

SHANKAR IAS ACADEMY

TEST 4 - ECONOMY - I - EXPLANATION ANSWER KEY

1. **Ans (d)**

Explanation: There are four components of Aggregate Demand (AD); Consumption (C), Investment (I), Government Spending (G) and Net Exports (X-M).

2. **Ans (d)**

Explanation:

1. Nominal Gross Domestic Product refers to the monetary value of all goods and services produced during the year, within the geographical limits of the country. The economic worth of all goods and services produced in a given year, adjusted as per changes in the general price level is known as Real Gross Domestic Product.
2. Nominal GDP is the GDP without the effects of inflation or deflation whereas you can arrive at Real GDP, only after giving effects of inflation or deflation.
3. Nominal GDP reflects current GDP at current prices. Conversely, Real GDP reflects current GDP at past (base) year prices.
4. The value of nominal GDP is greater than the value of real GDP because while calculating it, the figure of inflation is deducted from the total GDP.
5. With the help of Nominal GDP, you can make comparisons between different quarters of the same financial year. Unlike Real GDP, in which comparison of various financial years can be made easily because by removing the figure of inflation, the comparison is made only between the outputs produced.
6. Real GDP shows the actual picture of the economic growth of the country, which is not with the case of Nominal GDP.

3. **Ans (c)**

Explanation:

- Much economic development is not possible without making and using of industrial machinery, making of agricultural tools and implements, building of dams, bridges, factories, roads, railways, airports, ships, ports, harbours, etc., which are all capital. All these capital goods are man-made instruments of production and increase the productive capacity of the economy.
- From the viewpoint of economic growth capital formation is important because it makes large-scale production and greater degree of specialisation possible. Thus, with capital accumulation the advantages of large-scale production and specialisation are obtained.

4. **Ans (b)**

Explanation: FSDC is chaired by the Union Finance Minister and its members include.

1. RESERVE BANK OF INDIA Governor
2. SEBI Chairman
3. IRDA Chairman

PFRDA Chairman and Chief economic advisor, Finance secretary and the secretary of the department of financial services.

5. **Ans (a)**

Explanation: Nuclear security summit

- The fourth and final Nuclear Security Summit took place in Washington DC from March 31-April 01, 2016. Despite the initial apprehension about the summits in certain parts of the world, it has been a useful process. With more than 50 countries represented from across the world, the summits elevated the level of awareness of nuclear security. Leaders of established nuclear states began to think about nuclear security in a new way, reducing complacency about the risks of terrorism and sabotage. This thinking took shape in national and multilateral commitments in areas including nuclear security regulation, physical protection of nuclear materials, nuclear forensics, protection against nuclear smuggling, and insider threats and nuclear terrorism.
- Many participating countries voluntarily pledged to take specific actions to increase domestic nuclear security and to work through bilateral or multilateral mechanisms to improve security globally.

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- At this final summit, Indian Prime Minister Narendra Modi committed to concrete steps that will push India's nuclear security agenda to the next level. These are important not just for the international campaign to improve nuclear security, but also specifically for India. They signalled the continuing opening of India's nuclear establishment and the greater confidence that India has begun to exhibit in its engagement with the global nuclear community. Maybe the most important of these steps is India's decision to join the initiative on strengthening nuclear security implementation.
- In addition, India agreed to join 'gift baskets' in the area of counter-nuclear smuggling, sharing of know-how and best practices through centres of excellence such as India's Global Centre for Nuclear Energy Partnership (GCNEP), and lastly to take forward the summit process through an informal contact group in Vienna.

6. **Ans (c)**

Explanation: India's GNP is always lower than its GDP because its Net income from abroad is always negative.

7. **Ans (c)**

Explanation: Tax receipts are in current account (Revenue receipts and expenditure).

8. **Ans (d)**

Explanation: The divergence between the statutory tax rate and effective tax rate (defined as the ratio of total tax revenue collected to the aggregate tax base) is mainly on account of tax exemptions. Tax expenditure is also termed as 'revenue forgone', but it does not necessarily imply that this quantum of revenue has been waived by the government.

9. **Ans (b)**

Explanation:

- Interest rates are determined by the interaction of the quantity supplied and the quantity demanded of money. The quantity supplied of money is determined by the actions of the central bank and the banking system. Suppose that the interest rate is too high in the sense that the quantity of money supplied is greater than the quantity of money demanded. People will respond by purchasing bonds, in which case money will be reduced. The greater demand for bonds will push interest rates down, towards equilibrium.
- When there is no demand for money, no or little investment going on then interest rates will tend to fall. When interest rates are close to, and in some places even below zero, meaning money is available, but there is no demand for it. No one knows what to do with the money, where to invest it, to produce, because there is little money "out there" that would allow people to buy what is being produced.

10. **Ans (c)**

Explanation: Madhya Pradesh Chief Minister Shivraj Singh Chouhan inaugurated the world's maiden 'White Tiger Safari' at Mukundpur in Satna district in the state's Vindhya region where the feline was first discovered more than 100 years ago. The white tiger is a pigmentation variant of the Bengal tiger, which is reported in the wild from time to time in the Indian states of Assam, West Bengal and Bihar in the Sunderbans region and especially in the former State of Rewa. Such a tiger has the black stripes typical of the Bengal tiger, but carries a white or near-white coat.

11. **Ans (a)**

Explanation: A fast radio burst (FRB) is a high-energy astrophysical phenomenon manifested as a transient radio pulse lasting only a few milliseconds. These are bright, unresolved, broadband, millisecond flashes found in parts of the sky outside the Milky Way. The component frequencies of each burst are delayed by different amounts of time depending on the wavelength. This delay is described by a value referred to as a dispersion measure. Fast radio bursts have dispersion measures which are: much larger than expected for a source inside the Milky Way; and consistent with propagation through an ionized plasma. The origin of fast radio bursts is not known. It is conjectured to be extragalactic because of the anomalously high value of pulse dispersion observed. Some have speculated that these signals might be signs of extraterrestrial intelligence.

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12. **Ans (d)**

Explanation:

The Human Development Index (HDI) is a composite statistic of life expectancy, education, and per capita income indicators, which are used to rank countries into four tiers of human development. A country scores higher HDI when the lifespan is higher, the education level is higher, the GDP per capita is higher, the fertility rate is lower, and the inflation rate is lower. The HDI was developed by the Pakistani economist Mahbub ul Haq working alongside Indian economist Amartya Sen, often framed in terms of whether people are able to "be" and "do" desirable things in their life, and was published by the United Nations Development Programme.

13. **Ans (c)**

Explanation: FRBM Act had the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit, establishing improved debt management and improving transparency in a medium term framework with quantitative targets to be adhered by the state with regard to deficit measures and debt management. The act was also expected to give necessary flexibility to Reserve Bank of India (RBI) for managing inflation in India.

14. **Ans (c)**

Explanation: Entertainment and Luxury Tax are Indirect Taxes.

15. **Ans (d)**

Explanation:

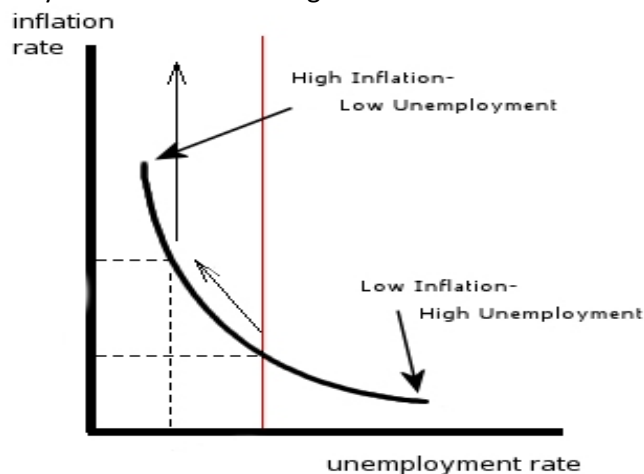
- The Stand Up India scheme focuses on handholding support for both SC/ST and Women borrowers.
- The Stand Up India scheme is anchored by Department of Financial Services (DFS) to encourage greenfield enterprises by SC/ST and women entrepreneurs.
- The Stand Up India scheme is intended to facilitate at least two such projects per bank branch, on an average one for each category of entrepreneur.
- The expected date of reaching the target of at least 2.5 lakh approvals is 36 months from the launch of the Stand Up India scheme.
- The Stand Up India scheme provides for refinance window through Small Industries Development Bank of India (SIDBI) with an initial amount of Rs 10,000 crore.
- The Stand Up India scheme provides for creation of a credit guarantee mechanism through the National Credit Guarantee Trustee Company (NCGTC).

16. **Ans (c)**

17. **Ans (b)**

Explanation:

The Phillips curve is a single-equation empirical model, named after A. W. Phillips, describing a historical inverse relationship between rates of unemployment and corresponding rates of inflation that result within an economy. Stated simply, decreased unemployment, (i.e., increased levels of employment) in an economy will correlate with higher rates of inflation.



18. **Ans (c)**

Explanation: Non-tax Revenue Receipts

- This includes all money earned by the government from sources other than taxes. In India they are—
 - (i) Profits and dividends which the government gets from its public sector undertakings (PSUs).
 - (ii) Interests received by the government out of all loans forwarded by it, be it inside the country (i.e., internal lending) or outside the country (i.e., external lending). It means this income might be in both domestic and foreign currencies.
 - (iii) Fiscal services also generate incomes for the government, i.e., currency printing, stamp printing, coinage and medals minting, etc.
 - (iv) General Services also earn money for the government as the power distribution, irrigation, banking, insurance, community services, etc.
 - (v) Fees, Penalties and Fines received by the government.
 - (vi) Grants which the government receives—it is always external in the case of the central government and internal in the case of state governments.
- Long-term loans raised by the government come under Capital receipts.

19. **Ans (d)**

Explanation:

Revenue Expenditure: All the expenditures incurred by the government are either of revenue kind or current kind or compulsive kind. The basic identity of such expenditures is that they are of consumptive kind and do not involve creation of productive assets. They are either used in running of a productive process or running a government. A broad category of things that fall under such expenditures in India—

- (i) Interest payment by the government on the internal and external loans;
- (ii) Salaries, Pension and Provident Fund paid by the government to the government employees;
- (iii) Subsidies forwarded to all sectors by the government;
- (iv) Defence expenditures by the government;
- (v) Postal Deficits of the government;
- (vi) Law and order expenditures (i.e., police & paramilitary);
- (vii) Expenditures on social services (includes all social sector expenditures as education, health care, social security, poverty alleviation, etc.) and general services (tax collection, etc.);
- (viii) Grants given by the government to Indian states and foreign countries.

20. **Ans (a)**

Explanation:

- Xenotransplantation is the transplantation of living cells, tissues or organs from one species to another. Such cells, tissues or organs are called xenografts or xenotransplants. It is contrasted with allotransplantation (from other individual of same species), Syngeneic transplantation (Grafts transplanted between two genetically identical individuals of the same species) and Autotransplantation (from one part of the body to another in the same person).
- Xenotransplantation of human tumor cells into immunocompromised mice is a research technique frequently used in pre-clinical oncology research. Human xenotransplantation offers a potential treatment for end-stage organ failure, a significant health problem in parts of the industrialized world. It also raises many novel medical, legal and ethical issues.

21. **Ans (b)**

Explanation: End-to-end encryption (E2EE) is a system of communication where only the communicating users can read the messages. In principle, it prevents potential eavesdroppers – including telecom providers, Internet providers, and even the provider of the communication service – from being able to access the cryptographic keys needed to decrypt the conversation. The systems are designed to defeat any attempts at surveillance and/or tampering because no third parties can decipher the data being communicated or stored. For example, companies that use end-to-end encryption are unable to hand over texts of their customers' messages to the authorities.

22. **Ans (c)**

Explanation:

- Primary deficit is one of the parts of fiscal deficit. While fiscal deficit is the difference between total revenue and expenditure, primary deficit can be arrived by deducting interest payment from fiscal deficit. Interest payment is the payment that a government makes on its borrowings to the creditors.
- $\text{Primary deficit} = \text{government spending} - \text{tax revenues}$
- $\text{Fiscal deficit} = \text{primary deficit} + \text{interest payments on borrowings}$.

23. **Ans (d)**

Explanation:

Government of India has three main avenues of borrowings:

1. **Money printing:** it can print its own money, but this has its disadvantages as it may lead to hyper inflation
2. **Domestic borrowing:** GOI has three avenues
 - Borrow from the central bank: GOI can borrow from RBI, which it mostly does, but it reduces the amount available for other PSB'S and private sector banks, and so less money for us, but, this can depend on how the GOI spends the borrowed money.
 - Float government bonds: the government can float numerous types of bonds to raise long term and short term capital from the markets, but, here too it diverts the money of the investors from capital and private bond markets and makes them invest in GOI BONDS as they're much safer. For example: muni bonds, infrastructure bonds. LIC hugely subscribes to these bonds.
 - Borrow from PSB'S and PRIVATE BANKS: this is rarely followed, as it will really decrease the liquidity in the economy leading to a shortage of investments and growth. (Again depends on what the government is borrowing for).
3. **International Borrowing:**
 - From friendly countries: India can borrow from other Forex surplus countries, but this greatly depreciates our currency and our Forex reserves, as interest and capital has to be paid back mainly in hot currencies like USD OR EUROS.
 - From international organization: This is mostly the route followed by GOI to raise huge amounts of money, we borrow from organizations like IMF, WORLD BANK, the new ones like AIIB and NDB. The interests are comparably low and pay back periods usually long. We have done this successfully from 1970's
 - Float international bonds: GOI may float international, government backed bonds which can be hugely advantageous to us, coz we will be paying the bond interests on our own currency, keeping it near to the Goldilocks rate. For ex-masala bonds.

24. **Ans (d)**

Explanation: The implications of fiscal deficit are as follows:

1. **Debt Trap:**

- Fiscal deficit indicates the total borrowing requirements of the government. Borrowings not only involve repayment of principal amount, but also require payment of interest.
- Interest payments increase the revenue expenditure, which leads to revenue deficit. It creates a vicious circle of fiscal deficit and revenue deficit, wherein government takes more loans to repay the earlier loans. As a result, country is caught in a debt trap.

2. **Inflation:**

Government mainly borrows from Reserve Bank of India (RBI) to meet its fiscal deficit. RBI prints new currency to meet the deficit requirements. It increases the money supply in the economy and creates inflationary pressure.

3. **Foreign Dependence:**

Government also borrows from rest of the world, which raises its dependence on other countries.

4. **Hampers the future growth:**

Borrowings increase the financial burden for future generations. It adversely affects the future growth and development prospects of the country.

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25. **Ans (c)**

Explanation: Fiscal Indicators: Gross Fiscal Deficit, Revenue Deficit, Primary Deficit.

26. **Ans (c)**

Explanation: One of the most critical short-term challenges confronting the Indian economy is the twin balance sheet (TBS) problem—the impaired financial positions of the Public Sector Banks (PSBs) and some large corporate houses—what we have hitherto characterized as the ‘Balance Sheet Syndrome with Indian characteristics’.

27. **Ans (c)**

Explanation: The National Hydrology Project (NHP) is intended for setting up of a system for timely and reliable water resources data acquisition, storage, collation and management. It will also provide tools/systems for informed decision making through Decision Support Systems (DSS) for water resources assessment, flood management, reservoir operations, drought management, etc. NHP also seeks to build capacity of the State and Central sector organisations in water resources management through the use of Information Systems and adoption of State-of-the-art technologies like Remote Sensing. The NHP will help in gathering Hydro-meteorological data which will be stored and analysed on a real time basis and can be seamlessly accessed by any user at the State/District/village level. The project envisages to cover the entire country as the earlier hydrology projects covered only 13 States.

The components of the proposal are:

- a) In Situ Hydromet Monitoring System and Hydromet Data Acquisition System.
- b) Setting up of National Water Informatics Centre (NWIC).
- c) Water Resources Operation and Management System
- d) Water Resources Institutions and Capacity Building

The NHP will result in the improvement of:

1. Data storage, exchange, analysis and dissemination through National Water Informatics Centre.
2. Lead time in flood forecast from 1 day to at least 3 days.
3. Mapping of flood inundation areas for use by the disaster management authorities.
4. Assessment of surface and ground water resources in a river basin for better planning & allocation for PMKSY and other schemes of Govt. of India.
5. Reservoir operations through seasonal yield forecast, drought management, SCADA systems, etc.
6. Design of SW & GW structures, hydropower units, interlinking of rivers, Smart Cities.
7. Fulfilling the objectives of Digital India.
8. People Centric approach: The programme envisages ultimate aim for water management through scientific data collection, dissemination of information on water availability in all blocks of the country and establishing of National Water Information Centre. The automated systems for Flood Forecasting is aimed to reduce water disaster ultimately helping vulnerable population. It is people and farmer centric programme as information on water can help in predicting water availability and help farmers to plan their crops and other farm related activities. Through this programme India would make a place among nations known for scientific endeavours.

Elucidation on the impact of the Project:

- a) Development of real time flood forecasting and reservoir operations in a manner that does not result in sudden opening of gates which inundates the area down below;
- b) It will facilitate integrated water resource management by adopting river basin approach through collation and management of hydro-meteorological data. This will also help in water resource assessment – as surface as well as ground water, for water resource planning, prioritize its allocations and its consumptive use for irrigation;
- c) It will help in providing real time information on a dynamic basis to the farmers about the ground water position for them to accordingly plan their cropping pattern;
- d) This will also help in promoting efficient and equitable use of water particularly of ground water at the village level;
- e) This will also provide information on quality of water:

28. **Ans (b)**

29. **Ans (a)**

30. Ans (a)

Explanation:

- Priority Sector refers to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation. Priority Sector Lending is an important role given by the Reserve Bank of India (RBI) to the banks for providing a specified portion of the bank lending to few specific sectors like agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections.. This is essentially meant for an all round development of the economy as opposed to focusing only on the financial sector.
- The RBI has modified Priority Sector Lending norms after the recommendations of the Internal Working Group in 2015. Changes in classification of the priority sectors and targets were also made as per the new norms. Following are the main categories of PSL (credit percentage are expressed in terms of Adjusted Net Bank Credit or ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure; whichever is higher):

Categories under priority sector

- **Agriculture 18%:** Within the 18 percent target for agriculture, a target of 8 percent of ANBC is prescribed for Small and Marginal Farmers.
- Micro, Small and Medium Enterprises 7.5 percent.
- **Export Credit:** Incremental export credit up to 2 percent for domestic banks and foreign banks with 20 branches and above.
- **Education:** Loans to individuals for educational purposes including vocational courses upto Rs 10 lakh.
- **Housing:** Loans to individuals up to Rs 28 lakh in metropolitan centres (with population of ten lakh and above) and loans up to Rs 20 lakh in other centres for purchase/construction of a dwelling unit per family.
- **Social Infrastructure:** Bank loans up to a limit of Rs 5 crore per borrower for building social infrastructure for activities namely schools, health care facilities, drinking water facilities and sanitation facilities in Tier II to Tier VI centres.
- **Renewable Energy:** Bank loans up to a limit of Rs 15 crore to borrowers (individual households- Rs 10 lakh) including for public utilities viz. street lighting systems, and remote village electrification.
- **Others:** SHG, JLG etc.
- From the above categories a subcategory called Weaker sections is also identified so that they can get special preference under PSL. The new regulations stipulate that banks should give 10% of their loans to the weaker sections. Weaker sections include: Small Marginal Farmers, artisans, village and cottage industries with a credit limit upto Rs 1 lakh, beneficiaries of certain government sponsored schemes, SC/STs, SHGs, persons with disabilities, overdrafts upto Rs 5000 under PMJDY, distressed persons, individual women beneficiaries up to Rs 1 lakh, beneficiaries of differential interest rate regime.
- Several changes are made (2015) in PSL norms by the RBI after the working group (2014) recommendations. The changes include new categories of PSL: medium enterprises, social infrastructure and renewable energy. A separate target for small and marginal farmers (7.5%) and microenterprises (8%) and weaker sections (10%) and inclusion of food and agro processing units under agriculture are the major changes. The priority sector non-achievement will be assessed on quarterly average basis at the end of the respective year from 2016-17 onwards, instead of annual basis as at present.
- Banks (SCBs) having shortfall in lending to priority sector/subsectors vis-avis the stipulated targets, are required to contribute to the funds of Rural Infrastructure Development Fund (RIDF) and similar funds set up with National Bank of Agriculture and Rural Development (NABARD) / Small Industries Development Bank of India (SIDBI) / National Housing Bank (NHB).
- PSL norm for foreign banks
- Another modification is the PSL made by the RBI after the recommendations of the Working group is related with foreign banks. Foreign Banks with 20 branches and above already have priority sector targets of 40% and sub-targets for Agriculture and Weaker Sections. These targets are to be achieved by March 31, 2018 as per the action plans approved by RBI. Foreign banks with less than 20 branches will move to total Priority Sector target of 40 percent by 2019-20. The sub-target for MSME sector will be made in 2018.

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- The Priority sector lending certificates are also introduced by the RBI as part of the modifications to the existing PSL norms.

31. **Ans (b)**

Explanation:

- Both Payments Banks and Small Banks are 'niche' or 'differentiated' banks with the common objective of furthering financial inclusion. Small banks will provide a whole range of banking products — deposits and loans — but in a limited area of operation.
- Payments Banks will provide a limited range of products such as acceptance of demand deposits and remittances of funds, but will have a wide network of access points particularly in remote areas. It is expected that they will supplement their own network with business correspondents and even depend on network provided by others. Technology will be extensively used to add value.

32. **Ans (d)**

Explanation: NBFCs in India include not just the finance companies that the general public is largely familiar with; the term also entails wider group of companies that are engaged in investment business, insurance, chit fund, Nidhi, merchant banking, stock broking, alternative investments, etc., as their principal business. All are though not under the regulatory purview of the Reserve Bank.

33. **Ans (b)**

Explanation:

- The National Green Tribunal (NGT) has suspended the Union Environment Ministry's clearance for the project granted in 2012. The clearance, the court noted, didn't consider the impact of the hydro project — promoted by Noida-based textile-to-steel conglomerate, LNJ Bhilwara Group — on the habitat of the black-necked crane, a species that breeds on the Tibetan plateau and migrates to Tawang for the winter. The bird, most commonly found in China, is legally protected in Bhutan and India and is considered sacred to certain Buddhist traditions.
- The black-necked crane is rated as 'vulnerable' in the International Union for Conservation of Nature (IUCN) list of endangered species and is listed in India's Wildlife Act as a Schedule 1 species, which gives animals and birds the highest legal protection. Other species that are found in the region include the red panda, the snow leopard and the Arunachal macaque *Macaca munzala*.

34. **Ans (a)**

Explanation: World Investment Report

- It is being released by UNCTAD.
- India continues to be among the top ten countries in terms of foreign direct investment (FDI) inflows globally and the fourth in developing Asia, as per the World Investment Report 2016 by the United Nations Conference for Trade and Development (UNCTAD).

35. **Ans (c)**

Explanation. Pre-paid instruments are payment instruments that facilitate purchase of goods and services against the value stored on these instruments. The value stored on such instruments represents the value paid for by the holders by cash, by debit to a bank account, or by credit card. The pre-paid payment instruments can be issued in the form of smart cards, magnetic stripe cards, internet accounts, internet wallets, mobile accounts, mobile wallets, paper vouchers, etc.

36. **Ans (d)**

Explanation: Self Explanatory. For further information, please refer Economic Survey – 2015/16

37. **Ans (c)**

Explanation: Key to creating a more competitive environment will be to address the exit (the Chakravayuha) problem which bedevils the Indian economy and endures as an impediment to investment, efficiency, job creation and growth. The Indian economy had moved from socialism with

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restricted entry to “marketism” without exit. The government is undertaking a number of initiatives such as introducing a new bankruptcy law, rehabilitating stalled projects, and considering guidelines for public private partnerships that can help facilitate exit, thereby improving the efficiency of the economy.

38. **Ans (a)**

39. **Ans (c)**

Explanation: The Press Freedom Index is an annual ranking of countries compiled and published by Reporters Without Borders based upon the organization's assessment of the countries' press freedom records in the previous year. It reflects the degree of freedom that journalists, news organizations, and netizens enjoy in each country, and the efforts made by the authorities to respect and ensure respect for this freedom. Reporters Without Borders is careful to note that the index only deals with press freedom and does not measure the quality of journalism nor does it look at human rights violations in general.

40. **Ans (b)**

41. **Ans (d)**

Explanation: Economic Survey: Introduction of DBT in LPG and MGNREGS have proved that use of JAM can considerably **reduce leakages, reduce idle funds, lower corruption and improve ease of doing business** with the government.

42. **Ans (b)**

Explanation: The survey recommends that given the deterioration in asset quality and gradual implementation of Basel III, banks will have to improve their capital positions to meet unforeseen losses in future.

43. **Ans (b)**

Explanation: Gross fixed capital formation or fixed investment mainly refers to the value of new machinery and equipment plus the value of new construction activity undertaken during the year.

44. **Ans (c)**

Explanation: The Eight Core Industries are Coal, Cement, Electricity, Crude Oil, Refinery products, Steel, Fertilizers and Natural Gas, which have the following weights in IIP.

45. **Ans (a)**

46. **Ans (a)**

47. **Ans (c)**

Explanation: RBI announced this route in 2011-12 as penal route for the banks to borrow once they have exhausted all borrowing option, i.e., the repo route. MSF rate is regulated by the RBI above the correct repo rate. This route can be used by banks only overnight borrowings and is linked to their net demand and time liabilities (NDTL).

48. **Ans (a)**

Explanation:

	INFLATION	DEFLATION
Cash reserve ratio	Increase	Decrease
Statutory liquidity ratio	Increase	Decrease
Base rate	Increase	Decrease
Interest rate	Increase	Decrease
Bank rate (Collateral nothing)	Increase	Decrease
Loan to value ratio.	Decrease	Increase
Consumer credit control (Down payment).	Increase	Decrease

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49. Ans (b)

50. Ans (a)

Explanation: Laser walls have been made operational along the **India-Pakistan international border in Punjab** to plug the porous riverine and treacherous terrain and keep an effective vigil against intruders and terrorists exploiting the frontier areas to cross over.

51. Ans (b)

Explanation: The Reserve Bank also facilitates remittance of funds from a bank's surplus account at one location to its deficit account at another. Such transfers are electronically routed through a computerised system called e-Kuber. The computerisation of accounts at the Reserve Bank has greatly facilitated banks' monitoring of their funds position in various accounts across different locations on a real-time basis.

52. Ans (d)

Explanation: In pursuance of the announcement in the Union Budget 2015-16 of the setting up of a Micro Units Development Refinance Agency (MUDRA) to refinance last mile financiers, the Pradhan Mantri Mudra Yojana (PMMY) has been launched on 8 April 2015. MUDRA seeks to offer refinance products having a loan requirement up to Rs.10 lakh and support to micro finance institutions (MFI) by way of refinance. The products designed under the PMMY are categorized into three buckets of finance named Shishu (loan up to Rs.50,000), Kishor (Rs.50,000 to Rs.5 lakh) and Tarun (Rs.5 lakh to Rs.10 lakh) based on the stage of growth/development of the micro business units, with about 60 per cent of the allocation to Shishu. The PMMY aims to provide formal bank credit to the more than 5.7 crore existing informal sector micro enterprises and many more aspiring micro entrepreneurs in the country.

53. Ans (c)

Explanation: Unemployment may be defined as "a situation in which the person is capable of working both physically and mentally at the existing wage rate, but does not get a job to work".

- **Disguised Unemployment:** It is a situation in which more people are doing work than actually required. Even if some are withdrawn, production does not suffer. In other words it refers to a situation of employment with surplus manpower in which some workers have zero marginal productivity.
- **Seasonal Unemployment:** It is unemployment that occurs during certain seasons of the year. In some industries and occupations like agriculture, holiday resorts, ice factories etc., production activities take place only in some seasons. So they offer employment for only a certain period of time in a year. People engaged in such type of activities may remain unemployed during the off-season.
- **Cyclical Unemployment:** It is caused by trade cycles at regular intervals. Generally capitalist economies are subject to trade cycles. The down swing in business activities results in unemployment. Cyclical unemployment is normally a short-run phenomenon.
- **Structural Unemployment:** This type of unemployment arises due to drastic changes in the economic structure of a country. These changes may affect either the supply of a factor or demand for a factor of production. Structural unemployment is a natural outcome of economic development and technological advancement and innovation that are taking place rapidly all over the world in every sphere.
- **Chronic Unemployment:** If unemployment continues to be a long term feature of a country, it is called chronic unemployment. Rapid growth of population and inadequate level of economic development on account of vicious circle of poverty are the main causes for chronic unemployment.
- **Frictional Unemployment:** Frictional unemployment is caused due to improper adjustment between supply of labour and demand for labour. This type of unemployment is due to immobility of labour, lack of correct and timely information, seasonal nature of work. etc.

54. **Ans (a)**

55. **Ans (b)**

Explanation:

- An FCNR account is a term deposit account that can be maintained by NRIs and PIOs in foreign currency. Thus, FCNRs are not savings accounts but fixed deposit accounts.
- Prior to 2011, FCNR deposits were allowed to be maintained in six currencies: US dollar, Pound Sterling (GBP), Euro, Japanese Yen, Australian dollar and Canadian dollar. However, in October 2011, the RBI decided that authorised dealer banks in India may be permitted to accept FCNR deposits in any permitted currency. 'Permitted currency' for this purpose would mean a foreign currency which is freely convertible and popularly include Danish Krone, Swiss Franc and Swedish Krona among others.
- The funds in an FCNR account must necessarily come from your overseas funds. There are several ways in which you can open an FCNR account.
 - You can transfer funds from your overseas bank account directly to open an FCNR account. You can do this either as a wire transfer or a cheque transaction.
 - You can transfer funds from an existing NRE account.
 - You can open an FCNR account using foreign currency notes or travellers cheques when you visit India.

56. **Ans (b)**

Explanation:

- NABARD is the regulatory authority for Regional Rural Banks (RRB).
- NABARD was established on the recommendations of B. Shivaraman Committee, on 12 July 1982 to implement the National Bank for Agriculture and Rural Development Act 1981. It replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC). It is one of the premier agencies providing developmental credit in rural areas. NABARD is India's specialised bank for Agriculture and Rural Development in India. It regulates the cooperative banks and the RRB's, and manages talent acquisition through IBPS CWE.

57. **Ans (b)**

Explanation: The short-term debts and securities sold on the money markets—which are known as money market instruments—have maturities ranging from one day to one year and are extremely liquid. The Treasury bills are short-term money market instrument that mature in a year or less than that. Commercial Paper is short-term loan that is issued by a corporation use for financing accounts receivable and inventories. **Preference shares are capital market instrument.**

58. **Ans (d)**

Explanation

- The Financial Sector Legislative Reforms Commission (FSLRC) is a body set up by the Government of India, Ministry of Finance, on 24 March 2011, to review and rewrite the legal-institutional architecture of the Indian financial sector. This Commission is chaired by a former Judge of the Supreme Court of India, Justice B. N. Srikrishna and has an eclectic mix of expert members drawn from the fields of finance, economics, public administration, law etc.
- The model of the proposed regulatory architecture will comprise the following agencies:
 - The central bank as the monetary authority, banking regulator and payment system regulator.
 - A unified regulator for the rest of the financial sector.
 - A deposit insurance-cum-resolution agency.
 - A public debt management agency.
 - A financial redressal agency.
 - A financial sector appellate tribunal.
 - A mechanism for coordination, systemic risk, financial development and other issues where the role of multiple agencies are involved (FSDC/similar to FSDC).

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59. **Ans (c)**

Explanation: Interest Subvention Scheme for farmers for year 2016-17

- The Union Cabinet has approved the Interest Subvention Scheme for farmers for the year 2016-17.
- The scheme will help farmers getting short term crop loan payable within one year up to 3 lakhs Rupees at only 4% per annum. Interest subvention for providing short term crop loan to farmers has been provided to Public Sector, Private Sector, Cooperative, Regional Rural banks and NABARD.

60. **Ans (d)**

Explanation: The Directorate of Revenue Intelligence (DRI) is an Indian intelligence agency. The Directorate is run by officers from Central Excise and Customs. The organisation runs on much smaller staff than other intelligence agencies such as IB or state police organisations. Though its early days were committed to combating the smuggling in of gold, it now also addresses narcotics and economic crimes. DRI routinely makes fake Indian currency note seizures. In the last 5 years, the DRI has seized more than 540 kg of heroin and 7,409 kg of ephedrine along with other narcotics and psychotropic substances.

61. **Ans (c)**

Explanation: It is headed by the RBI governor and other members include Dy. Governor (RBI), one official nominated by RBI and three persons nominated by the Government of India.

62. **Ans (b)**

Explanation:

- The Kerala government has proposed a 14.5 per cent 'fat tax' on burgers, pizzas and other junk food served in branded restaurants which officials from the quick service industry termed as 'detrimental' to consumption while some indicated the levy may not be passed on to customers.
- Fat tax on junk food, a reality in European countries such as Denmark and Hungary, looks out of place in a market barely recovering from a six-quarter back-to-back slump in eating out. This is more of a preventive measure as Kerala's food habits are changing dramatically. People are eating a lot of junk food and rejecting traditional food. Kerala has the most number of people suffering from obesity after the northern state of Punjab in India, according to a national family health survey. With increasing affluence, lifestyle diseases are on the rise and the government aims to check this with the fat tax.

63. **Ans (c)**

Explanation: Armed Forces (Special Powers) Acts (AFSPA), are Acts of the Parliament of India that grant special powers to the Indian Armed Forces in what each act terms "disturbed areas". According to The Disturbed Areas (Special Courts) Act, 1976 once declared 'disturbed', the area has to maintain status quo for a minimum of 3 months. One such act passed on September 11, 1958 was applicable to the Naga Hills, then part of Assam. In the following decades it spread, one by one, to the other Seven Sister States in India's northeast. Another one passed in 1983 and applicable to Punjab and Chandigarh was withdrawn in 1997, roughly 14 years after it came to force. An act passed in 1990 was applied to Jammu and Kashmir and has been in force since.

64. **Ans (d)**

Explanation:

Repo rate is the rate at which the central bank of a country (Reserve Bank of India in case of India) lends money to commercial banks in the event of any shortfall of funds. Repo rate is used by monetary authorities to control inflation. In the event of inflation, central banks increase repo rate as this acts as a disincentive for banks to borrow from the central bank. This ultimately reduces the money supply in the economy and thus helps in arresting inflation.

65. **Ans (b)**

Explanation: SARFAESI Act, 2002 was introduced to legalize securitization and reconstruction of financial assets and enforcement of security interest. It facilitates securitization of financial assets of banks, empower securitization and asset reconstruction companies to raise funds by issuing security

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receipts to qualified institutional buyers (QIBs). It empowers banks and FIs to take possession of securities given for financial assistance and sell or lease the same to take over management in the event of default.

66. **Ans (d)**

Explanation: $NDP = GDP - \text{Depreciation}$. Depreciation rates are announced by the Ministry of Commerce and Industry.

67. **Ans (c)**

68. **Ans (a)**

69. **Ans (d)**

Explanation: The per capita income of the nation or income per head per year is determined by dividing NNP with the total population of the country.

70. **Ans (b)**

Explanation:

- The current base year for GDP calculation is 2011-12.
- Earlier GDP at factor cost essentially looks from the producers' side but the current GDP at market price looks the economic activity from the consumers' side.

71. **Ans (c)**

Explanation: Earlier while calculating, GDP at factor cost, indirect taxes were deducted from the GDP at market prices and subsidies were added to the GDP at market prices.

72. **Ans (c)**

Explanation:

- Reflation is the act of stimulating the economy by increasing the money supply or by reducing taxes, seeking to bring the economy (specifically price level) back up to the long-term trend, following a dip in the business cycle. It is the opposite of disinflation, which seeks to return the economy back down to the long-term trend.
- Reflation, which can be considered a form of inflation (increase in the price level), is contrasted with inflation (narrowly speaking) in that "bad" inflation is inflation above the long-term trend line, while reflation is a recovery of the price level when it has fallen below the trend line.
- Stagflation occurs when the price of goods rise while unemployment increases and spending declines. This all happens when the economic growth rate is slow. It raises a dilemma for economic policy since actions designed to lower inflation may exacerbate unemployment and vice versa.

73. **Ans (b)**

74. **Ans (a)**

75. **Ans (c)**

Explanation:

- Core inflation reflects the long-term trend in a particular price level. It is a measure of inflation that excludes certain items that face volatile price movements because in finding out the legitimate long run inflation, short-term price volatility and transitory changes in price must be removed. Core inflation is most often calculated using the consumer price index (CPI), which eliminates products — usually those in the energy and food sectors — that can have temporary price shocks because these shocks can diverge from the overall trend of inflation and give a false measure of inflation.
- It is important to measure core inflation because it reflects the relationship between the price of goods and services and the price of consumers' general income. If goods and services increase over time but the income of consumers do not, consumers will have weaker buying power since the value of their money decreases in comparison to the value of basic goods and services. However, if inflation happens to consumers' income and nothing changes with the prices of goods

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and services, consumers will have better buying power and can afford more of the same goods and services. When consumers' stock portfolio or home price increase, asset inflation happens, which provides more money for the consumer as well.

76. **Ans (a)**

Explanation: Inflation target from 2 % to 6 % of CPI is to be maintained till March 2021. If the target is missed for three consecutive quarters will regard as monetary policy failure and Reserve Bank of India will have to explain reasons and suggest corrective measures.

77. **Ans (d)**

Explanation: TPP

- The Twenty Point Programme (TPP) was launched by the Govt. of India in 1975. The programme was first revised in 1982 and again in 1986. Over the years, the need for restructuring the Programme has been felt in the light of achievements and experiences as well as the introduction of several new policies and programmes by the Govt. of India. Although the TPP has been in existence for last 30 years, it is still relevant today as the desired objectives of eradication of poverty and improvement in the quality of life of the common man have yet to be completely attained. The TPP – 1986 has now been restructured in conformity with the priorities of the Govt. of India as contained in the National Common Minimum Programme (NCMP), the Millennium Development Goals (MDGs) of the United Nations and the SAARC Social Charter. It renews the nation's commitment to eradicating poverty, raising productivity, reducing income inequalities and removing social and economic disparities
- The Twenty Point Programme – 2006 consists of 20 points and 66 monitorable items
- 20 Points as defined in 2006 The TPP further restructured in 2006 had following Points:
 1. Poverty eradication
 2. power to people
 3. Support to farmers
 4. Labour welfare
 5. Food security
 6. Clean drinking water
 7. Housing for all
 8. Health for all
 9. Education for all
 10. Welfare of SC/ ST/ OBC and minorities
 11. Women welfare
 12. Child welfare
 13. Youth Development
 14. Improvement of slums
 15. Environment protection and afforestation
 16. Social security
 17. Rural Roads
 18. Energising of rural areas
 19. Development of Backward areas
 20. IT enabled and e-governance

78. **Ans (b)**

Explanation: Index of industrial production

- The Index of Industrial Production (IIP) is an index for India which details out the growth of various sectors in an economy such as mining, electricity and manufacturing. The all India IIP is a composite indicator that measures the short-term changes in the volume of production of a basket of industrial products during a given period with respect to that in a chosen base period. It is compiled and published monthly by the Central Statistical Organisation (CSO) six weeks after the reference month ends.
- The level of the Index of Industrial Production (IIP) is an abstract number, the magnitude of which represents the status of production in the industrial sector for a given period of time as compared to a reference period of time. The base year was at one time fixed at 1993–94 so that year was assigned an index level of 100. The current base year is 2011–2012.

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- The Eight Core Industries comprise nearly 38 % of the weight of items included in the Index of Industrial Production (IIP). These are Electricity, steel, refinery products, crude oil, coal, cement, natural gas and fertilisers.

79. **Ans (a)**

Explanation: The three parameters have equal weightage.

(a) **Standard of living:** The real per capita income adjusted for the differing Purchasing power parity.

(b) **Knowledge:** This is indicated by the level of education

- i. Educational attainment among the adults (2/3 weightage)
- ii. Gross enrollment (1/3rd weightage)

(c) **Life expectancy:** to be calculated at the time of birth.

80. **Ans (d)**

Explanation:

- As planning commission is replaced by NITI Aayog, Government is mulling to abolish plan and non-plan expenditure and replace it as revenue and capital expenditure. The plan expenditure of 2015-16 (RE) is 477197 crores whereas, the non-plan expenditure is 13,08,194 crores.
- The plan expenditure includes expenditure on infrastructure like roads, electricity generation, bridges etc. Central assistance to states also comes under the plan expenditure only.

81. **Ans (d)**

Explanation: MPLADS

- Each Member of Parliament of India has the choice to suggest to the Head of the District works to the tune of 5 crore (US\$740,000) per year, to be taken up in his/her constituency.
- Initially, this scheme was administered by Ministry of Rural Development.
- Later, in October 1994, Ministry of Statistics and Programme Implementation (MOSPI) has been looking into its working.
- Elected Members of Rajya Sabha representing the whole of the State as they do, may select works for implementation in one or more district(s) as they may choose.
- Nominated Members of the Lok Sabha and Rajya Sabha may also select works for implementation in one or more districts, anywhere in the country.
- It also allows MPs to spend up to 10 lakhs in any other constituency in India.

82. **Ans (b)**

Explanation:

Central Statistics Organisation:

The Central Statistics Organisation (CSO) of India is responsible for coordination of statistical activities in India, and evolving and maintaining statistical standards. The Central Statistics Organisation is responsible for coordination of statistical activities in the country, and evolving and maintaining statistical standards. Its activities include National Income Accounting; conduct of Annual Survey of Industries, Economic Censuses and its follow up surveys, compilation of Index of Industrial Production, as well as Consumer Price Indices for Urban Non-Manual Employees, Human Development Statistics, Gender Statistics, imparting training in Official Statistics, Five Year Plan work relating to Development of Statistics in the States and Union Territories; dissemination of statistical information, work relating to trade, energy, construction, and environment statistics, revision of National Industrial Classification, etc.

Office of the Economic Adviser (OEA)

- Wholesale Price Index (WPI) is computed by the Office of the Economic Adviser in Ministry of commerce & Industry, Government of India. It was earlier released on weekly basis for Primary Articles and Fuel Group. However, since 2012, this practice has been discontinued. Currently, WPI is released monthly.
- It is an attached office of the Ministry of Commerce & Industry.

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Policy Functions:

- Economic policy inputs on industrial development.
- Rendering advice relating to formulation of Industrial Policy, Foreign Trade Policy with respect to industrial sector in general with thrust on manufacturing, issues relating to bilateral and multilateral trade, as well as taxes and duties related to industry, including but not restricted to safeguard and anti-dumping duties.
- Analysis of trends of industrial production and growth.
- Examination of multilateral and bilateral issues and processing Policy Notes with economic implications referred to the Office.
- Planning and Gender Budgeting on behalf of the Department of Industrial Policy and Promotion.

Statistical Functions

- Compiling and releasing monthly Wholesale Price Indices
- Compiling and releasing monthly Index of Core Industries Production
- Developing other Indices on experimental basis, e.g. select business service price indices
- Supervising as a 'source agency', compilation of monthly production statistics for identified industrial items, their validation, and onward transmission for computation of the monthly Index of Industrial Production (IIP) by Central Statistics Office.
- Monthly Statistical compilation of macro indicators (secondary information).

83. **Ans (c)**

Explanation: The interests from loans become part of the revenue receipts. The capital which was lent by the Government is returned to the Government and becomes capital receipts.

84. **Ans (c)**

Explanation: Fiscal consolidation means strengthening of Government finances. Fiscal consolidation provides macroeconomic stability; cuts wasteful expenditure; enables Government to spend more on infrastructure and social sectors.

85. **Ans (c)**

Explanation: Base rate is the minimum rate set by the Reserve Bank of India below which banks are not allowed to lend to its customers. Base rate is decided in order to enhance transparency in the credit market and ensure that banks pass on the lower cost of fund to their customers. Loan pricing will be done by adding base rate and a suitable spread depending on the credit risk premium.

86. **Ans (d)**

Explanation: Gross value added

- Gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy, in economics. In national accounts GVA is output minus intermediate consumption; it is a balancing item of the national accounts' production account.
- GVA is linked as a measurement to gross domestic product (GDP), as both are measures of output.
- The relationship is defined as: $GVA + \text{taxes on products} - \text{subsidies on products} = GDP$.
- As the total aggregates of taxes on products and subsidies on products are only available at whole economy level, Gross value added is used for measuring gross regional domestic product and other measures of the output of entities smaller than a whole economy.

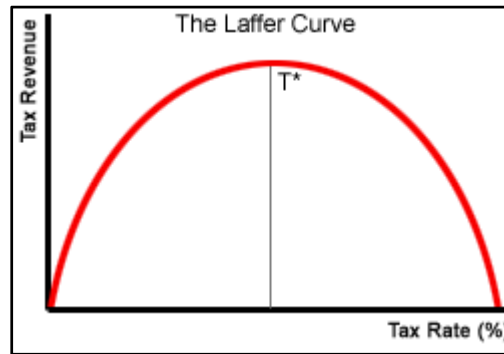
87. **Ans (b)**

Explanation: IFSC

- GIFT SEZ has been notified as an International Financial Services Centre (IFSC) by the Govt of India, which would allow it to set-up offshore banking, insurance, asset management, etc., as an alternate to similar centres in London, Singapore and others
- Gujarat International Finance Tec-City or GIFT is an under-construction central business district between Ahmadabad and Gandhinagar in the Indian state of Gujarat.

88. **Ans (c)**

Explanation:



89. **Ans (a)**

Explanation: List of direct taxes in India: Income tax, corporate tax, Minimum alternate tax, alternate minimum tax, fringe benefit tax, wealth tax, security transaction tax.

90. **Ans (d)**

Explanation: Self explanatory

91. **Ans (d)**

Explanation: Self explanatory

92. **Ans (c)**

Explanation: Loans from the external countries or multilateral organization become part of external debt.

93. **Ans (c)**

Explanation: SAT

- The first SAT was formed in 1995, through a notification issued by the Central Government and therefore, is a statutory body established under the provisions of Section 15K of the Securities and Exchange Board of India Act, 1992 to: Hear and dispose of appeals against orders passed by the Securities and Exchange Board of India or by an adjudicating officer under the Act and, Exercise jurisdiction, powers and authority conferred on the Tribunal by or under this Act or any other law for the time being in force.
- The Tribunal is a three-member body composed of a Presiding Officer and two other members who are to be nominated via a notification by the Central Government.
- The Union Government also reserves the right to notify as many SAT's as is needed.
- The Securities Appellate Tribunal has only one bench that sits at Mumbai and has jurisdiction over all of India.
- The Securities Appellate Tribunal is not be bound by the procedure laid down by the Code of Civil Procedure, 1908, but is be guided by the principles of natural justice and, subject to the other provisions of Depositories Act, 1996.
- The Securities Appellate Tribunal has powers to regulate its own procedure including the places at which it shall have its sittings.
- Every proceeding before the Securities Appellate Tribunal is deemed to be a judicial proceeding and the tribunal has all the powers of a Civil Court.
- The Securities Appellate Tribunal is not be bound by the procedure laid down by the Code of Civil Procedure, 1908, but is be guided by the principles of natural justice and, subject to the other provisions of Depositories Act, 1996.

94. **Ans (a)**

Explanation: FMC

- The Forward Markets Commission (FMC) is the chief regulator of commodity futures markets in India. It is headquartered in Mumbai and this financial regulatory agency is overseen by the Ministry of Finance. The Commission allows commodity trading in 22 exchanges in India, of which

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6 are national. On 28 September 2015 the FMC was merged with the Securities and Exchange Board of India (SEBI).

- Established in 1953 under the provisions of the Forward Contracts (Regulation) Act, 1952. Since futures traded in India are traditionally on food commodities, the agency was originally overseen by Ministry of Consumer Affairs, Food and Public Distribution (India).

95. **Ans (a)**

Explanation:

The Insolvency and Bankruptcy Code, 2016 is the bankruptcy law of India which seeks to consolidate the existing framework by creating a single law for insolvency and bankruptcy.

Highlights of the Code

- The Code creates time-bound processes for insolvency resolution of companies and individuals. These processes will be completed within 180 days. If insolvency cannot be resolved, the assets of the borrowers may be sold to repay creditors.
- The resolution processes will be conducted by licensed insolvency professionals (IPs). These IPs will be members of insolvency professional agencies (IPAs). IPAs will also furnish performance bonds equal to the assets of a company under insolvency resolution.
- Information utilities (IUs) will be established to collect, collate and disseminate financial information to facilitate insolvency resolution.
- The National Company Law Tribunal (NCLT) will adjudicate insolvency resolution for companies. The Debt Recovery Tribunal (DRT) will adjudicate insolvency resolution for individuals.
- The Insolvency and Bankruptcy Board of India will be set up to regulate functioning of IPs, IPAs and IUs.

96. **Ans (d)**

Explanation: NIIF

- The National Investment and Infrastructure Fund (NIIF) was proposed in Union Budget 2015. In the last week of December, the government has set up this Rs. 40000 crore fund to provide long term capital for infrastructure projects.
- The objective of NIIF is to maximise economic impact through infrastructure development in viable projects both Greenfield and Brownfield, including stalled projects, mainly in the core infra sector.
- NIIF has been structured as a fund of funds and set up as Category II Alternate Investment Fund (AIF) under the Securities and Exchange Board of India (SEBI) Regulations.
- Total corpus of the fund is Rs. 40000 Crore. The government will invest Rs.20,000 crores into it from budget while the remaining Rs. 20,000 crores are expected to come from private investors. Government stake has been fixed at 49%.
- This stake structure (49% government, 51% private) will help NIIF to be seen with characters of both sovereign fund as well as private sector. NIIF is a fund of funds.
- This implies that there would be multiple alternative investment funds underneath the main fund. Examples of such funds include stressed-assets fund, renewable energy fund, Brownfield projects fund etc.

97. **Ans (c)**

Explanation: Heart of Asia Conference - The Heart of Asia - Istanbul Process was established to provide a platform to discuss regional issues, particularly encouraging security, political, and economic cooperation among Afghanistan and its neighbours. This region-led dialogue was launched in November 2011 to expand practical coordination between Afghanistan and its neighbours and regional partners in facing common threats, including counterterrorism, counternarcotics, poverty, and extremism. The United States and over 20 other nations and organizations serve as "supporting nations" to the process.

98. **Ans (d)**

Explanation: Security Printing and Minting Corporation of India

- Security Printing and Minting Corporation of India Limited (SPMCIL) is an Indian government-owned corporation that engages in the production of bank notes, coins, non-judicial stamps, postage stamps, and other government related documents for India.
- The company was formed in 2006 as the result of corporatisation of security presses and mints functioning under the Indian Ministry of Finance.
- SPMCIL comprises four presses: Currency Note Press (CNP), Bank Note Press (BNP), India Security Press, and Security Printing Press.[3] CNP was established in 1928 as the first printing press for bank notes in India. Both CNP, located in Nashik, Maharashtra, and BNP, located in Dewas, Madhya Pradesh, print the Indian currency notes. They are currently responsible for the printing of the new 500 rupee notes following the demonetisation of the old 500 rupee and 1000 rupee note. Currency is also printed by the two presses of Bharatiya Reserve Bank Note Mudran Private Limited, a wholly owned subsidiary of Reserve Bank of India. They are currently responsible for the printing of the new 2000 rupee notes.
- SPMCIL comprises four mints: India Government Mint, Mumbai, India Government Mint, Kolkata, India Government Mint, Hyderabad, and India Government Mint, Noida. These mints produce coins, and medals and awards, as required by the Government of India.
- Security Paper Mill was established in 1968 at Hoshangabad, Madhya Pradesh. It produces papers for banknotes and non-judicial stamps and further prints with new enhanced unit. Bank note paper mill India private limited prints paper for Indian currency and located in Mysore.

99. **Ans (c)**

Explanation: Banks don't earn interest rate on their deposits with RESERVE BANK OF INDIA. Currently CRR is 4 %.

100. **Ans (d)**

Explanation

The ratio of liquid assets to net demand and time liabilities (NDTL) is called statutory liquidity ratio (SLR). Apart from Cash Reserve Ratio (CRR), banks have to maintain a stipulated proportion of their net demand and time liabilities in the form of liquid assets like cash, gold and unencumbered securities. Treasury bills, dated securities issued under market borrowing programme and market stabilisation schemes (MSS), etc also form part of the SLR. Banks have to report to the RBI every alternate Friday their SLR maintenance, and pay penalties for failing to maintain SLR as mandated.