulations stifles innovation and hinders economic growth. This article discusses a unique challenge for policymakers today, which is to find a way to trim unnecessary regulations while preserving required public protections. Regulatory accumulation refers to a steady and unintentional growth of regulations. It is recognised by several government bodies and committees set up by policymakers who are

conscious of the ease of doing business in progressive countries. In the US, for example, the House Judiciary Subcommittee has evaluated that this accumulation slows the economy by nearly one percentage point annually.

It is believed that this, in case of the Indian economy, would be almost double the amount. The slower economic growth caused by regulatory accumulation could well be 7-8 lakh crore annually. The burden of this regulatory accumulation per Indian citizen could be Rs 5,000-6,000 per annum. If we had managed our regulatory accumulation properly in the last two decades, we could have been the third-largest economy in the world. Considering India's ranking in the ease of doing business, the cost of compliance could well be much more than the estimate above. The impact of regulatory accumulation on Indian households is significant. Major studies have observed that these costs are passed on to the consumer in the form of higher prices. The effects of these price increases are regressive. The poorest income groups

experience the highest proportional increase in the prices they pay. Equally so, the large penalties paid by a business for non-compliance are eventually borne by consumers. The economic effects of deregulation are very encouraging.

Several jurisdictions that have reversed or at least slowed regulatory accumulation have succeeded in reducing the quantity of regulations on their books by about 40% within three years. The 2025 Economic Survey made a detailed reference to this in the context of micro, small, and medium enterprise (MSME) funding and for the financial services sector in general in India. Regulatory bodies and progressive trade associations such as the Indian Banks' Association or the Association of Mutual Funds in India should make an effort to create a formal framework to identify, determine, and disclose the cost of compliance. The measure of the cost of compliance can be critical for evaluating any deregulation. Likewise, there should be an approach to measure the public benefits.

In the enthusiasm to become a custodian or protector of public interest or benefits, regulatory accumulation can only grow manifold.

A study on the growth of regulatory notifications and circulars by financial sector regulatory bodies in India would perhaps reveal and assess the significant on burden business and, thereafter, passed on to consumers. Deregulation offers the potential for a win-win: a more dynamic economy and relief for those most burdened by the status quo. Clear goals, measurements, and high-level commitments are critical.

Question 1:

What is/ are can be conveyed from the given passage?

(I) Regulatory accumulation has significantly hindered India's economic growth, costing the economy trillions annually and preventing it from becoming the third-largest economy globally.

(II) Knowing compliance costs is key to judging if deregulation is worthwhile.

(III) Deregulation efforts globally have shown limited success, with most countries struggling to reduce regulations by more than 40% despite concerted policy efforts.

(a) Only (I) is correct

(b) Both (I) and (II) are correct

(c) Both (I) and (III) are correct

(d) All (I), (II), and (III) are correct

(e) None of the above options

Question 2:

Based on the passage, which of the following options regarding regulatory accumulation is most invalid?

(I) Non-compliance penalties imposed on businesses primarily affect corporate profits and have minimal impact on consumer prices.

(II) India's ease of doing business ranking suggests that compliance costs are likely even higher than current estimates, exacerbating economic inefficiencies.

(III) Higher-income households are insulated from the effects of regulatory accumulation, as compliance costs are absorbed by businesses rather than passed on.

(a) Only (I)

(b) Both (I) and (II)

(c) Both (II) and (III)

(d) Both (I) and (III)

(e) None of the above options

Directions (3-7): Read the following passage to answer the given questions.

The disruptiveness of Donald Trump's tariff war, launched on April 2, has hit the emerging economies of Southeast Asia. Even his new decision to remove tariffs on computers, chips, and smartphones made in and exported from the region will not change that reality. That is why the most important effect of his economic warmongering could be to increase the clout of America's arch-rival, China, in the region. Southeast Asian countries, including members of the 10-member Association of Southeast Asian Nations (ASEAN), have already been hit by some of the most punitive tariffs — in Cambodia's case, as high as 49%, and in Vietnam's case by 46%. Indonesia reckons with 32% and Malaysia with

24%. Thailand, an old American ally, faces 36%, but Trump is treating Asian and European allies alike — as enemies of the US. Such high levies have threatened to cripple Southeast Asian economies, which have prospered by making everything from Nike sports shoes to clothes and computers for American consumers.

So, Southeast Asian countries are trying to appease Trump. Unlike China and Europe, they will not retaliate. And they hope to reduce or even remove their own tariffs on American imports. Enter China. As China — the world's second-largest economic power and the main trading partner of ASEAN, or indeed of most Asian countries — faces the big challenges created by Trump's tariff onslaught, Beijing has lost no time practising “neighbourhood diplomacy”. President Xi Jinping is visiting Vietnam, Malaysia, and Cambodia between April 14 and 18. Xi aims to encourage greater economic cooperation with Southeast Asian countries and persuade them to grant more market access for Chinese companies. These states are already China's associates in the Regional Economic Comprehensive Partnership

and have benefitted from Beijing's decision to lift 90% of tariffs on the goods it imports from them. Cambodia is impressed that China shares; it doesn't demand. China has thus staked a claim to being the responsible defender of the global trading system and rules-based order, in contrast to the US,

which is understandably being perceived as the world's economic oppressor. Trump alleges that most foreign countries have pushed the US around for too long. Many have demanded security and an open American market while erecting obstacles to US goods entering their countries. That is why America, he says, has a huge trade deficit; its manufacturing is facing a crisis and Americans are losing jobs. So, tariffs reflect Trump's determination to improve the lives of his compatriots. His logic dictates the destruction of the current world economic order. More specifically, it dictates the rise of China. That is why he has given most countries a three-month break in facing American tariffs while imposing 145% tariffs on Chinese goods. But he has blinked first on US imports of tech goods, including those from

China. It is too early to predict how much Asia's emerging economies will benefit by Trump's removal of some tariffs. ASEAN countries' stock markets have been among the year's biggest losers from Trump's trade war — Thailand's and Vietnam's have fallen by more than 18 % since Trump raised tariffs.

Question 3:

Based on the passage, which of the following can be conveyed about China's approach to Southeast Asian countries in response to Trump's tariff war?

(I) China is positioning itself as a cooperative economic partner by reducing tariffs on imports from ASEAN countries.

(II) China's diplomatic outreach is largely reactive, seeking to counterbalance the economic damage caused by Trump's tariffs.

(III) China's engagement with Southeast Asia primarily serves its own strategic interests, aiming to expand its influence in the region.

(a) Only (I) is correct

(b) Both (I) and (II) are correct

(c) Both (II) and (III) are correct

(d) All (I), (II), and (III) are correct

(e) None of the above options

Question 4:

What does the passage imply about the economic consequences of Trump's tariffs for Southeast Asian countries?

- (I) The tariffs have significantly weakened Southeast Asian stock markets, causing substantial declines.
- (II) Southeast Asian economies are resilient and have managed to withstand the effects of Trump's trade war without major damage.
- (III) The region's dependence on manufacturing exports to the U.S. makes it particularly vulnerable to American tariff policies.

- (a) Only (I) is correct
- (b) Both (I) and (III) are correct
- (c) Both (II) and (III) are correct
- (d) Only (III) is correct
- (e) None of the above options

Question 5:

Can the following inference be determined from the passage?

Inference: Trump's tariff strategy has strengthened China's global reputation as a more reliable and cooperative trade partner compared to the U.S.

- (a) Definitely true
- (b) Probably true
- (c) Cannot be determined
- (d) Probably false
- (e) None of the above options

Question 6:

What can be inferred about Trump's underlying rationale for imposing tariffs, according to the passage?

(I) Trump believes foreign countries exploit U.S. security and open markets while restricting American goods.

(II) Trump's primary aim is to protect American jobs and address the domestic manufacturing crisis.

(III) Trump's trade war is part of a broader U.S. effort to build stronger alliances in Asia against China's rise.

(a) Only (I) is correct

(b) Both (I) and (II) are correct

(c) Both (II) and (III) are correct

(d) All (I), (II), and (III) are correct

(e) None of the above options

Question 7:

Evaluate the accuracy of the following statements based on the passage.

(I) The removal of some U.S. tariffs on tech goods has already led to significant economic recovery in Southeast Asian stock markets.

(II) ASEAN countries are choosing appeasement over retaliation to avoid further economic damage from U.S. tariffs.

(III) China is being widely perceived as an economic oppressor in the global trading system.

(a) Only (II) is true

(b) Both (I) and (III) are true

(c) Both (II) and (III) are true

(d) Only (III) is true

(e) None of the above options

Directions (8-11): Read the following passage to answer the given questions.

With three outages in just 30 days, India's pride in the payments space—the now-ubiquitous Unified Payments Interface (UPI)—seems to be in a bit of a spot. Indeed, over the past year, there have been as many as six disruptions, an indication that the system may be stretched. While the National Payments Council of India (NPCI), which runs the system, did eventually fix the glitches, the inconvenience to users looking to transact cannot be brushed aside. The magnitude of the problem is evident from the fact that around 600 million transactions take place via UPI every day. The total number of transactions in March was 18.3 billion, a jump of nearly 14% on year. Even if the disruption lasts just for

a few hours, the toll can be significant since the average value of daily transactions is close to Rs 83,000 crore. The fact is that consumers today are relying less on cash and more on mobile payments.

A UPI systems failure can cause enormous problems for thousands of small vendors who don't have point of sales (PoS) machines. To be sure, NPCI deserves credit for the tremendous job it has done to drive UPI payments, though the credit must be shared with payments apps like PhonePe and GooglePay, which have spent large sums on incentives to push customers to go digital. But NPCI's response last week that it has conducted a root-cause analysis doesn't inspire much confidence. By one analysis, it's a sudden spurt in transactions that are the problem, much like the peak load at a power plant. If this is so, it suggests that NPCI has been caught off-guard. Given the pace at which the number of transactions is growing, it is only to be expected that there will be periods when there is a surge in usage. Even as NPCI

re-assesses its technology platform and takes remedial measures, other players in the ecosystem—banks and payments companies—must ensure they are equipped with the infrastructure to handle big volumes so as to be able to settle transactions.

Since such UPI outages impact the financial system, the Reserve Bank of India may separately want to investigate the causes for the frequent failures. After all, it is responsible for the stability of the financial system. In early 2020, the central bank unveiled a draft framework for new umbrella entities (NUE) in what was believed to be an effort to counter the dominance of NPCI. However, five years later, NPCI remains a monopoly with the regulator reportedly having second thoughts especially on the safety and security of data being held by foreign entities. Some say the non-compliance by Mastercard and other foreign card issuers, with regards to localising data, may have had something to do with it. The RBI also probably took cognisance of data breaches at some private sector players—fintechs and

e-retailers—concluding it might not be a good idea to allow the private sector to operate digital payments processing platforms. One cannot blame the regulator for exercising caution.

At the same time, it is essential to minimise a major concentration risk on UPI as NPCI is the single body that is driving the entire digital payments agenda of the country. The time has perhaps come for setting up another not-for-profit entity on the lines of NPCI to boost competition and innovation.

Question 8:

Based on the passage, which of the following logically follow the concerns about UPI disruptions?

(I) The surge in UPI transaction volumes reveals a lack of scalable infrastructure at NPCI to handle peak loads.

(II) The repeated failures of UPI undermine consumer trust and threaten the long-term shift away from cash-based transactions.

(III) The NPCI's monopoly in the digital payments space increases systemic risk for the country's financial infrastructure.

(a) Only (I)

(b) Both (I) and (II)

(c) Both (I) and (III)

(d) All (I), (II), and (III)

(e) None of the above options

Question 9:

Which of the following is the “**TRUE**” statement based on the given passage?

- I. Most small vendors in India prefer cash over mobile payments.
- II. While NPCI holds monopoly control over UPI, apps like PhonePe and Google Pay have been critical in expanding its adoption through customer incentives.
- III. NPCI’s root-cause analysis response gave users high confidence in the system’s resilience.

- (a) Only III
- (b) Both I and II
- (c) Only II
- (d) Both II and III
- (e) None of the above options

Question 10:

Based on the passage, which of the following conclusions can be drawn?

(I) NPCI's rapid expansion of UPI transactions has outpaced its own technological readiness to handle large-scale surges.

(II) The regulatory hesitation to approve new private-sector digital payment platforms stems primarily from concerns about data security and compliance.

(III) The RBI's cautious approach to digital payment platforms suggests a preference for tightly controlled state-operated monopolies.

(a) Only (I)

(b) Both (I) and (II)

(c) Only (III)

(d) Both (II) and (III)

(e) None of the above options

<p>Question 11:</p> <p>In each of the following questions, a statement of Assertion (A) is given, followed by a statement of Reason (R). Read both statements carefully and choose the correct option.</p> <p>(Note: Assertion (A) → <i>a statement or claim presented as a fact. Example: “The Earth revolves around the Sun.”</i></p> <p>Reason (R) → <i>a statement that might explain why the assertion is true or provide a cause. Example: “Because the Sun exerts a gravitational pull on the Earth.”</i>)</p> <p>Assertion (A): The RBI has already licensed and launched multiple NUES to reduce NPCI’s monopoly in the UPI space.</p> <p>Reason (R): The RBI concluded that a more competitive landscape would improve system resilience.</p>	<p>(a) Both Assertion and Reason are true, and Reason is the correct explanation of Assertion.</p> <p>(b) Both Assertion and Reason are true, but Reason is not the correct explanation of Assertion.</p> <p>(c) Assertion is true, but Reason is false.</p> <p>(d) Assertion is false, but Reason is true.</p> <p>(e) None of the above options</p>
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