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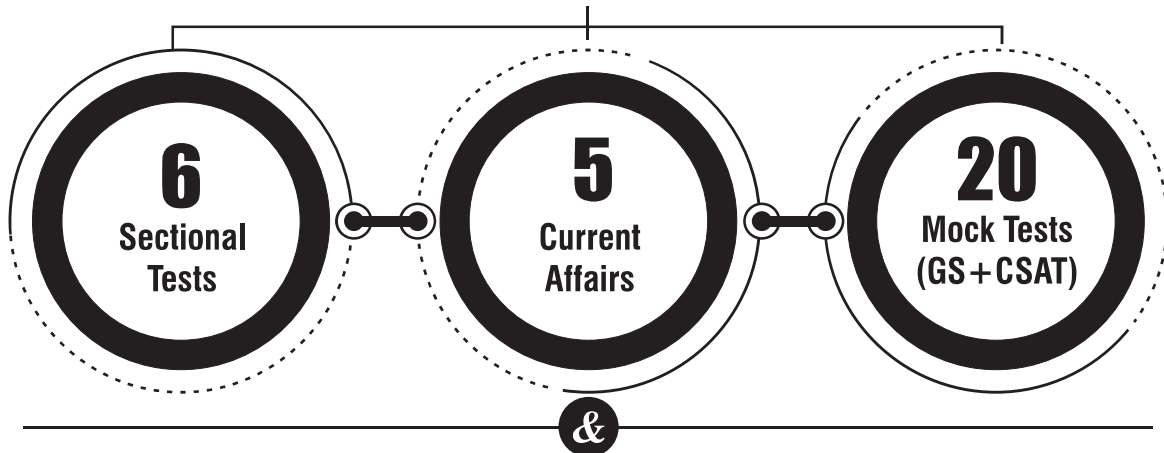
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TEST

DAY - 46

Time Allowed: 30 mins

Maximum Marks: 50

1. Which of the following is a correct measure of the National Income?

- (a) Net National Product at factor cost
- (b) Net National Product at market prices
- (c) Net National Product at market prices + Net indirect taxes
- (d) Net National Product at factor cost – Net indirect taxes

2. Which of the following statements regarding 'Externalities' are correct?

- 1. Externalities can be both positive as well as negative.
- 2. Externalities do not have any market in which they can be bought and sold.
- 3. Education cannot be an externality.

Select the correct option using the codes given below:

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

3. Regarding "Washington Consensus" consider the following statements:

- 1. It enhanced the role of the state in the economy.
- 2. It gave birth to Liberalization, Privatization, and Globalization.
- 3. It has acted as an alternative to the World Bank and IMF in providing funds during the Balance of Payment Crisis.
- 4. Recently, multilateral forums and Banks such as BRICS, AIIB, and New Development Bank have been set up in response to the Consensus.

Which of the above statements is/are *incorrect*?

- (a) 1 only
- (b) 1 and 3 only
- (c) 3 and 4 only
- (d) 1 and 4 only

4. Regarding GDP, consider the following statements:

- 1. GDP does not include externalities such as pollution.
- 2. It is both a qualitative and a quantitative concept.
- 3. Salaries earned by foreign employees in Mumbai are included in India's GDP.
- 4. Salaries earned by Indian employees in London are also included in India's GDP.

Which of the above statement are correct?

- (a) 2, 3 and 4 only
- (b) 2 and 4 only
- (c) 1 and 3 only
- (d) 1, 2, 3 and 4

5. With reference to the Harrod - Domar growth model, consider the following statements:

- 1. Higher the capital-output ratio, the higher will be the GDP.
- 2. The national income of an economy is inversely proportional to the savings ratio.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

6. **The concept of GDP as a standard tool for sizing up a country's economy was first conceived by_____**

- (a) John Maynard Keynes
- (b) Bretton Woods conference
- (c) Simon Kuznets
- (d) Adam Smith

7. **Which of the following statements regarding stocks and flows are correct?**

1. A stock is a quantity that is measurable at a particular point of time whereas, the flow is a quantity that is measured with reference to a period of time.
2. Money is a stock whereas income is a flow.
3. GDP is a stock variable.

Select the correct option using the codes given below:

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

8. **In a consumption bundle of three commodities X, Y, and Z; following are the pieces of information:**

1. If the income rises, X is more consumed.
2. The change in income does not impact the consumption of Y.
3. Z is not all liked.
4. Regarding this, which of the following statements are correct?
5. Y is an 'inferior good'.
6. Z is a 'bad'.
7. X is a 'normal good'.

Select the correct option using the codes given below:

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

9. **Which of the following statements regarding the elasticity of demand is/are correct?**

1. The price elasticity of demand is simply the slope of the demand with respect to the price change.
2. The sign of the price elasticity of demand is generally positive.
3. For normal goods the income elasticity of demand is positive.

Select the correct option using the codes given below:

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

10. **Which of the following statements regarding Pareto efficiency is/are correct?**

1. Pareto efficiency implies that resources are allocated in the most economically efficient manner.
2. In both the competitive market and discriminating monopoly, the allocation is Pareto efficient.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

11. **In which of the following conditions, a market can be called 'Monopsony'?**

- (a) Single buyer and infinite seller
- (b) Single seller and infinite buyer
- (c) Few buyers and a single seller
- (d) Infinite buyers and sellers

12. **In a consumption bundle of three commodities X, Y, and Z; following are the pieces of information:**

1. If the price of Y rises, X is more consumed.
2. If the price of Z rises, Y is less consumed.
3. Regarding this, which of the following statements are correct?
4. Y is a complement to X.
5. Z is a substitute for Y.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

13. A Giffen good is a:

- (a) Good on which people spend a small portion of their income.
- (b) Good that people buy more as their incomes fall.
- (c) Good that has a vertical demand curve parallel to the y-axis.
- (d) Good which people buy more as its price increases.

14. Consider the following pairs:

1. **Capitalist Economy** - Goods are distributed on the basis of the need of the people.
2. **Socialist Economy** - The government decides how goods are to be produced and how they should be distributed.
3. **Mixed Economy** - Goods are produced by both public and private entities.

Which of the above pairs is/are *incorrectly* matched?

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

15. Which of the following is/are major indicators of the State of an Economy?

1. Rate of GDP growth
2. Rate of inflation
3. Change in Net demand and time liabilities

Select the correct answer using the code given below:

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

16. The costs of factors of production, that has already occurred but is not

necessarily shown or reported as a separate expense, are known as:

- (a) Implicit costs
- (b) Explicit costs
- (c) Fixed costs
- (d) Variable costs

17. What is the shape of the short-run demand curve faced by a firm under perfect competition?

- (a) Horizontal
- (b) Vertical
- (c) Positively sloped
- (d) Negatively sloped

18. In the case of an inferior good, the income elasticity of demand is:

- (a) Positive
- (b) Zero
- (c) Negative
- (d) Infinite

19. Other things equal, if a good has more substitutes, its price elasticity of demand is:

- (a) Larger
- (b) Smaller
- (c) Zero
- (d) Unity

20. Which of these are *not* the features of industries that are oligopolistic in nature?

- (a) Firms in these industries may try to cooperate with each other.
- (b) The fact that there is more than one firm in an oligopoly means that there are no barriers to entry.
- (c) An oligopoly with two firms is called a duopoly.
- (d) Firms in these industries are interdependent.

21. With reference to 'International Day of Zero Tolerance for Female Genital Mutilation', consider the following statements:

1. Female genital mutilation (FGM) is recognized internationally as a violation of the human rights of girls and women.

2. The practise involves the total removal of external female genitalia only.

Which of the statement(s) given above is/ are correct?

- (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

22. With reference to 'Kumbhabhishekam of Brihadeeswarar Temple', consider the following statements:

1. The consecration is done once in 10 years.
2. Brihadeeswarar Temple, which is dedicated to Shiva, was built by Rajendra Chola I.
3. Brihadeeswarar Temple is a UNESCO World Heritage Site.

Which of the statement(s) given above is/ are correct?

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

- 23. The fee called 'Sustainable Development Fee (SDF)', which meant to help the government deal with burgeoning numbers in tourist traffic, is been levied by which of the country recently?**

- (a) Nepal
(b) Sri Lanka
(c) Maldives
(d) Bhutan

- 24. The world record of Longest Spaceflight by a Woman is recently been obtained by which country?**

- (a) Russia
(b) Canada
(c) USA
(d) Europe

- 25. 'Mount Merapi' which was seen recently in news is located in which of the following country?**

- (a) Indonesia
(b) Mexico
(c) Ethiopia
(d) Ecuador



ANSWER HINTS

DAY - 46

1. Correct Option: (a)

Explanation:

National Income (NI)

- ‘National Income’ and ‘Net National Product at factor cost’ are the same thing.
- National Income = NNP at factor cost = NNP at market prices – (Indirect taxes – Subsidies) = NNP at market prices – Net indirect taxes (Net indirect taxes = Indirect taxes – Subsidies)
- NNP at factor cost is the sum of income earned by all factors in the production in the form of wages, profits, rent, and interest, etc., belonging to a country during a year.
- It is the National Product and is not bound by production in the national boundaries. It is the net domestic factor income added with the net factor income from abroad.

2. Correct Option: (b)

Explanation:

Externalities

- Externalities refer to the benefits (or harms) a firm or an individual causes to another for which they are not paid (or penalized).
- Externalities do not have any market in which they can be bought and sold.
- For example, let us suppose there is an oil refinery that refines crude petroleum and sells it in the market. The output of the refinery is the amount of oil it refines. We can estimate the value-added of the refinery by deducting the value of intermediate goods used by the refinery (crude oil in this case) from the value of its output. The value-added of the refinery will be counted as part of the GDP of the economy.
- But in carrying out the production the refinery may also be **polluting** the nearby river. This may cause harm to the people who use the water of the river. Hence their

well being will fall. Pollution may also kill fish or other organisms of the river on which fish survive. As a result, the fishermen of the river may be losing their livelihood.

- Such harmful effects that the refinery is inflicting on others, for which it will not bear any cost, are called **externalities**. In this case, the GDP is not taking into account such negative externalities.
- Therefore, if we take GDP as a measure of the welfare of the economy we shall be overestimating the actual welfare. This was an example of the negative externality.
- There can be cases of **positive externalities** as well. This occurs when the consumption or production of a good causes a benefit to a third party.
- **For example: When someone consumes education, she gets a private benefit. But there are also benefits to the rest of society.**
- In such cases, GDP will underestimate the actual welfare of the economy.

3. Correct Option: (b)

Explanation:

Washington consensus

- It was coined by the US economist John Williamson.
- It was a set of ten economic policy prescriptions constituted as the “standard” reform package promoted for crisis-wracked developing countries by Washington DC-based institutions such as the International Monetary Fund (IMF), World Bank and the United States Department of the Treasury.
- The policy prescription led to processes which are known as **Liberalization, Privatization and Globalization, thus cutting down the role of the State in the economy** more so in the nations which

got developmental funding from the WB and IMF in times of the Balance of Payment crises as in the case of India.

- **However**, later the term became synonymous with **neoliberalism**, **market fundamentalism** and even **globalization** across the world. It has often been used to describe an extreme and dogmatic commitment to the belief that markets can handle everything.
- **It is widely believed that this signifies a set of neoliberal policies that have been imposed on hapless countries by the Washington-based international financial institutions such as the World Bank, IMF, and WTO that have led them to crisis and misery.**
- **Countries like India, China, and Russia among others have been against the Washington Consensus. Also, several multilateral forums and Banks such as BRICS, AIIB, and New Development Bank have been set up in response to this.**

4. Correct Option: (c)

Explanation:

GDP

- **GDP is the monetary value of all final goods and services produced within the boundary of a nation during a year period.**

Merits and Demerits of GDP as a measure of Growth

Merits

- It is the most frequently used method of National Accounting.
- Per annum percentage change in it is the 'growth rate' of an economy.
- It is a '**quantitative**' **concept** and its volume/size indicates the 'internal' strength of the economy.
- It is used by the IMF/WB in the comparative analyses of its member nations.

Demerits

- **It is not a qualitative concept.** It talks only about Growth but not Development.
- GDP does not include several factors that influence the standard of living such as Externalities (for example- pollution); Non-market transactions (such as household

production, bartering of goods and services, and volunteer or unpaid services); Non-monetary economy (for example- Bartering), domestic works, Child rearing); Technological improvements; Sustainability of growth; wealth distribution, etc.

- To overcome, many steps/methods were taken up such as capability approach by Amartya Sen, HDI by Mahbub ul Haq, and Gross National Happiness (GNH) by Bhutan, etc.

5. Correct Option: (d)

Explanation:

Harrod-Domar Growth Model

- Harrod-Domar Growth Model suggests that the economy's rate of growth depends on:
 - ▶ The level of national saving (S)
 - ▶ The productivity of capital investment (this is known as the capital-output ratio)
- If the capital-output ratio is low, an economy can produce a lot of output from a little capital. If the capital-output ratio is high then it needs a lot of capital for production, and it will not get as much value of output for the same amount of capital.
- **As per this model, Rate of growth of GDP = Savings ratio / capital-output ratio**
- This implies if the savings rate is 10% and the capital-output ratio is 2, then a country would grow at 5% per year.
- **Based on the model, therefore, the rate of growth in an economy can be increased in one of two ways:**
 - ▶ **Increased level of savings in the economy** (i.e. gross national savings as a % of GDP)
 - ▶ Reducing the capital-output ratio (i.e. increasing the quality/productivity of capital inputs)

6. Correct Option: (c)

Explanation:

History of GDP

- **The modern concept of GDP was first conceived by Simon Kuznets, 1937.** It is the value of all final goods and services produced within the boundary of a nation within its border during a year period.

- In 1944, following the Bretton Woods conference that established international financial institutions such as the World Bank and the International Monetary Fund, GDP becomes the standard tool for sizing up a country's economy.
- In 1959, Moses Abramovitz became one of the first to question whether GDP accurately measures a society's overall well-being. He cautions that "we must be highly skeptical of the view that long-term changes in the rate of growth of welfare can be gauged even roughly from changes in the rate of growth of output."
- 1972: Upon being named king of Bhutan, Jigme Singye Wangchuck declares his aim is not to increase GDP, but GNH — "gross national happiness."
- June 1978: Writing in Britain's *The Economic Journal*, Irving B. Kravis, Alan W. Heston, and Robert Summers compile the first estimates of GDP per capita worldwide, with figures for more than 100 countries.
- 1990: The United Nations launches the Human Development Index, which measures such factors as education, gender equality, and health. U.N. economist Mahbub ul Haq convinces future Nobel laureate Amartya Sen to create "an index as vulgar as GDP but more relevant to our own lives," as Sen remembers it.
- December 7, 1999: The U.S. Commerce Department declares GDP "one of the great inventions of the 20th century."
- September 2006: China creates a new index for "green GDP" — a measure of national economic output that takes environmental factors into consideration. The first report finds that environmental damage, had it been accounted for, would have knocked 3 percent off China's GDP in 2004.

7. Correct Option: (a)

Explanation:

Stock and flow variables

- **A flow is a quantity that is measured with reference to a period of time.** Thus, flows are defined with reference to a specific period (length of time), e.g., hours, days, weeks, months or years. It has a time dimension.
- National income (for eg., GDP) is a flow. It describes and measures the flow of goods and services which become available to a country during a year.
- **The income of a person is a flow** that is earned during a week or a month or any

other period. Likewise, investment (i.e., adding to the stock of capital) is a flow as it pertains to a period of time.

- Other examples of flows are expenditure, savings, depreciation, interest, exports, imports, change in inventories (not mere inventories), change in money supply, lending, borrowing, rent, profit, etc. because magnitude (size) of all these are measured over a period of time.
- A stock is a quantity that is measurable at a particular point in time, e.g., 8 p.m., 1st January, Monday, 2020, etc.
- Examples of stocks are wealth, foreign debts, loans, capitals, inventories (not change in inventories), opening stock, **money supply (amount of money)**, population, etc.

8. Correct Option: (b)

Explanation:

Preferences: the Good, the Bad, and the Neutral

- A bad is a commodity that the consumer doesn't like. **Hence, the commodity Z is a 'bad'.**
- A good is a neutral good if the consumer doesn't care about it one way or the other. Even an increase in the income/price does not impact its consumption. **Hence, Y is neutral good.**
- A normal good is a good that experiences an increase in its demand due to a rise in consumers' income. **Hence, X is a normal good.**

9. Correct Option: (c)

Explanation:

Elasticity of demand

- The price elasticity of demand is defined to be the **percent change in quantity divided by the percent change in price.**
- If a good has an elasticity of demand greater than 1 in absolute value we say that it has an elastic demand. If the elasticity is less than 1 in absolute value we say that it has an inelastic demand. And if it has an elasticity of exactly, we say it has unit elastic demand.
- The sign of the elasticity of demand is generally negative since demand curves invariably have a negative slope.
- Income elasticity of demand is the % change in quantity divided by the % change in income.

- As the normal good is one for which an increase in income leads to an increase in demand; so for this sort of good, the income elasticity of demand is positive.
- An inferior good is one for which an increase in income leads to a decrease in demand; for this sort of good, the income elasticity of demand is negative.
- For luxury goods, the income elasticity of demand is greater than 1.

10. Correct Option: (c)

Explanation:

Pareto efficiency

- If we can find a way to make some people better off without making anybody else worse off, we have a Pareto improvement. If an allocation allows for a Pareto improvement, it is called Pareto inefficient; if an allocation is such that no Pareto improvements are possible, it is called Pareto efficient.
- Thus, Pareto efficiency, or Pareto optimality, is an economic state where resources cannot be reallocated to make one individual better off without making at least one individual worse off. Pareto efficiency implies that resources are allocated in the most economically efficient manner, but does not imply equality or fairness.
- In the market mechanism, there are no further gains from trade to be had once the goods have been allocated in a competitive market. Hence, the outcome of the competitive market is Pareto efficient.
- A discriminating monopoly (for instance, airline monopoly) is a single entity that charges different prices—typically, those that are not associated with the cost to provide the product or service—for its products or services for different consumers. It is also Pareto efficient.
- The ordinary monopolist is constrained to charge just one price which results in the vacancy in the allocation of the resources. Hence, there is a situation for the Pareto improvement. Thus, in ordinary monopolism, the allocation is Pareto inefficient.

11. Correct Option: (a)

Explanation:

Monopsony

- A monopsony occurs when a firm has market power in employing factors of production (e.g. labor).
- A monopsony means there is one buyer and many sellers.
- It often refers to a monopsony employer – who has market power in hiring workers.
- This is a similar concept to a monopoly where there is one seller and many buyers.
- A firm in a competitive factor market is a price taker. A monopolist is a price maker.

12. Correct Option: (d)

Explanation:

Substitutes and Complements

- If the demand for good 1 goes up when the price of good 2 goes up, then we say that good 1 is a substitute for good 2.
- In terms of rates of change, good 1 is a substitute for good 2 if $\Delta x_1/\Delta p_2 > 0$.
- The idea is that when good 2 gets more expensive the consumer switches to consuming good 1: the consumer substitutes away from the more expensive good to the less expensive good.
- On the other hand, if the demand for good 1 goes down when the price of good 2 goes up, we say that good 1 is a complement to good 2. This means that $\Delta x_1/\Delta p_2 < 0$.
- Complements are goods that are consumed together, like coffee and sugar, so when the price of one good rises, the consumption of both goods will tend to decrease.
- In this question, the price of Y rises and X is more consumed, hence, X and Y are substitutes for each other.
- If the price of Z falls and Y is less consumed then, the consumption of both Y and Z will be less. And Z and Y are complements to each other.

13. Correct Option: (d)

Explanation:

Giffen Good

- The good for which the demand increases as its price increases, rather than falls is known as Giffen goods—named after Robert Giffen (1837–1910).

- It is a product that people consume more as the price rises and vice versa violating the basic law of demand in microeconomics.
- It applies to the large proportion of the goods belonging to the household goods (as flour, rice, pulses, salt, onion, potato, etc. in India)—an increase in their prices produces a large negative income effect completely overcoming the normal substitution effect with, people buying more of the goods.
- Examples: Bread, Rice, and Wheat.

14. Correct Option: (a)

Explanation:

Capitalist Economy

- In a capitalist society, the goods produced are distributed among people not on the basis of what people need but on the basis of Purchasing Power—the ability to buy goods and services. Hence, money is more important in this economy.
- Example: Low-cost housing for the poor is much needed but will not count as demand in the market sense because the poor do not have the purchasing power to back the demand.
- As a result, this commodity will not be produced and supplied as per market forces.
- This society did not appeal to Jawaharlal Nehru, our first Prime Minister, for it meant that the great majority of people of the country would be left behind without the chance to improve their quality of life.

Socialist Economy

- In a socialist society, the government decides what goods are to be produced in accordance with the needs of society. It is assumed that the government knows what is good for the people of the country and so the desires of individual consumers are not given much importance.
- The government decides how goods are to be produced and how they should be distributed. In principle, distribution under socialism is supposed to be based on what people need and not on what they can afford to purchase.
- Unlike capitalism, for example, a socialist nation provides free health care to all its citizens. Strictly, a socialist society has no private property since everything is owned by the state.

Mixed Economy

- In a mixed economy, the market will provide whatever goods and services it can produce well, and the government will provide essential goods and services which the market fails to do.
- There were many states of the world that opted for a mixed economy in the post-Second World War period after coming out of the colonial rule, such as India, Malaysia, Indonesia, etc., to name a few.
- After Independence, India opted for a mixed economy when the state-market dilemma was at its peak globally.

15. Correct Option: (c)

Explanation:

Indicators of the State of an economy

- The rate of GDP growth is a major indication of the state of the economy of a country. Economic growth is the increase in the market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in gross domestic product. Gross domestic product (GDP) is the market value of all officially recognized final goods and services produced within a country in a year, or another given period of time.
- Gross Domestic Product, or GDP, is the measure of how many finished goods and services were produced in a country over the course of a year. This is the biggest estimator of how the economy as a whole is doing – the total value of everything that was produced, ready for consumption.
- The fact that it only measures finished products is important – this means that goods that are produced to be added to a different product later are not counted. An example of this is raw steel that is later used to build a car that is not counted as part of GDP, but the car itself is.
- Macroeconomic Vulnerability Index, as mentioned in the Mid-Year Economic Analysis 2014-2015, released by the Ministry of Finance recently, adds together the rate of inflation, current account deficit and fiscal deficit of a country. The Index value can be compared across countries for different time periods to gauge their relative vulnerability and state of the economy.

- Number of Banks in a country is not the major indicators of the state of the economy of a country.

16. Correct Option: (a)

Explanation:

Implicit Cost

- An implicit cost is any cost **that has already occurred but is not necessarily shown or reported as a separate expense.**
- It represents an opportunity cost that arises when a company allocates internal resources toward a project without any explicit compensation for the utilization of resources.
- This means that when a company allocates its resources, it always forgoes the ability to earn money off the use of the resources elsewhere.

17. Correct Option: (a)

Explanation:

Characteristics of Perfect Competition

- **Number of Firms:** There are very many small firms (think of a grain of sand on a beach), too many to count.
- **Homogenous:** All producers of a good sell the same product, i.e. they are homogenous/identical.
- **Barriers to Entry:** There are no barriers to enter or exit the market (sometimes high costs or strict regulations prevent firms from entering)
- **Perfect Information:** All consumers and producers have 'perfect information', i.e. everyone knows the price of the product, the demand & supply
- **Price Takers:** No single firm can influence the market price or market conditions. Firms sell all they produce, but they cannot set a price. They are said to be 'price takers'.
- Under perfect competition, too many firms sell the same product. Hence there are too many choices for buyers, and hence the price will be the bare minimum and least possible. In such cases, every seller is a price taker for the lowest price, which makes it a horizontal demand curve.

18. Correct Option: (c)

Explanation:

Income Elasticity of Demand

- Income elasticity of demand refers to the sensitivity of the quantity demanded a certain good to a change in the real income of consumers who buy this good, keeping all other things constant.
- The formula for calculating income elasticity of demand is the percent change in quantity demanded divided by the percent change in income.
- With income elasticity of demand, you can tell if a particular good represents a necessity or a luxury.
- Depending on the values of the income elasticity of demand, goods can be broadly categorized as inferior goods and normal goods.
- Normal goods have positive income elasticity of demand; as incomes rise, more goods are demanded at each price level.
- **Inferior goods have a negative income elasticity of demand; as consumers' income rises, they buy fewer inferior goods.** A typical example of such type of product is margarine, which is much cheaper than butter. As the income of the consumer increases, the demand for an inferior good falls, and as the income decreases, the demand for an inferior good rise.

19. Correct Option: (a)

Explanation:

Factors Determining Price Elasticity of Demand for a Good

- **The price elasticity of demand for a good depends on the nature of the good and the availability of close substitutes of the good.**
- Consider, for example, necessities like food. Such goods are essential for life and the demands for such goods do not change much in response to changes in their prices. Demand for food does not change much even if food prices go up. On the other hand, the demand for luxuries can be very responsive to price changes. In general, demand for necessity is likely to be price inelastic while demand for a luxury good is likely to be price elastic.
- Though the demand for food is inelastic, the demands for specific food items are likely to be more elastic. For example, think of a particular variety of pulses. If the price of

this variety of pulses goes up, people can shift to some other variety of pulses which is a close substitute. **The demand for a good is likely to be elastic if close substitutes are easily available. On the other hand, if close substitutes are not available easily, the demand for a good is likely to be inelastic.**

- Other things equal, if a good has more substitutes, its price elasticity of demand is larger.

20. Correct Option: (b)

Explanation:

Oligopoly

- Oligopoly is a market structure with a small number of firms, none of which can keep the others from having significant influence.
- **A monopoly is one firm, the duopoly is two firms and oligopoly is two or more firms.** There is no precise upper limit to the number of firms in an oligopoly, but the number must be low enough that the actions of one firm significantly influence the others.
- The economic and legal concern is that an oligopoly can block new entrants, slow innovation, and increase prices, all of which harm consumers.
- Firms in an oligopoly set prices, whether collectively – in a cartel – or under the leadership of one firm, rather than taking prices from the market.
- **Cooperation happens during Cartel Behaviour.**
- There are entry barriers; else there would be too many firms.

21. Correct option: (a)

Explanation

Statement 2 is incorrect: The practice involves the partial or total removal of external female genitalia.

Supplementary notes

International Day of Zero Tolerance for Female Genital Mutilation

- In order to fight Genital Mutilation, the International Day of Zero Tolerance for Female Genital Mutilation is celebrated on the 6th of February each year.
- The UN first officially commemorated the International Day of Zero Tolerance for

Female Genital Mutilation on February 6, 2003.

- Female genital mutilation (FGM) is recognized internationally as a violation of the human rights of girls and women. The practice involves the partial or total removal of external female genitalia or other injuries to the female genital organs for non-medical reasons.
- The WHO classifies female genital mutilation into 4 major types.
 - ▶ **Type 1:** partial or total removal of the clitoral glans (the external and visible part of the clitoris, which is a sensitive part of the female genitals), and/or the prepuce/ clitoral hood (the fold of skin surrounding the clitoral glans).
 - ▶ **Type 2:** partial or total removal of the clitoral glans and the labia minora (the inner folds of the vulva), with or without removal of the labia majora (the outer folds of skin of the vulva).
 - ▶ **Type 3:** Also known as infibulation, this is the narrowing of the vaginal opening through the creation of a covering seal by cutting and repositioning the labia minora, or labia majora, sometimes through stitching, with or without removal of the clitoral prepuce/clitoral hood and glans (Type I FGM).
 - ▶ **Type 4:** This includes all other harmful procedures to the female genitalia for non-medical purposes, e.g. pricking, piercing, incising, scraping and cauterizing the genital area.

22. Correct option: (c)

Explanation

Statement 1 is incorrect: As per the customs of Hinduism, 'kumbhabhishekam' is done once in 12 years.

- Statement 2 is incorrect: Brihadeeswarar Temple, which is dedicated to Shiva, was built by Raja Raja Chola I (985 CE-1014 CE).

Supplementary notes

Kumbhabhishekam

- The consecration (kumbhabhishekam) of 1,010-year-old Brihadeeswarar Temple or the Big Temple in Thanjavur has been performed with religious fervour and gaiety.

- As per the customs of Hinduism, 'kumbhabhishekam' is done once in 12 years.
- According to the Hindu Religious and Charitable Endowments (HR&CE) department, the temple had 'kumbhabhishekam' in 1010, 1729, 1843, 1980 and 1997.
- **Built by:** Brihadeeswarar Temple, which is dedicated to Shiva, was built by Raja Raja Chola I (985 CE-1014 CE).
- **Structure:** The structure is an example of Dravidian architecture and it represents the ideology of Tamil civilization and the Chola Empire.
- The temple, which is believed to be built between 1003 and 1010 AD, is also a UNESCO World Heritage Site and also known as Great Living Chola Temples.

23. Correct option: (d)

Explanation

- Ending decades of free entry to Indian tourists visiting Bhutan, the government in Thimphu has decided to levy a daily ₹1,200 (\$17) fee for "regional tourists" from India, the Maldives and Bangladesh, beginning July 2020.

Supplementary notes

Bhutan's "sustainable development fee" (SDF)

- Ending decades of free entry to Indian tourists visiting Bhutan, the government in Thimphu has decided to levy a daily ₹1,200 (\$17) fee for "regional tourists" from India, the Maldives and Bangladesh, beginning July 2020.
- The fee, called a Sustainable Development Fee (SDF), is meant to help the government deal with burgeoning numbers in tourist traffic, which it is seeking to regulate through a new tourism policy.

24. Correct option: (c)

Explanation

- Christina Koch, a US astronaut set a record for the longest single spaceflight by a woman, breaking the old mark of 288 days with about two months left in her mission.

Supplementary notes

Longest Spaceflight by a Woman

- Christina Koch, a US astronaut set a record for the longest single spaceflight by a woman, breaking the old mark of 288 days with about two months left in her mission.
- The US record for longest space flight is 340 days set by Scott Kelly in 2015-2016.
- The world record is 15 months set in the 1990s by a Russian cosmonaut aboard the former Mir space station.

25. Correct option: (a)

Explanation

- Indonesia's most active volcano, Mount Merapi has erupted again sending ash and smoke more than three miles into the sky.

Supplementary notes

Indonesia's Mount Merapi erupts

- Mt Merapi, located near Yogyakarta, is one of the most active volcanoes on earth and has erupted regularly since 1548.
- It is one of some 500 volcanoes in Indonesia, from which at least 129 are active in the volcanic arc spread along the Asia-Pacific islands called the Ring of Fire— a section of fault lines and volcanoes stretching from the western coast of South America, Alaska through Japan and Southeast Asia.
- The name Merapi could be loosely translated as "Mountain of Fire" from the Javanese combined words "Meru," meaning "mountain," and "api," meaning "fire."
- Merapi is the youngest and southernmost of a volcanic chain extending north and northwest, to the Mount Ungaran volcano.
- Tectonically, Merapi is situated at the subduction zone where the Indo-Australian Plate is sliding beneath the Eurasian Plate.
- Mount Merapi is a stratovolcano – a tall, conical volcano composed of one layer of hardened lava, tephra (fragmented material produced by a volcanic eruption) and volcanic ash.
- These volcanoes are characterized by a steep profile and periodic, explosive eruptions.



TEST

DAY - 47

Time Allowed: 30 mins

Maximum Marks: 50

1. Which of the following statements regarding the role of Reserve Bank of India is/are correct?

1. There is both right and obligation on the Reserve Bank of India to act as a banker to both central and state governments.
2. RBI is a banker to each and every state government in India except Sikkim.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

2. Consider the following statements regarding the National Bank for Agriculture and Rural Development:

1. It was established by transferring the refinancing functions of RBI.
2. The RBI and the Government have equal shares in it.
3. It is only a refinancing agency.

Which of the above statements is/are *incorrect*?

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

3. Consider the following statements regarding domestic systemically important banks (D-SIBs) of India:

1. Banks whose assets exceed 2% of GDP are considered part of this group.
2. Banks in bucket 1 need to maintain less capital than the bucket 3.

3. SBI is in the bucket 1.

Which of the above statements is/are correct?

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

4. Which of the following are the functions of the RBI?

1. Regulating Payment and Settlement Systems
2. Maintaining the financial stability
3. Maintaining banking accounts of all scheduled banks

Select the correct option using the codes given below:

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

5. The Financial Stability Report in India is published by___

- (a) RBI
- (b) SEBI
- (c) NITI Ayog
- (d) Department of Economic Affairs

6. Which of the following statements regarding *99# is/are correct?

1. It is a mobile banking service, offered by MTNL & BSNL only.
2. It has been developed by NPCI.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

7. Consider the following statements regarding the National Housing Bank:

1. It is refinancing agency in housing finances by providing financial and other support to the housing finance institutions.
2. It also regulates the housing finance companies.
3. It is a fully government-owned agency.

Which of the above statements is/are correct?

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

8. With reference to the co-operative credit system in India, which of the following statements is/are correct?

1. Primary Agricultural Credit Societies are the short-term co-operative credit structure functioning at the grassroots (Gram Panchayat) level.
2. They are not regulated by the Reserve Bank of India.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

9. Consider the following statements:

1. The RBI has decided to align its financial accounting year with the fiscal year of the central government.
2. This step is based on the recommendations made by the Rangarajan Committee.
3. This will enable the RBI to provide better estimates of the projected surplus transfers to the government for the financial year for budgeting purposes.

Which of the above statements is/are correct?

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

10. Consider the following statements regarding the proposed 'Public sector bank network':

1. It will be a network to aggregate data, build big data and artificial intelligence-based models as well as tools for loan disbursement.
2. This would help prevent defaults, especially by large borrowers.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

11. Consider the following statements regarding 'Universal Banking':

1. Universal Banking is like a superstore for financial products under one roof.
2. One of the advantages of this is the at it requires more liberal norms.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

12. Consider the following statements regarding 'Distributed ledger technology'

1. Distributed ledgers have no central datastore.
2. Blockchain is a type of distributed ledger technology.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

13. Regional Rural Banks (RRBs) have been created with the view of serving primarily the rural areas of India with basic banking and financial services. In this context, consider the following statements:

1. The rural banks have the legislative backing of the Regional Rural Banks Act 1976.
2. The RRBs are sponsored by "Public Sector Banks".

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

14. Which of the following statements is/are correct regarding the White Label ATMs?

- (a) ATM set up, owned and operated by non-banking entities.
- (b) When a bank outsources the ATM operation to a third party.
- (c) It has the logo of the bank.
- (d) Both (b) and (c)

15. An Escrow account is an:

- (a) Account opened by a registered political party to manage its electoral expenses.
- (b) Account of a government subsidiary in an offshore bank.
- (c) Account in a bank that is held by the third party on behalf of two other parties that are in the process of completing a transaction.
- (d) Account which is seized by the Financial Action Task Force (FATF).

16. Consider the following statements regarding the Monetary Policy Committee (MPC):

1. It is a statutory body.
2. RBI can organise only four meetings of the MPC in a year.
3. All members of MPC are from RBI.

Which of the above statements is/are correct?

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

17. Recently the State Bank of India (SBI), ICICI Bank and HDFC Bank have been named as Domestic Systemically Important Banks (D-SIBs). Who classifies the banks as D-SIBs?

- (a) Finance Ministry
- (b) Reserve Bank of India
- (c) Ministry of Corporate Affairs
- (d) Prime Minister's Office

18. Consider the following statements about the Micro ATMs:

1. These are card swipe machines through which banks can remotely connect to their core banking system.
2. It has connectivity through Global System for Mobile (GSM) communication; hence it can travel from village to village.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

19. Banks Board Bureau (BBB) is an autonomous body of the Government of India tasked to improve the governance of Public Sector Banks. In this context, consider the following statements:

1. It was set up under the government's Indradhanush program to reform public sector banks.
2. It recommends the selection of chiefs of government-owned banks and financial institutions and to help banks in developing strategies and capital raising plans

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

20. Consider the following statements regarding Basel Accords set by Basel Committee on Bank Supervision:

1. The first Basel Accord focused largely on the calculation of risk-weighted assets.
2. The 2017 reforms to Basel III focus only on the capital adequacy of financial institutions.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

21. Consider the following statements regarding the International Search and Rescue Advisory Group (INSARAG):

1. It is been organized by the National Disaster Response Force (NDRF).
2. The Secretariat is located in the United Nations Office for the Coordination of Humanitarian Affairs (OCHA).

Which of the statement(s) given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

22. Consider the following statements regarding "Apiary on Wheels":

1. The initiative is launched by Ministry of Social Justice and Empowerment.
2. It aims to address the challenges faced by the beekeepers by easy upkeep and migration of Bee Boxes having live Bee colonies.

Which of the statement(s) given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

23. With reference to National Maritime Heritage Complex (NMHC) consider the following statements:

1. The Complex will be developed at Andhra Pradesh.
2. It is a cooperation between the USA and India for its development.

Which of the statement(s) given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

24. 'EPluto 7G' seen recently in news is?

- (a) It is a high-Speed Electric Scooter.
- (b) It is a special telescope developed by NASA for exploring Pluto.
- (c) It is a Japanese technology for 7G mobile data.
- (d) It is an outer planet found in the Goldilocks zone.

25. Consider the following statements regarding 'INS Shivaji':

1. The Indian Naval Station recently got presented by the President's Colour.
2. The President's colour is the highest honour bestowed upon any Indian military unit.

Which of the statement(s) given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2



ANSWER HINTS

DAY - 47

1. Correct Option: (c)

Explanation:

Reserve Bank of India as a banker to the governments

- 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 Union. **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 Act.**
- Thus, the legal provisions vest Reserve Bank of India with both the right and obligation to function as banker to the government.
- As of now, such agreements exist between RBI and all the State Governments except the Government of Sikkim. For Sikkim, the RBI has limited agreement for the management of its public debt.
- State Bank of Sikkim (state-owned) performs the role of the banker to the Sikkim government.

2. Correct Option: (d)

Explanation:

NABARD

- NABARD came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC).
- Consequent to the revision in the composition of share capital between the Government of India and RBI, NABARD today is fully owned by the Government of India.

- It is both the direct financing as well as refinancing agency.

- As a direct financing agency, it provides finance for the following schemes:

- ▶ Loans for Food Parks and Food Processing Units in Designated Food Parks
- ▶ Loans to Warehouses, Cold Storage and Cold Chain Infrastructure
- ▶ Credit Facilities to Marketing Federations
- ▶ Rural Infrastructure Development Fund
- ▶ Direct Refinance to Cooperative Banks
- ▶ Supporting Producer Organisations
- ▶ More Direct Finance
- ▶ Alternative Investment Funds
- ▶ Long Term Irrigation Fund
- ▶ Pradhan Mantri Aawas Yojana - Grameen (PMAY-G)
- ▶ Swachh Bharat Mission-Gramin (SBM-G)

- As a refinancing agency, it provides finance to State Cooperative Banks (SCBs), Regional Rural Banks (RRBs), Weavers, Non-Farm Sectors, etc.

- The SHG Bank Linkage Project launched by NABARD in 1992 has blossomed into the world's largest microfinance project. Kisan Credit Card, designed by it has become a source of comfort for crores of farmers.

- Some of the schemes supervised by the NABARD are

3. Correct Option: (c)

Explanation:

D-SIBs

- D-SIB means that the bank is too big to fail.

- According to the RBI, some banks become systemically important due to their size, cross-jurisdictional activities, complexity and lack of substitute and interconnection.
- **Banks whose assets exceed 2% of GDP are considered part of this group.**
- The RBI stated that should such a bank fail, there would be significant disruption to the essential services they provide to the banking system and the overall economy.
- As per the framework, from 2015, every August, the central bank has to disclose the names of banks designated as D-SIB. Currently, there are three such banks viz. SBI, ICICI Bank and HDFC Bank.
- It classifies the banks under five buckets depending on the order of importance.
- ICICI Bank and HDFC Bank are in bucket one while SBI falls in bucket three.
- Based on the bucket in which a D-SIB is, an additional common equity requirement applies.
- **Banks in bucket one need to maintain a 0.15% incremental tier-I capital from April 2018.**
- **Banks in bucket three have to maintain an additional 0.45%.**
- **With bucket three being higher than bucket one, SBI has a higher additional requirement than ICICI Bank and HDFC Bank.**
- All the banks under D-SIB are required to maintain a higher share of risk-weighted assets as tier-I equity.
- **Manager of Foreign Exchange**
 - ▶ Manages the Foreign Exchange Management Act, 1999.
 - ▶ Objective: to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.
- **The issuer of the currency:**
 - ▶ Issues and exchanges or destroys currency and coins not fit for circulation.
 - ▶ Objective: to give the public an adequate quantity of supplies of currency notes and coins and in good quality.
- **Developmental role**
 - ▶ Performs a wide range of promotional functions to support national objectives.
- **Regulator and Supervisor of Payment and Settlement Systems:**
 - ▶ Introduces and upgrades safe and efficient modes of payment systems in the country to meet the requirements of the public at large.
 - ▶ Objective: maintain public confidence in payment and settlement system
- **Related Functions**
 - ▶ Banker to the Government: performs merchant banking function for the central and the state governments; also acts as their banker.
 - ▶ Banker to banks: maintains banking accounts of all scheduled banks.

4. Correct Option: (d)

Explanation:

Main Functions of RBI

- **Monetary Authority:**
 - ▶ Formulates, implements and monitors the monetary policy.
 - ▶ Objective: maintaining price stability while keeping in mind the objective of growth.
- **Regulator and supervisor of the financial system:**
 - ▶ Prescribes broad parameters of banking operations within which the country's banking and financial system functions.
 - ▶ Objective: maintain public confidence in the system, protect depositors' interest and provide cost-effective banking services to the public.

5. Correct Option: (a)

Explanation:

Financial Stability Report

- RBI publishes Monetary Policy Report, Financial Stability Report, Report on Management of Foreign Exchange Reserves, etc on a half-yearly basis.
- The global financial stability report (GFSR) is published by the International Monetary Fund.

6. Correct Option: (b)

Explanation:

*99# service

- **It is a USSD based mobile banking service from NPCI that brings together diverse ecosystem partners such as Banks & TSPs (Telecom Service Providers).**

- Using *99# service, a customer can access financial services by dialing *99# from his/her mobile registered with the bank.
- Launched in November 2012, it was initially offered by two TSPs only viz. MTNL & BSNL, **now offered by all the TSPs and banks.**

7. **Correct Option: (b)**

Explanation:

National Housing Bank

- **The National Housing bank operates as a principal agency to promote housing finance institutions both at local and regional levels and to provide financial and other support to such institutions.**
- **The Reserve Bank of India has exited the National Housing Bank (NHB) making it a fully government-owned now.**
- The move is part of ending the cross-holding in regulatory institutions and follows the recommendation of second Narasimham committee report of October 2001 and the RBI's own discussion paper on the same entitled 'Harmonizing the role and operations of development financial institutions and banks.' The Narasimham panel had said the RBI could not own those entities which are regulated by it.
- **Later, the government has taken away the powers of the National Housing Bank (NHB) to regulate housing finance companies (HFCs) and handed them to the Reserve Bank of India (RBI).**

8. **Correct Option: (c)**

Explanation:

The co-operative credit system in India

- The rural co-operative credit system in India is primarily mandated to ensure the flow of credit to the agriculture sector.
- It comprises short-term and long-term co-operative credit structures.
- **The short-term co-operative credit structure operates with a three-tier system - Primary Agricultural Credit Societies (PACS) at the village level, Central Cooperative Banks (CCBs) at the district level and State Cooperative Banks (StCBs) at the State level.**

- **PACS are outside the purview of the Banking Regulation Act, 1949 and hence not regulated by the Reserve Bank of India.**

- StCBs/DCCBs are registered under the provisions of the State Cooperative Societies Act of the State concerned and are regulated by the Reserve Bank.

- Powers have been delegated to National Bank for Agricultural and Rural Development (NABARD) under Sec 35 A of the Banking Regulation Act (As Applicable to Cooperative Societies) to conduct the inspection of State and Central Cooperative Banks.

9. **Correct Option: (a)**

Explanation:

Jalan Committee

- **The Reserve Bank of India (RBI) will align its financial accounting year with that of the central government with effect from 2020-21 — a move that may put an end to the practice of the exchequer getting an interim dividend from the central bank.**
- The RBI's central board recommended aligning the financial year of the RBI, currently, July-June, with the government's fiscal year (April-March) from the year 2020-21 and approved forwarding a proposal to the government for its consideration
- With this move, the central bank will do away with nearly eight decades of practice.
- To address this anomaly, an expert committee led by former RBI governor Bimal Jalan had recommended aligning the RBI's financial year with that of the government.
- The Jalan committee in its report had said the alignment of the fiscal years of the RBI and the government would ensure that the central bank would be **"able to provide better estimates of the projected surplus transfers to the government for the financial year for budgeting purposes"**.
- The committee had noted that the need for interim dividend to be paid by the RBI would be reduced and would be restricted to "extraordinary circumstances", and the move brought "greater cohesiveness in the monetary policy projections and reports

published by the RBI, which mostly use the fiscal year as the base”.

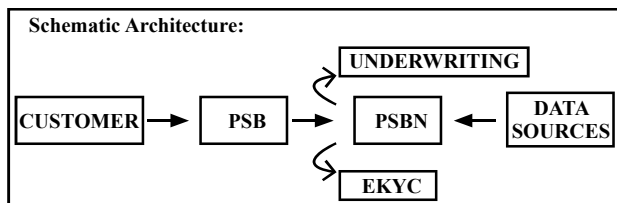
10. Correct Option: (c)

Explanation:

Public Sector Banking Network

- The Economic Survey 2019-20 proposes the creation of a Public Sector Banking Network (PSBN), that uses technology to screen and monitor borrowers comprehensively is welcome to prevent any build-up of bad loans in the future.
- The idea is that PSBs can use a GSTN type of network to aggregate data, build big data and artificial intelligence-based models as well as tools for loan disbursement. **This would help prevent defaults especially by large borrowers and bring down human errors in assessment.**
- The Survey suggests that the government, as the owner of all the PSBs, must set up this entity that will aggregate data from all PSBs to enable decision making through the use of big data techniques. The government will have the right to use the data that these banks generate during their business.

How the Public Sector Bank Network will work



- Step 1: Customer Verification: Once a customer approaches a bank for a loan, the PSB will transfer the loan information to the PSBN, which will verify the customer via Aadhaar eKYC. The key players involved in this will be “identity verifying agencies” such as UIDAI, Udyog Aadhaar, and Income Tax Department, says the Survey.
- Step 2: Data collection from multiple sources: The PSBN will collate data from the various data sources after confirming their identity via KYC, such as:
 - ▶ Account Aggregator: for seeking consent and accessing customers’ banking data through
 - ▶ Government sources: business and income data from government sources

such as GSTN and IT Returns using APIs or direct file uploads. Data can also be sourced from customers’ bank statements from the public sector banks.

- ▶ Credit Bureau Data: Credit score data from bureaus like CIBIL and Equifax
- ▶ Alternate data from telcos or mobile handset data
- Step 3: Generating a credit profile using algorithms: Analysing all the above data, PSBN will generate a credit profile of the customer after running the AI/ML algorithm built into it. Different underwriting AI/ML models will be built for different customers — individuals, SMEs, and corporations. Although this is not explicitly clear, the Survey mentions that FinTechs will build the algorithms for screening (before loans are given) and monitoring (after loans are given out).
- Step 4: Loan eligibility: Based on KYC and underwriting, the PSBN will assess customer eligibility of loans and transfer all information to the concerned PSB, which will then make a decision on the amount and interest rate of the loan.

11. Correct Option: (a)

Explanation:

Universal banking

- Universal banking offers one-stop shopping for all financial products and services. A wide range of financial services such as commercial banking investment banking, development banking, and insurance are available to the customer under one roof. Investment products like savings accounts, certificates of deposits, mutual funds, credit cards, and loans are within the reach of the customer.
- **In a nutshell, a Universal Banking is a superstore for financial products under one roof.**
- Universal Banking is usually undertaken by large banks who can manage the cost of such widespread operations.

Eligibility

- **Though application for banking license can be submitted to RBI any time, the norms have become stricter.** Non-banking financial companies (NBFC) and professionals who have at least 10 years of

experience in financial services are eligible to become promoters of universal banks. If an applicant has total assets worth Rs 5,000 crore or more, the entity's 60 percent of income should be exclusively in financial services. That means big corporations with diverse businesses will become ineligible if the non-banking business exceeds 40 percent of their total asset or gross income. These business houses can be shareholders but cannot appoint a director on the board. Their investment has been limited to less than 10 percent of the total investment in the bank. The foreign investment limit has been capped at 74 percent.

- RBI stipulates that the promoters have to open at least 25 percent of banks in areas where there are no banks and should maintain Rs 500 crore as net worth any time. The universal bank must be listed on the stock exchange after 6 years of the commencement of the operations.

Advantages of universal bank

- Banking penetration will go up as new banks will come up in non-banked areas. Universal banks have large networks that are accessible to more people.
- Universal banks help in better resource utilization by offering highly customized financial services within the reach of the customer.
- The bank is capable of doing equity research and is in a position to offer the best advice to the investor. So the customer's portfolio can be managed more efficiently by universal banking.
- Customers can find complete sectors that offer the best value. The bank can sell one or another product or service to suit the requirement of the customer. Universal banks have brand value that helps in selling their product with the minimum marketing effort.

Disadvantages of universal banks

- When all the services are provided at the same place, customers can get confused about the choice of their product.
- Banks can control the market with their own priority of financial products that avoid competition.
- Customers may not find specialized and focussed service at these banks and end up buying unsuitable products, thus losing confidence in the banking system.

- Failure of a universal bank can have a bad impact on many financial sectors.

12. Correct Option: (c)

Explanation:

Distributed ledger technology

- Distributed ledger technology (DLT) is a digital system for recording the transaction of assets in which the transactions and their details are recorded in **multiple places at the same time**.
- Unlike traditional databases, **distributed ledgers have no central data store** or administration functionality.
- **Blockchain, which bundles transactions into blocks that are chained together, and then broadcasts them to the nodes in the network, is probably the best-known type of distributed ledger technology.**
- It powers Bitcoin, the digital currency created in 2009. Bitcoin is also known as being a peer-to-peer network.

13. Correct Option: (c)

Explanation:

Regional Rural Banks

- The nationalization of the banks in 1969 boosted the confidence of the public in the Banking system of the country. However, the purpose of financial inclusion was not served by the nationalization of the bank. On the basis of the recommendations of the Narasimham committee, a Regional Rural Banks Ordinance was promulgated in September 1975, which was replaced by the Region Rural Bank Act 1976.
- RRBs were configured as hybrid micro banking institutions, combining the local orientation and small scale lending culture of the cooperatives and the business culture of commercial banks.
- Their mission was to fulfill the credit needs of the relatively unserved sections in the rural areas -small and marginal farmers, agricultural laborers and socio-economically weaker sections.
- Every RRB bank is sponsored by a Public Sector Bank. The Regional Rural Banks are owned by the Central Government, the State Government and the Sponsor Bank who held shares in the ratios as follows Central Government – 50%, State Government – 15% and Sponsor Banks – 35.

14. Correct Option: (a)

Explanation:**White Label ATMs**

- **ATMs set up, owned and operated by non-banking entities are called white label ATMs.**
- They are authorized under the Payment and Settlement Systems Act, 2007, by the RBI.
- Cash in ATMs is provided by the sponsored bank while the ATM machine does not have any branding of the Bank.
- Their role is confined to enabling the transactions of all bank customers by establishing technical connectivity with the existing authorized, shared ATM Network Operators or Card Payment Network Operators.
- The operators are entitled to receive a fee from the banks for the use of ATM resources by the bank's customers and are not permitted to charge bank customers directly. It does not have a logo that is not even by the sponsor bank.
- **Tata Communications Payment Solutions Limited (Indicash) is the first company authorized by RBI to open WLAs in the country.**
- **RBI is directly involved because these white label Companies have to separately get license/permission from RBI to run business.**

Brown Label ATMs

- **Brown Label ATM are those Automated Teller Machines where hardware and the lease of the ATM machine are owned by a service provider—but cash management and connectivity to banking networks are provided by a sponsor bank.**
- The private company owns & operates the ATM machine, pays office rent. They negotiate with the landlord, Electricity Company, Telecom Company and so on.
- The bank (which has outsourced this work) provides cash for that ATM.
- ATM has a logo of that bank (which has outsourced this work).
- RBI not involved directly. These outsourcing companies have a contractual obligation with their respective banks.

15. Correct Option: (c)

Explanation:**Escrow Account**

- **It is a separate bank account to hold money that belongs to others and where the money parked will be released only under the fulfillment of certain conditions of a contract. It is a third-party account.**
- The term escrow is derived from the French term 'escroue' meaning a scrap of paper or roll of parchment, an indicator of the deed that was held by a third party till a transaction is completed.
- An escrow account is an arrangement for safeguarding the 'seller' against its 'buyer' from the payment risk for the goods or services sold by the former to the latter. This is done by removing the control over cash flows from the hands of the buyer to an independent agent.
- The independent agent, i.e, the holder of the escrow account would ensure that the appropriation of cash flows is as per the agreed terms and conditions between the transacting parties.
- Escrow account has become the standard in various transactions and business deals. In India, the escrow account is widely used in public-private partnership projects in infrastructure.
- RBI has also permitted Banks (Authorised Dealer Category I) to open escrow accounts on behalf of Non-Resident corporates for acquisition/transfer of shares / convertible shares of an Indian company.

16. Correct Option: (a)

Explanation:**Monetary Policy Committee**

- The Reserve Bank of India Act, 1934 (RBI Act) has been amended by the Finance Act, 2016, **to provide for a statutory and institutionalised framework for a Monetary Policy Committee**, for maintaining price stability, while keeping in mind the objective of growth.
- The Monetary Policy Committee is entrusted with the task of fixing the benchmark policy rate (repo rate) required to contain inflation within the specified target level.

- A Committee-based approach for determining the Monetary Policy adds a lot of value and transparency to monetary policy decisions.
- **RBI has to organise at least four meetings of the MPC in a year. (More meetings can be held if the RBI Governor is of that opinion)**
- **As per the provisions of the RBI Act, out of the six members of the Monetary Policy Committee, three Members are from the RBI and the other three Members of MPC are appointed by the Central Government.**
- The Members of the Monetary Policy Committee appointed by the Central Government shall hold office for a period of four years, with immediate effect or until further orders, whichever is earlier.

17. Correct Option: (b)

Explanation:

Domestic Systemically Important Bank (D-SIB)

- D-SIB means that the bank is too big to fail.
- **According to the RBI, some banks become systemically important due to their size, cross-jurisdictional activities, complexity and lack of substitute and interconnection.**
- Banks whose assets exceed 2% of GDP are considered part of this group.
- The RBI stated that if such a bank fails, there would be significant disruption to the essential services they provide to the banking system and the overall economy.
- The too-big-to-fail tag also indicates that in case of distress, the government is expected to support these banks.
- Due to this perception, these banks enjoy certain advantages in funding.
- It also means that these banks have a different set of policy measures regarding systemic risks and moral hazard issues.
- There are now three 'too big to fail' financial entities, SBI, ICICI and HDFC in the country.
- The concept of D-SIB emerged after the global financial crisis.

18. Correct Option: (c)

Explanation:

Micro ATMs

- **Micro ATMs are card swipe machines through which banks can remotely connect to their core banking system.**
- This machine comes with a fingerprint scanner attached to it. In other words, micro ATMs are the handheld point of sale terminals used to disburse cash in remote locations where bank branches cannot reach. Micro ATMs are similar to point of sale (PoS) terminals and are a doorstep mobile banking arrangement cum-mobile ATM device.

How is it more convenient?

- According to bankers, the cost of deployment of a micro ATM is lesser than that of an ordinary ATM. ATMs need at least 80-100 transactions a day to be viable as they cost several lakhs. Micro ATM costs less than Rs 20,000.
- It is portable.
- **Micro ATM has connectivity through GSM, hence it can travel from village to village.**

How does the micro ATM work?

- Bank will assign a correspondent who will sign up customers in remote areas after verifying their identity (fingerprint can be used as an authentication tool for rural people).
- The fingerprint and personal details may also be linked to the Aadhaar Card, which will then serve as the ID proof required to withdraw money.

19. Correct Option: (c)

Explanation:

Banks Board Bureau (BBB)

- **It is an autonomous body of the Government of India tasked to improve the governance of Public Sector Banks, recommend the selection of chiefs of government-owned banks and financial institutions and to help banks in developing strategies and capital raising plans.**
- As part of its mandate, and guided by a spirit of collaboration, the bureau is engaging with various stakeholders. The objective

of such engagement is to help prepare the banks to take on the competition, have the ability to appropriately manage and price risk across business cycles, develop resilience to generate internal capital and have the capacity to generate external capital warding of the moral hazard in counting on the scarce budgetary resources of taxpayers.

- The Bureau is also engaging with the Public Sector Banks (PSBs) to help build capacity to attract, retain and nurture both talent and technology - the two key differentiators of business competencies in the days to come.
- In its endeavor, the Bureau is mindful of the need to have a fully empowered board in each and every PSB. While the Bureau is working towards attracting the best personages on the boards, it is these boards that should drive the overall strategy of a bank within its risk capacity and also act as custodians who should reconcile the diverse interests of various stakeholders.
- **It was set up under the government's Indradhanush program.**

20. Correct Option: (c)

Explanation:

Basel Accords

- **The Basel Accords (i.e., Basel I, II and now III) are a set of agreements set by the Basel Committee on Bank Supervision (BCBS), which provides recommendations on banking regulations in regards to capital risk, market risk, and operational risk.**
- The purpose of the accords is to ensure that financial institutions have enough capital on account to meet obligations and absorb unexpected losses.
- The objectives of the accords could be summed up as:
 - ▶ To strengthen the international banking system
 - ▶ To promote convergence of national capital standards
 - ▶ To iron out competitive inequalities among banks across countries of the world
- The first Basel Accord, known as **Basel I (introduced in 1988) focused only on the capital adequacy of financial**

institutions. Banks that operate internationally were required to have a risk weight of 8 percent or less. India adopted Basel I norms in 1999.

- The second Basel Accord, known as **Basel II (published in 2004)** focused on 3 main areas, including minimum capital requirements, supervisory review and market discipline. **Thus Basel II focused on macro-prudential regulation.**
- The third Basel Accord, known as **Basel III (announced in 2010)** is a comprehensive set of reform measures aimed to strengthen the regulation, supervision and risk management of the banking sector.
- The guidelines aim to promote a more resilient banking system by focusing on four vital banking parameters viz. capital, leverage, funding and liquidity.
- Basel III norms are based on the renewed focus of central bankers on 'macro-prudential stability' i.e. global regulators are focusing on the financial stability of the system as a whole rather than micro regulation of any individual bank.
- The 2017 Basel III reforms complement the initial phase of the Basel III reforms announced in 2010.
- **The 2017 reforms seek to restore credibility in the calculation of risk-weighted assets (RWAs) and improve the comparability of banks' capital ratios.**

21. Correct option: (c)

Explanation

Both statements are correct.

Supplementary notes

International Search and Rescue Advisory Group (INSARAG)

- The National Disaster Response Force (NDRF) has organized the **second BIMSTEC Disaster Management Exercise** as per the International Search & Rescue Advisory Group (INSARAG) guidelines for familiarization & exercise purposes.
- The **International Search and Rescue Advisory Group (INSARAG)** was established in 1991.
- It is a network of disaster-prone and disaster-responding countries and

organizations dedicated to urban search and rescue (USAR) and operational field coordination.

- It aims to establish standards and classification for international USAR teams as well as a methodology for international response coordination in the aftermath of earthquakes and collapsed structure disasters.
- The Secretariat is located in the United Nations Office for the Coordination of Humanitarian Affairs (OCHA).

22. Correct option: (b)

Explanation

- Statement 1 is incorrect: Union Ministry of Micro, Small & Medium Enterprises has launched the Apiary on Wheels.

Supplementary notes

Apiary on Wheels

- Apiary on Wheels is a unique concept designed by the Khadi and Village Industries Commission (KVIC).
- It aims to address the challenges faced by the beekeepers by easy upkeep and migration of Bee Boxes having live Bee colonies.
- This initiative was launched as a part of the **National Honey Mission**.
 - ▶ The Honey Mission was launched in 2017 by the Khadi and Village Industries Commission (KVIC).
 - ▶ **Aim:** To Provide sustainable employment and income to rural and urban unemployed youth by conserving the honeybee habitat and tapping untapped natural resources.

23. Correct option: (d)

Explanation

- Statement 1 is incorrect: A world-class National Maritime Heritage Complex will be developed at Lothal, Gujarat.
- Statement 2 is incorrect: The MoU between India and Portugal on National Maritime Heritage Complex, Lothal will pay the way for cooperation between the two countries for showcasing common Maritime Heritage.

Supplementary notes

National Maritime Heritage Complex (NMHC)

- A world-class National Maritime Heritage Complex will be developed at Lothal, Gujarat.
- The MoU between India and Portugal on National Maritime Heritage Complex, Lothal will pay the way for cooperation between the two countries for showcasing common Maritime Heritage.
- NMHC will consolidate all diverse and rich artifacts from ancient to modern times.
- It will provide access to the public and make them aware of India's rich Maritime Heritage.

24. Correct option: (a)

Explanation

- Pure EV, a start-up incubated at the Indian Institute of Technology, Hyderabad, launched its High-Speed Electric Scooter 'EPluto 7G'.

Supplementary notes

High-Speed Electric Scooter 'EPluto 7G'

- Pure EV, a start-up incubated at the Indian Institute of Technology, Hyderabad, launched its High-Speed Electric Scooter 'EPluto 7G'.
- The vehicle offers affordability, long-range, a top speed of 60 KMPH and battery warranty for 40,000 KM.
- A unique point of this vehicle is that the battery and the vehicle have been designed and developed after factoring in Indian terrain and weather conditions.
- Pure EV has established a 40,000-square foot state-of-the-art facility, co-located with IIT Hyderabad, for cutting-edge Research and Developing and for large scale production of electric vehicles and electric batteries.

25. Correct option: (c)

Explanation

- Both the statements are correct

Supplementary notes

INS Shivaji

- President Ram Nath Kovind presented the President's Colour to INS Shivaji in Lonavala, Maharashtra.
- INS Shivaji houses the Naval College of Engineering which trains officers of the Indian Navy and the Indian Coast Guard.

- It was commissioned on February 15, 1945, as HMIS Shivaji. It is located close to the Bhushi Dam and spreads across 876 acres.
- INS Shivaji motto: Karmasu Kaushalam, which means imbibing the concept of skill at work in all aspects of human endeavour.
- INS Shivaji is commanded by Commodore Ravnish Seth.
- The President's colour is the highest honour bestowed upon any Indian military unit.
- Last year, President Kovind had awarded the President's Colour to the Indian Naval Academy (INA), which was received by Academy Cadet Captain Sushil Singh.



TEST**DAY - 48**

Time Allowed: 30 mins

Maximum Marks: 50

1. Which of the following statements is/are correct?

1. This responsibility of the conducting monetary policy is explicitly mandated under the Reserve Bank of India Act, 1934.
2. There is a statutory basis for the implementation of the flexible inflation targeting framework in India.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

2. Which of the following statements are correct regarding the 'Liquidity Trap'?

1. It is a state in which the nominal interest rate is close or equal to zero.
2. Expansionary monetary policy is ineffective in this situation.
3. It can be overcome only by an expansionary fiscal policy.

Select the correct option using the codes given below:

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

3. Which of the following statements is/are correct regarding the Triffin Dilemma:

1. It arises between short-term domestic and long-term international objectives for countries whose currencies serve as

global reserve currencies.

2. Increase in the Dollar supply can solve this problem

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

4. Which of the following statements are correct?

1. No collateral or the repurchase agreements are involved while charging Bank Rate.
2. Repo Rate is always lower than the Bank Rate.
3. An increase in Bank Rate directly affects the lending rates offered to the customer, whereas an increase in Repo Rate is usually doesn't affect customers directly.
4. Only the repo rate is used by the RBI to control the liquidity in the market.

Select the correct option using the codes given below:

- (a) 1, 2, 3, and 4
- (b) 1 and 2 only
- (c) 1, 2, and 3 only
- (d) 1, 3 and 4 only

5. Which of the following can decrease the liquidity in an economy?

1. Open market operations
2. Increasing Discount Rate
3. Decreasing reverse repo rate

Select the correct option using the codes given below:

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

6. Consider the following statements regarding 'Operation Twist':

1. It is a special type of qualitative monetary policy implemented by the Central Banks.
2. It can boost the short term investment.
3. It can boost the aggregate demand in all sectors of the economy.

Which of the above statement is/are correct?

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

7. Which of the following is *not* an option of the 'Impossible Trinity'?

- (a) Independent monetary policy
- (b) Free capital movement
- (c) Floating Exchange Rate
- (d) None of the above

8. Which of the following pairs is/are correctly matched?

1. Mail Transfers: Other Demand and Time Liabilities
2. Interest accrued on deposits: Demand Liabilities
3. Gold deposits: Time Liabilities

Select the correct option using the codes given below:

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

9. What are the advantages of the proposed Long Term Repo Operation by the RBI?

1. It will fix the demerits of the Marginal Standing Facility.

2. The banks will be enabled to lower the lending rate and extend credit at a cheaper rate.
3. It will boost investment in corporate bonds.
4. The banks can price their loans for a longer period around the repo rate.

Select the correct option using the codes given below:

- (a) 1, 2, and 3 only
- (b) 2, 3, and 4 only
- (c) 1 and 3 only
- (d) 1, 2, 3, and 4

10. Consider the following statements regarding the Repo rate and Marginal Standing Facility:

1. MSF is a rate at which RBI lends money to scheduled banks only.
2. The agreement of repurchase is available in the case of MSF also.
3. Repo rate is generally higher than the MSF.

Which of the above statements is/are correct?

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

11. What is/are the difference(s) between Base rate and MCLR?

1. The base rate takes into account the repo rate whereas, MCLR does not.
2. MCLR considers the marginal cost of funds whereas, the base rate considers the overall cost of funds.
3. In the case of MCLR, the banks are required to include a tenor premium which was absent in case of the base rate calculation.

Select the correct option using the codes given below:

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

12. Which of the following are the policy rates?

1. Marginal Standing Facility Rate
2. Bank Rate
3. Reverse Repo Rate
4. MCLR
5. Base Rate

Select the correct option using the codes given below:

- (a) 3 and 5 only
- (b) 1, 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2, 3 and 4 only

13. With reference to the SWIFT norms, consider the following statements:

1. It aims to provide services for financial crime compliance like Know Your Customer (KYC).
2. It is a secure financial message carrier through a standardized system of codes.

Which of the above statements is/are *incorrect*?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

14. Before enactment of the Insolvency and Bankruptcy Code, 2016 the recovery mechanisms available to the lenders were:

- (a) Lok Adalat
- (b) SARFAESI Act
- (c) Debt Recovery Tribunal
- (d) All of the above

15. Which of the following is not a part of All India Financial Institutions?

- (a) EXIM Bank
- (b) SEBI
- (c) NABARD
- (d) NHB

16. Tourism Finance Corporation of India Ltd was set up on the recommendation of which of the following committee?

- (a) Urjit Patel Committee
- (b) Narshiman Committee
- (c) Yunus Committee
- (d) Bimal Jalan Committee

17. Which of the following tools is/are used by RBI to roll out its Monetary Policy?

- (a) Marginal Standing Facility
- (b) Open Market Operations
- (c) Bank Rate
- (d) All of the above

18. Consider the following statements regarding Cash Reserve Ratio:

1. The cash reserve ratio (CRR) is the ratio fixed by the RBI.
2. An increase in CRR sucks this amount from the economy, while a decrease injects this amount into the economy.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

19. Bank Rate is realigned with which of the following tools?

- (a) Repo Rate
- (b) Marginal Standing Facility
- (c) Reverse Repo Rate
- (d) None of the above

20. Consider the following statements regarding Open Market Operations:

1. Other than the institutions, individuals can also participate in this market.
2. This is an effective qualitative policy tool in the armory of the RBI to check the money flow in the market.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

21. Consider the following statements regarding Polar Vortex:

1. The polar vortex is a large area of High pressure.
2. It always exists near the poles.
3. During strong polar vortex, the airflow is fast and in a direction from west to east.

Which of the statements given above are correct?

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

22. With reference to reservation in India consider the following statements:

1. 50% of seats in government-aided educational institutions and public jobs are reserved for the SC, ST and, OBCs.
2. The central government of India reserves 27% of higher education, and individual states may legislate further reservations.

Which of the statement(s) given above is/ are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

23. Which of the following are the advantages of the gig economy, a free market system?

1. Cater to immediate demand.
2. Cheaper and more efficient.
3. Crowding out traditional workers.
4. No employment-related rights.

Select the correct answer using the codes given below:

- (a) 1 and 2 only
- (b) 1, 2 and 3
- (c) 1, 2 and 4
- (d) 1, 2, 3 and 4

24. Consider the following statements:

1. No Member of Parliament shall be liable to any proceedings in any court in respect of anything said or any vote given by him in Parliament.
2. Speaker may order expunction of words which are defamatory in nature or levels allegation against a high dignitary or authority or organization.
3. Which of the statement(s) given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

25. "Muktoshri" which was seen recently in news is-

- (a) new Rice variety
- (b) new Wheat variety
- (c) new Jowar variety
- (d) new Bajra variety



ANSWER HINTS

DAY - 48

1. Correct Option: (c)

Explanation:

Monetary policy

- Monetary policy refers to the policy of the central bank with regard to the use of monetary instruments under its control to achieve the goals specified in the Act.
- **The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy. This responsibility is explicitly mandated under the Reserve Bank of India Act, 1934.**
- **In May 2016, the Reserve Bank of India (RBI) Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation-targeting framework.**
- Prior to the amendment in the RBI Act in May 2016, the flexible inflation targeting framework was governed by an Agreement on Monetary Policy Framework between the Government and the Reserve Bank of India of February 20, 2015.
- The RBI implements the monetary policy through open market operations, bank rate policy, reserve system, credit control policy, moral persuasion and many other instruments. Using any of these instruments will lead to changes in the interest rate or the money supply in the economy.

2. Correct Option: (a)

Explanation:

Liquidity Trap

- **The liquidity trap refers to a state in which the nominal interest rate is close or equal to zero and the monetary authority is unable to stimulate the economy with monetary policy.**
- In this situation, expansionary monetary policy (increase in the money supply) does

not increase the interest rate, income and hence does not stimulate economic growth.

- In such a situation, because the opportunity cost of holding money is zero, even if the monetary authority increases the money supply to stimulate the economy, people hoard money. Consequently, excess funds may not be converted into new investments.
- A liquidity trap is usually caused by, and in turn, perpetuates deflation.
- When deflation is persistent and combined with an extremely low nominal interest rate, it creates a vicious cycle of output stagnation and further expectations of deflation that lead to a higher real interest rate.
- Furthermore, in an economy with a fragile financial system, a liquidity trap can occur when the nominal interest rate does not reach zero because holding nonmoney financial assets may involve the risk of losing the assets and once the risk is incorporated, an extremely low level of the nominal the interest rate would be essentially the same as zero.
- Two prominent examples of liquidity traps in history are the Great Depression in the United States during the 1930s and the long economic slump in Japan during the late 1990s.

Overcoming a Liquidity Trap

- Because conventional monetary policy becomes ineffective in a liquidity trap, other policy measures are suggested as a remedy to get the economy out of the trap. The monetarist view suggests **quantitative easing** as a solution to the liquidity trap.
- Quantitative easing usually means that the central bank sets up a goal of high rates of increase in the monetary base or money supply and provides liquidity in the economy so as to achieve the goal.

- According to this viewpoint, unconventional money easing—or money gift would be the appropriate policy measure.
- Between 1933 and 1941, the U.S. monetary stock increased by 140 percent, mainly through expansion in the monetary base. More recently, after lowering the policy target rate to zero in February 1999, the Bank of Japan implemented a quantitative easing policy and set a goal for the reserves available to commercial banks.
- **The monetarists also suggest other unconventional market operations that include the direct purchasing by the monetary authority of other financial assets such as corporate papers and long-term foreign and domestic bonds.** They argue that purchasing merely short-term assets in open market operations does not function as a remedy to a liquidity trap. The idea is that because long-term bonds and securities are still assumed to be imperfectly substitutable to short-term assets even in a liquidity trap situation, the former can be purchased in open market operations to drive the long-term interest rate down.
- **In the Keynesian view, expansionary fiscal policy is the conventional measure to overcome a liquidity trap;** the government can implement deficit spending policy to jumpstart the demand. A typical example of expansionary fiscal policy is the implementation of the New Deal policy by President Franklin Roosevelt in 1933.

3. Correct Option: (a)

Explanation:

Triffin Dilemma

- In October 1959, a Yale professor sat in front of Congress' Joint Economic Committee and calmly announced that the Bretton Woods system was doomed. The dollar could not survive as the world's reserve currency without requiring the United States to run ever-growing deficits. This dismal scientist was Belgium-born Robert Triffin, and he was right. The Bretton Woods system collapsed in 1971, and today the dollar's role as the reserve currency has the United States running the largest current account deficit in the world.
- The Triffin dilemma or Triffin paradox is the conflict of economic interests that

arises between short-term domestic and long-term international objectives for countries whose currencies serve as global reserve currencies.

- When a country's currency is also the global reserve currency (ie used by other countries to hold their reserves), it is quite difficult to pursue a monetary policy that befits the needs of the country's economy without causing unintended consequences on the global role of the currency.
- Triffin proposed the creation of new reserve units. These units would not depend on gold or currencies but would add to the world's total liquidity. Creating such a new reserve would allow the United States to reduce its balance of payments deficits, while still allowing for global economic expansion.

4. Correct Option: (c)

Explanation:

Repo Rate and Bank Rate

- While both rates are short term tools used to control the cash flow in the market and are often mistaken to be one and the same, there is some noteworthy difference between the two.

Key differences between Repo Rate vs Bank Rate

- Bank Rate is charged against loans offered by the central bank to commercial banks, whereas, Repo Rate is charged for repurchasing the securities sold by the commercial banks to the central bank.
- **No collateral is involved while charging Bank Rate but securities, bonds, agreements, and collateral is involved when Repo Rate is charged.**
- **Repo Rate is always lower than the Bank Rate.**
- An increase in Bank Rate directly affects the lending rates offered to the customer, restricting people to avail loans and damages the overall economic growth, whereas an increase in Repo Rate is usually handled by the banks and doesn't affect customers directly.
- Comparatively, Bank Rate caters to long term financial requirements of commercial banks whereas Repo Rate focuses on short term financial needs.
- Though Bank Rate and Repo Rate have their own differences, both are used by RBI to control liquidity and inflation in

the market. In a nutshell, the central bank uses these two powerful tools to introduce and monitor the liquidity rate, inflation rate and money supply in the market.

5. Correct Option: (b)

Explanation:

Liquidity

- There are several direct and indirect instruments that are used for implementing monetary policy.
- Repo Rate: The (fixed) interest rate at which the Reserve Bank provides overnight liquidity to banks against the collateral of government and other approved securities under the liquidity adjustment facility (LAF).
- Reverse Repo Rate: The (fixed) interest rate at which the Reserve Bank absorbs liquidity, on an overnight basis, from banks against the collateral of eligible government securities under the LAF.
- Liquidity Adjustment Facility (LAF): The LAF consists of overnight as well as term repo auctions.
- Marginal Standing Facility (MSF): A facility under which scheduled commercial banks can borrow an additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit at a penal rate of interest. This provides a safety valve against unanticipated liquidity shocks to the banking system.
- Bank Rate: It is the rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers. The Bank Rate is published under Section 49 of the Reserve Bank of India Act, 1934. This rate has been aligned to the MSF rate and, therefore, changes automatically as and when the MSF rate changes alongside policy repo rate changes. Also known as "Discount Rate", Bank Rate is a key tool to manage liquidity.
- Cash Reserve Ratio (CRR): The average daily balance that a bank is required to maintain with the Reserve Bank as a share of such percentage of its Net demand and time liabilities (NDTL) that the Reserve Bank may notify from time to time in the Gazette of India.
- Statutory Liquidity Ratio (SLR): The share of NDTL that a bank is required to

maintain in safe and liquid assets, such as unencumbered government securities, cash, and gold. Changes in SLR often influence the availability of resources in the banking system for lending to the private sector.

- Market Stabilisation Scheme (MSS): This instrument for monetary management was introduced in 2004. Surplus liquidity of a more enduring nature arising from large capital inflows is absorbed through the sale of short-dated government securities and treasury bills. The cash so mobilized is held in a separate government account with the Reserve Bank.
- **To decrease (increase) the liquidity in the market, all the policy rates are increased (decreased) and Reserve ratios (SLR and CRR) are also increased (decreased).**
- **Open Market Operations (OMOs): These include both, outright purchase and sale of government securities, for injection and absorption of durable liquidity, respectively.**

6. Correct Option: (a)

Explanation:

Operation Twist

- 'Operation Twist' is when the central bank uses the proceeds from the sale of short-term securities to buy long-term government debt papers, leading to easing of interest rates on the long term papers.
- It was first appeared in 1961 as a way to strengthen the U.S. dollar and stimulate cash flow into the economy.
- In June 2012, Operation Twist was so effective that the yield on the 10-year U.S. Treasury dropped to a 200-year low.
- **RBI too decided to conduct simultaneous purchase and sale of government securities under Open Market Operations (OMO) for Rs. 10,000 crore each.**
- It will purchase the longer-term maturities (i.e. government bonds maturing in 2029), and simultaneously sell the shorter duration ones (i.e. short-term bonds maturing in 2020).
- The eligible participants can bid or submit offers in electronic format on RBI's Core Banking Solution (E-Kuber).

Why Operation Twist is conducted?

- If there is a shortfall in long term investment in the country and the investors are reluctant to do long term investment in the economy, then the government tries to reduce the interest rate for the long term investment ventures.
- These long term investment venture includes; purchase of land/house, investment in infrastructure and securities, etc.
- The long-term investment will create jobs in the country which would lead to an increase in the demand for other products. So due to a positive atmosphere in the country, the holistic development of the entire country would take place

Benefits of Operation Twist

- The interest rate for the long term investment will come down so the investor will take more loans for long term investments.
- Address the worries of lack of transmission of repo rate cuts.
- The flow of money will increase in the country, **and aggregate demand in all sectors of the economy will boost.**
- The overall increase in productive activities will further create jobs in the economy.

7. Correct Option: (c)

Explanation:

Impossible trinity

- The trilemma is an economic theory, which posits that countries may choose from three options when making fundamental decisions about their international monetary policy agreements. However, only one option of the trilemma is achievable at a given time, as the three options of the trilemma are mutually exclusive.
- According to the Mundell-Fleming trilemma model, these options include:
 - ▶ **Setting a fixed foreign exchange rate**
 - ▶ **Allowing free capital movement (absence of capital controls)**
 - ▶ **An independent monetary policy**
- It is both a hypothesis based on the uncovered interest rate parity condition and a finding from empirical studies where governments that have tried to

simultaneously pursue all three goals have failed.

- The concept was developed independently by both John Marcus Fleming in 1962 and Robert Alexander Mundell in different articles between 1960 and 1963.

8. Correct Option: (d)

Explanation:

Liabilities of a bank

- Liabilities of a bank may be in the form of demand or time deposits or borrowings or other miscellaneous items of liabilities.
- Demand Liabilities of a bank are liabilities that are payable on demand. These include current deposits, demand liabilities portion of savings bank deposits, margins held against letters of credit/guarantees, balances in overdue fixed deposits, cash certificates and cumulative/recurring deposits, outstanding Telegraphic Transfers (TTs), **Mail Transfers (MTs)**, Demand Drafts (DDs), unclaimed deposits, credit balances in the Cash Credit account and deposits held as security for advances which are payable on demand.
- Time Liabilities of a bank are those which are payable otherwise than on-demand. These include fixed deposits, cash certificates, cumulative and recurring deposits, time liabilities portion of savings bank deposits, staff security deposits, margin held against letters of credit, if not payable on demand, deposits held as securities for advances that are not payable on demand and **Gold deposits.**
- Other Demand and Time Liabilities (ODTL) include **interest accrued on deposits**, bills payable, unpaid dividends, suspense account balances representing amounts due to other banks or the public, net credit balances in branch adjustment account, any amounts due to the banking system which are not in the nature of deposits or borrowing. Such liabilities may arise due to items like (i) collection of bills on behalf of other banks, (ii) interest due to other banks and so on. If a bank cannot segregate the liabilities to the banking system, from the total of ODTL, the entire ODTL may be shown against item II (c) 'Other Demand and Time Liabilities' of the return in Form 'A' and average CRR maintained on it by all SCBs.

9. Correct Option: (b)

Explanation:

Long Term Repo Operation

- **The LTROs will be in addition to the existing liquidity adjustment facility (LAF) and marginal standing facility (MSF) operations.**
- Under the proposed LTRO, RBI will conduct term repos of one-year and three-year tenors of appropriate sizes for up to a total amount of Rs 1 lakh crore at the policy repo rate.
- RBI introduced it with a view to assuring banks about the availability of durable liquidity at a reasonable cost relative to prevailing market conditions, and to further encourage banks to undertake maturity transformation smoothly and seamlessly so as to augment credit flows to productive sectors.
- It is a measure that market participants expect will bring down short-term rates and also **boost investment in corporate bonds**. These new measures coupled with RBI's earlier introduced 'Operation Twist' are an **attempt by the central bank to manage bond yields and push transmission of earlier rate cuts**.
- The idea behind the LTRO is to bring down the cost of funds for banks without necessarily lowering the deposit rate. The banks can then lower the lending rate, and extend credit at a cheaper rate.
- **Besides, the banks can price their loans for a longer period around the repo rate.** Currently, the retail loan rates of the banks are benchmarked to the repo rate, but the rate was largely overnight. By introducing longer tenure, the RBI is also helping create a benchmark that banks can use to price their products.

10. Correct Option: (a)

Explanation:

Repo rate and MSF

- The repo rate is the rate at which the Reserve Bank of India lends money to commercial banks in order to help these lenders meet their short-term liquidity needs. Some banks sell their securities to the RBI to borrow money, followed by a repurchase agreement. The repurchase agreement states that the bank will

repurchase the securities from the Reserve Bank of India at a later date at a price decided in advance.

- **Marginal Standing Facility (MSF):** A facility under which scheduled commercial banks can borrow an additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit at a penal rate of interest. This provides a safety valve against unanticipated liquidity shocks to the banking system.

Differences between Repo Rate and MSF

- The repo rate is applied to loans given to banks that are looking to meet their short-term financial needs. While the MSF is meant for lending **overnight** to banks.
- Repo rate is the rate at which money is lent by RBI to commercial banks, while **MSF is a rate at which RBI lends money to scheduled banks only**.
- **Lending at repo rates involves selling of bank's securities as collateral to RBI along with a repurchase agreement. Loans given at MSF rates involve providing government securities as collateral only.**
- Another major difference between the MSF and repo rate is that MSF banks are allowed to use the securities that come under the Statutory Liquidity Ratio (SLR) in the process of availing loans from RBI. This is why **MSF is higher than the Repo rate**.

11. Correct Option: (c)

Explanation:

Marginal Cost of Fund Based Lending Rate (MCLR)

- It refers to the minimum interest rate a bank must charge for lending. The bank cannot grant any loan below that rate, except in certain cases permitted by the Reserve Bank of India (RBI).
- The MCLR now serves as a benchmark and was introduced to counter the base rate system. It has been in effect since April 1, 2016, for all the categories of domestic rupee loans.
- The MCLR was introduced by the RBI because rates based on this system are more receptive to the changes in the policy rates. This also ensures that the country's

monetary policy is implemented effectively across all spheres. As a result, the MCLR ensures that the lending rates of banks reflect the policy rates. Moreover, it also provides transparency in the procedure followed by banks to arrive at interest rates on advances.

Factors that Determine the MCLR

- In economics, the term 'marginal' refers to a specific change in quantity in its current state. Hence, the MCLR takes into account the current cost or incremental cost of funds. Based on this concept, let us understand the factors which determine the MCLR.
- **Marginal Cost of Funds:** It comprises of the marginal cost of borrowings, along with return on net worth. The marginal cost of borrowings holds 92 percent influence, while the other component holds only 8 percent. **It also depends on the repo rate and the interest rates charged by banks.**
- **Operating Costs:** These costs are associated with providing the loan, raising funds, and running the day to day operations.
- **Cost of Carry in the Cash Reserve Ratio (CRR):** The banks have to take into consideration the cash deposits they need to keep with the Reserve Bank of India.
- **Tenor Premium:** This is essentially the premium that will be charged for long-term loans to mitigate the risk associated with long-term lending.

Base Rate

- Before the implementation of the MCLR, loans in every category fell under the purview of the base rate. This came into effect in July 2011, prior to which it was the benchmark prime lending rate (BPLR) that was the governing factor. In short, the base rate replaced the BPLR.
- Just like the MCLR, the base rate is the minimum interest rate below which a bank cannot lend. Here as well, exceptions exist in certain cases allowed by the RBI.
- The idea behind implementing the base rate was quite similar to the implementation of the MCLR - to improve the transmission of monetary policy and to make the methodology of lending rates selection by banks more transparent.

Base Rate Calculation

- Just like the MCLR, the base rate is calculated keeping certain factors in mind. **Each bank is free to determine its own base rate**, based on the norms provided by the RBI. According to the bank, the base rate must be determined by considering the following factors:
- **Average Cost of Funds:** This is the interest rate given on the deposits.
- **Operating costs/Unallocatable Overhead Costs:** These are the expenses that go into running the day to day operations and includes several components like legal expenses, depreciation, administrative costs, cost of stationery, et cetera.
- **Negative Carry in the Cash Reserve Ratio:** This is the cost that the banks need to incur in order to keep a specific amount of cash reserves with the RBI.
- **Margin of Profit/Average Return on Net Worth:** This figure indicates the profitability and net amount obtained.

In a nutshell

- MCLR is an improved version of the base rate. It is a risk-based approach to determine the final lending rate for borrowers. **It considers unique factors like the marginal cost of funds instead of the overall cost of funds. The marginal cost takes into account the repo rate, which did not form part of the base rate.**
- When calculating the MCLR, banks are required to incorporate all kinds of interest rates that they incur in mobilizing the funds. Earlier, the loan tenure was not taken into account when determining the base rate. **In the case of MCLR, the banks are now required to include a tenor premium.** This will allow banks to charge a higher rate of interest for loans with long-term horizons.

12. Correct Option: (b)

Explanation:

Policy rates

- Policy Repo Rate, Reverse Repo Rate, Marginal Standing Facility Rate, and Bank Rate are the policy rates, implemented by the RBI.
- **Base Rate and MCLR are the lending rates.**

13. Correct Option: (d)

Explanation:**SWIFT Norms**

- It stands for the Society for Worldwide Interbank Financial Telecommunications.
- **The SWIFT is a secure financial message carrier through a standardized system of codes.**
- **In other words, it transports messages from one bank to its intended bank recipient.** Its core role is to provide a secure transmission channel so that Bank A knows that its message to Bank B goes to Bank B and no one else. Bank B, in turn, knows that Bank A, and no one other than Bank A, sent, read or altered the message en route. Banks, of course, need to have checked in place before actually sending messages.
- It assigns each financial organization a unique code or SWIFT code that has either eight characters or 11 characters.
- **Aimed at services around financial crime compliance, SWIFT offers reporting and utilities like Know Your Customer (KYC), Sanctions, and Anti-Money Laundering (AML).**
- The SWIFT is a global member-owned cooperative that is headquartered in Brussels, Belgium. It was founded in 1973 by a group of 239 banks from 15 countries which formed a co-operative utility to develop a secure electronic messaging service and common standards to facilitate cross-border payments.
- The Rs.14,000-crore Punjab National Bank (PNB) fraud perpetrated by Nirav Modi was a case of misuse of this SWIFT software.
- After the fraud, PNB adopted strict SWIFT controls. It has created a separate unit to reauthorize most messages sent over SWIFT by branches. Many other banks are expected to fast-track the integration between SWIFT and their backend systems.

14. Correct Option: (d)

Explanation:**Insolvency and Bankruptcy Code, 2016 (IBC)**

- The IBC is the bankruptcy law of India which seeks to consolidate the existing framework by creating a single law for

insolvency and bankruptcy.

- The code aims to protect the interests of small investors and make the process of doing business less cumbersome.
- The Code proposes two separate tribunals to oversee the process of insolvency resolution, for individuals and companies:
- The National Company Law Tribunal for Companies and Limited Liability Partnership firms
- The Debt Recovery Tribunal for individuals and partnerships
- **Before the enactment of the IBC, the recovery mechanisms available to the lenders were through Lok Adalat, Debt Recovery Tribunal, and SARFAESI Act.**
- These mechanisms are recovery-focused as compared to the IBC which aims at the turnaround of the debtor while maximizing returns for the creditors.
- Predictably, these earlier mechanisms have resulted in an average recovery of 23 percent to lenders as against nearly 43 percent under the IBC.

15. Correct Option: (b)

Explanation:**All India Financial Institutions**

- AIFIs comprising Development Financial Institutions (DFIs) and Investment Institutions play a pivotal role in the financial market.
- There are four institutions regulated by Reserve Bank of India as all-India Financial Institutions:
- Export-Import Bank of India
- National Bank for Agriculture and Rural Development
- Small Industries Development Bank of India
- National Housing Bank

16. Correct Option: (c)

Explanation:**Tourism Finance Corporation of India**

- The Government of India had, on the recommendations of the National Committee on Tourism (Yunus Committee) set up under the aegis of the Planning Commission, decided in 1988, to promote a

separate All India Financial Institution for providing financial assistance to tourism-related activities/projects.

- In accordance with the above decision, the IFCI Ltd. along with other all-India financial/investment institutions and some nationalised banks promoted a Public Limited Company under the name of “Tourism Finance Corporation of India Ltd. (TFCI)” to function as a Specialized All-India Development Financial Institution to cater to the financial needs of the tourism industry.

17. Correct Option: (d)

Explanation:

Monetary Policy

- RBI uses many instruments/tools to put in place the required kind of credit and monetary policy such as—CRR, SLR, Bank Rate, Repo & Reverse Rates, MSF Rate, OMOs, etc. on which it has regulatory controls.

18. Correct Option: (c)

Explanation:

Cash Reserve Ratio

- The cash reserve ratio (CRR) is the ratio (fixed by the RBI) of the total deposits of a bank in India which is kept with the RBI in the form of cash.
- This was fixed to be in the range of 3 to 15 percent.
- A recent Amendment (2007) has removed the 3 per cent floor and provided a free hand to the RBI in fixing the CRR.
- At present (March 2018) it is 4 per cent and a 1 per cent change in it today affects the economy with Rs. 98,000 crore—an increase sucks this amount from the economy, while a decrease injects this amount into the economy.

19. Correct Option: (b)

Explanation:

Bank Rate

- The interest rate which the RBI charges on its long-term lendings is known as the Bank Rate.
- The clients who borrow through this route are the Government of India, state governments, banks, financial institutions, co-operative banks, NBFCs, etc.

- The rate has direct impact on long term lending activities of the concerned lending bodies operating in the Indian financial system.
- The rate was realigned with the MSF (Marginal Standing Facility) by the RBI in February 2012. By March 2018, it was 6.25 per cent.

20. Correct Option: (a)

Explanation:

Open Market Operations

- OMOs are conducted by the RBI via the sale/purchase of government securities (G-Sec) to/from the market with the primary aim of modulating rupee liquidity conditions in the market.
- **OMO**s are an effective quantitative policy tool in the armoury of the RBI, but are constrained by the stock of government securities available with it at a point in time.
- Other than the institutions, now individuals will also be able to participate in this market (the decision was taken in 2017 while it is yet to be implemented).

21. Correct option: (b)

Explanation

- Statement 1 is incorrect: The polar vortex is a large area of low pressure and cold air surrounding both of the Earth’s poles.

Supplementary notes

What is Polar Vortex?

- The polar vortex is a large area of low pressure and cold air surrounding both of the Earth’s poles.
- It always exists near the poles, but weakens in summer and strengthens in winter.
- The polar vortex extends from the tropopause (the dividing line between the stratosphere and troposphere) through the stratosphere and into the mesosphere (above 50 km). Low values of ozone and cold temperatures are associated with the air inside the vortex.
- The term “vortex” refers to the counter-clockwise flow of air that helps keep the colder air near the Poles.
- Many times during winter in the northern hemisphere, the polar vortex will expand, sending cold air southward with the jet stream.

- Often when the polar vortex is strong, temperatures are mild in the mid-latitudes across the Eastern US and Northern Eurasia; and when the vortex is weak, temperatures tend to be cold across the Eastern US and northern Europe and Asia.
- The strong polar vortex is the more common state of the vortex which creates strong low pressure in the Arctic region.
- Because of the pressure difference between the Arctic and mid-latitudes, air flows into low pressure and this confines the cold air to high latitudes closer to the Arctic.
- Therefore it is often mild across the Eastern US, Europe and East Asia during winters when the polar vortex is strong.
- During strong polar vortex, the airflow is fast and in a direction from west to east.
- Low pressure in the Arctic region is referred to as the positive phase of the Arctic Oscillation (AO), which is also known as the North Atlantic Oscillation (NAO).

22. Correct option: (c)

Explanation

The current scenario of reservation in India

- Today 50% of seats in government-aided educational institutions and public jobs are reserved for the SC, ST and, OBCs.
- The central government of India reserves 27% of higher education, and individual states may legislate further reservations.
- The current scenario of Reservation in India is:
 - ▶ 15% seats are reserved for Scheduled Castes (SC).
 - ▶ 7.5% of seats are reserved for Scheduled tribes (ST).
 - ▶ 27% seats are reserved for Other backward classes (OBC).
 - ▶ Total constitutional reservation percentage is 49.5% and the rest 50.5% seats are open to all i.e. general, SC, ST And OBC.
- However, there are states laws that exceed this 50% limit and these are under litigation in the Supreme Court.
- The most recent development in the reservation system was seen in 2019 when the Union Cabinet has approved of 10% reservation in educational institutions and jobs for the economically weaker sections (EWS) in the general category.
- This is the first time that reservations have been suggested for a section of society based only on economic criteria.
- The **Constitution (124th Amendment) Bill** passed by both the houses will be over and above the already existing 50% reservation quotas and will be given to those who do not fall under any reservations as of now.

23. Correct option: (a)

Explanation

Advantages and disadvantages of the gig economy

- **Cater to immediate demand:** Gig economy can benefit workers, businesses, and consumers by making work more adaptable to the needs of the moment and demand for flexible lifestyles.
- **Cheaper and more efficient:** Most times, employers cannot afford to hire full-time employees. In a gig economy, large numbers of people work part-time or in temporary positions.
 - ▶ The result is cheaper, more efficient services, such as Uber or Airbnb, for those willing to use them.
- **Wider choice to employers:** Technology and connectivity through the internet don't require the freelancer to come into the office for work. Hence, employers have a **wider range of applicants** to choose from as they don't have to hire someone based on their proximity.
- **Offers specific expertise:** Professional services firms are hiring gig workers to add deep domain expertise to client-impact teams. Majority of professional services contact workers have **years of domain-specific knowledge, like consultants.**
- **The wider choice to employees:** People often find they need to move around or take multiple positions to afford the lifestyle they want. These days, people also tend to change careers many times throughout their lives; the gig economy is a reflection of this rising trend.
- **Youth economic productivity:** India has a high share of young population which is only expected to grow. According to economists at IMF, **youth inactivity**

in India is at 30%, the highest amongst developing countries.

- ▶ The gig economy offers the perfect platform for **engagement of youth in productive employment activities**.
- ▶ It is also estimated that the gig economy **offers a relatively high gender-parity** in the workforce, as compared to traditional employment.

Disadvantages of the gig economy

- **Erosion of traditional economic relationships:** Gig economy can have downsides due to the erosion of traditional economic relationships between workers, businesses, and clients. This can **eliminate the benefits that flow from building long-term trust**, customary practice, and familiarity with clients and employers.
 - ▶ It could also **discourage investment in relationship-specific assets** that would otherwise be profitable to pursue since no party has an incentive to invest significantly in a relationship that only lasts until the next gig comes along.
- **Crowding out traditional workers:** Workers who prefer a traditional career path, stability and security that come with it are being crowded out in some industries.
 - ▶ The gig economy makes it harder for full-time employees to develop fully in their careers since temporary employees are often cheaper to hire and offer more flexibility in their availability.
- **Disrupted work-life balance for gig workers:** Flexibility in a gig economy often means that workers have to make themselves available at any time the gig comes up, regardless of their other needs, and they must always be on the hunt for the next gig.
 - ▶ Hence, for some workers, the flexibility of working gigs can disrupt the work-life balance, sleep patterns, and activities of daily life.
- **No employment-related rights:** Unlike traditional employment, workers in the gig economy are usually ineligible for any social benefits such as insurance, medical benefits, employees' provident fund, bonus or gratuity.

24. Correct option: (c)

Explanation

- Both statements are correct.

Supplementary notes

- Unparliamentarily speech and conduct in Parliament
- While **Article 105(2)** of the Constitution of India lays down that “**no Member of Parliament shall be liable to any proceedings in any court in respect of anything said or any vote given by him in Parliament or any committee thereof**”, MPs do not enjoy the freedom to say whatever they want inside the house.
- **Article 121** prohibits discussion in Parliament with respect to the conduct of any Judge of the Supreme Court or of a High Court in the discharge of the duties except upon a motion for presenting an address to the President for the removal in the manner prescribed.
- Whatever an MP says is subject to the discipline of the **Rules of Parliament**, the “good sense” of Members, and the control of proceedings by the Speaker.
- These checks ensure that MPs cannot use “defamatory or indecent or undignified or unparliamentary words” inside the House.
- **Rule 380 (“Expunction”)** of the Rules of Procedure and Conduct of Business in Lok Sabha says: “If the Speaker is of opinion that words have been used in debate which is defamatory or indecent or unparliamentary or undignified, the Speaker may while exercising discretion order that such words be expunged from the proceedings of the House.”
- **Rule 381** says: “The portion of the proceedings of the House so expunged shall be marked by asterisks and an explanatory footnote shall be inserted in the proceedings as follows: ‘Expunged as ordered by the Chair’

25. Correct option: (a)

Explanation

- The new rice variety, Muktooshi, also called IET 21845, was developed jointly by the Rice Research Station at Chinsurah coming under West Bengal’s Agriculture Department and the National Botanical Research Institute, Lucknow, over several years.

Supplementary notes

“Arsenic-resistant rice”

- The new rice variety, Muktooshi, also called IET 21845, was developed jointly by the Rice Research Station at Chinsurah coming under West Bengal’s Agriculture Department and the National Botanical Research Institute, Lucknow, over several years.
- Work on developing the variety started in 2006 and by 2013 the scientists were successful.
- This variety uptakes very less amount of arsenic from soil and water in comparison to other varieties of rice.
- The variety yields 5.5 metric tonnes per hectare in the Boro season and 4.5 to 5 metric tonnes per hectare in the Kharif season, respectively.
- Arsenic is naturally present at high levels in the groundwater of a number of countries. It is highly toxic in its inorganic form.
- Arsenic contamination of groundwater is widespread and there are a number of regions where arsenic contamination of drinking-water is significant.
- Arsenic is one of WHO’s 10 chemicals of major public health concern.
- It is now recognized that at least 140 million people in 50 countries have been drinking water containing arsenic at levels above the WHO provisional guideline value of 10 µg/L (4).
- According to the latest report of the Central Ground Water Board (CGWB), 21 states across the country have pockets with arsenic levels higher than the Bureau of Indian Standards’ (BIS) stipulated permissible limit of 0.01 milligram per litre (mg/l).
- In India, arsenic contamination was first officially confirmed in West Bengal in 1983. Close to four decades after its detection, the scenario has worsened, about 9.6 million people in West Bengal are at immediate risk from arsenic contamination in groundwater.
- West Bengal is among the States with the highest concentration of arsenic in groundwater, with as many as 83 blocks across seven districts having higher arsenic levels than permissible limits.



TEST**DAY - 49**

Time Allowed: 30 mins

Maximum Marks: 50

1. Which of the following pairs is/are correctly matched?

1. WPI: Ministry of Commerce & Industry
2. CPI for Agricultural Labourers: Ministry of Agriculture
3. CPI for Industrial Workers: Ministry of Labour and Employment

Select the correct option using the codes given below:

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

2. Which of the following can lead to the 'demand-pull inflation'?

1. Increasing Corporate Tax
2. Decreasing Bank Rate
3. PM-KISAN Yojana

Select the correct option using the codes given below:

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

3. Which of the following is/are feature of 'Stagflation'?

1. High unemployment
2. Hyperinflation
3. Recession

Select the correct option using the codes given below:

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

4. Which of the following statements is/are correct regarding the Cobweb theory?

1. It is the idea that price fluctuations can lead to fluctuations in supply which cause a cycle of rising and falling prices.
2. It is based on the 'Rational expectations'.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

5. Which of the following effects are due to the high inflation in the economy?

1. People on a fixed income will be worse off in real term.
2. Increase in export.
3. Decreases investment.
4. Encourage saving.

Select the correct option using the codes given below:

- (a) 1, 2 and 3 only
- (b) 1 and 3 only
- (c) 1 and 4 only
- (d) 1, 2, 3, and 4

6. Which of the following pairs are correctly matched?

1. RESIDEX: National Housing Bank
2. House Price Index: Reserve Bank of India
3. Consumer Food Price Index: Labour Bureau

Select the correct option using the codes given below:

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

7. Which of the following indices is used as a reference for the inflation targeting in India?

1. It is a statutory obligation to the RBI for the inflation targeting in India.
2. The inflation target has been fixed in terms of the all-India Wholesale Price Index.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

8. Which of the following statements regarding GDP deflator is/are correct?

1. It includes domestically produced final goods and services only.
2. It is not based on a fixed market basket of goods and services.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

9. Which of the following statements regarding headline versus core inflation is/are incorrect?

1. Headline inflation includes the prices of all goods and services excluding food and energy items.

2. There is no index for direct measurement of core inflation.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

10. Which of the following statements is/are correct?

1. Deflation is more common in the world than disinflation.
2. Deflation is caused by shifts in supply and demand whereas, the disinflation is due to recession or the contractionary monetary policy.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

11. Which of the following statements regarding the 'Phillips curve' is/are incorrect?

1. Inflation is directly proportional to the unemployment.
2. The curve fails to explain the stagflation.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

12. India has huge potential to emerge as a major hub for final assembly in a range of products, referred to as "network products". Which of the following groups come under the network products?

1. Electrical Machinery
2. Road Vehicles
3. Photographic Apparatus
4. Professional and scientific equipment

Select the correct option using the codes given below:

- (a) 2 and 4 only
- (b) 1 and 3 only
- (c) 1, 2, 3, and 4
- (d) 1, 2, and 3 only

13. How is the Wholesale Price Index (WPI) different from the Consumer Price Index (CPI)?

1. WPI focuses on the price of goods traded between corporations, rather than goods bought by consumers.
2. WPI includes services like transport, health, education, etc which CPI does not include.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

14. Which of the following indices is/are released by the Central Statistical Organization?

1. Consumer Price Index (CPI)
2. Wholesale Price Index (WPI)
3. Index of Industrial Production (IIP)

Select the correct answer using the code given below:

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

15. Which of the following statements about GDP Deflator is/are incorrect?

1. It represents the ratio of GDP at current prices to GDP at constant prices.
2. It covers only fixed basket of goods and services.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

16. 'Inflation Tax' often used in economic parlance refers to:

1. It is a legal tax paid to a government.
2. It is the degree of decrease in the value of cash held by people.

Which of the above statements is/are correct?

- (a) 1 Only
- (b) 2 Only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

17. Which of the following pairs are correctly matched?

Types of Inflation Meaning

- | | | |
|-----------------------|---|---|
| 1. Creeping Inflation | - | A kind of mild inflation that boosts demand. |
| 2. Trotting Inflation | - | When inflation rises to 10 percent or more. |
| 3. Core Inflation | - | It measures rising prices in food and energy. |
| 4. Disinflation | - | It is the opposite of inflation in which prices fall. |

Select the correct answer using the code given below:

- (a) 1 and 2 only
- (b) 2, 3 and 4 only
- (c) 2 and 3 only
- (d) 1, 2 and 4 only

18. Consider the following statements about the effect of inflation:

1. Inflation redistributes wealth from creditors to debtors.
2. Rising inflation indicates rising aggregate demand.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

19. Consider the following statements regarding Headline Inflation:

1. It is a measure of the total inflation within an economy.
2. It is affected by areas of the market which may experience sudden inflationary spikes such as food, vegetables or energy.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

20. Which of the following are implications of a deflationary effect on an economy?

1. Unemployment rises and wages decline.
2. Demand for goods increases.
3. Drop-in lending of banks.

Select the correct answer using the code given below:

- (a) 1 and 2 Only
- (b) 2 and 3 Only
- (c) 1 and 3 Only
- (d) 1, 2 and 3

21. India's informal sector is commonly thought of as a site of low skilled or unskilled work. Regarding the sector consider the following statements:

1. The informal sector is an unorganized one which is neither taxed nor monitored by any form of government.
2. The Economic Survey of 2018-19 says "almost 93%" of the total workforce is 'informal'.

Which of the statement(s) given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

22. Why do Governments and multi-national bodies impose economic sanctions?

1. Way to express disapproval
2. Less costly and tangible for the country imposing it
3. Intensive impact on the receiving country

Select the correct answer using the codes given below:

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

23. Which of the following statements best describes "Gig economy"?

- (a) The gig economy is based on flexible, temporary, or freelance jobs.
- (b) It relies on a lot of people, and there is very little division of labour or specialization.
- (c) The government exercises little control over resources, and it does not interfere with important segments of the economy.
- (d) It is also known as dual systems.

24. With respect to the 'Index of Industrial Production (IIP)', consider the following statements:

1. The index is compiled every 2 months.
2. It is published by the Central Statistics Office (CSO).
3. On a sector-specific basis, steel has the highest weightage among all.

Which of the statements given above are correct?

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

25. "Voyager 2" has been launched by which of the following nation?

- (a) USA
- (b) Russia
- (c) China
- (d) European Union

ANSWER HINTS

DAY - 49

1. Correct Option: (b)

Explanation:

Inflation indices

- Wholesale Price Index (WPI) is computed by the Office of the Economic Adviser in the **Ministry of Commerce & Industry, Government of India.**
- CPI for Agricultural Labourers and CPI for Industrial Workers two are compiled and released by the **Labour Bureau in the Ministry of Labour and Employment.**
- CPI (Rural/Urban/Combined) is released by the Central Statistics Office in the Ministry of Statistics and Programme Implementation.

2. Correct Option: (c)

Explanation:

- Demand-pull inflation exists when aggregate demand for a good or service outstrips aggregate supply.
- It starts with an increase in consumer demand due to many reasons such as **Expansionary Fiscal (Lowering tax rates or increasing government expenditures) and Monetary (Decreasing key policy rates) Policies.**

3. Correct Option: (d)

Explanation:

- Stagflation is a condition of slow economic growth and relatively high unemployment, or economic stagnation, accompanied by rising prices, or inflation.
- It can also be defined as inflation and a decline in gross domestic product (GDP).
- Generally, rising inflation is a sign of a fast-growing economy as people have more money to spend higher amounts on the same quality of goods. Similarly, when

the economic growth stalls, inflation is supposed to go down. And as a result of this stalled economic growth unemployment tends to go up.

- The situation is dangerous mainly because in normal low growth situation the government or the central bank can provide economic stimulus via higher public spending and cut interest rates. But the catch is that when inflation is already running high, fiscal and monetary stimulus can make it worse as that puts more money in the hands of the consumer.

4. Correct Option: (c)

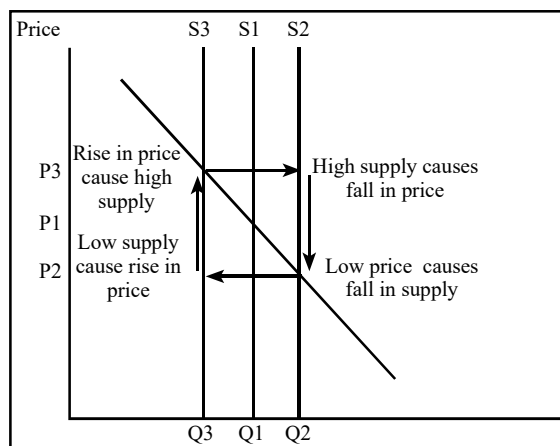
Explanation:

Cobweb theory

- **Cobweb theory is the idea that price fluctuations can lead to fluctuations in supply which causes a cycle of rising and falling prices.**

Assumptions of Cobweb theory

- If there is a very good harvest, then supply will be greater than expected and this will cause a fall in price. However, this fall in price may cause some farmers to go out of business. Next year farmers may be put off by the low price and produce something else.



Limitations of Cobweb theory

- **Rational expectations:** The model assumes farmers base next years supply purely on the previous price and assume that next year's price will be the same as last year (adaptive expectations). However, that rarely applies in the real world. Farmers are more likely to see it as a 'good' year or 'bad year and learn from price volatility.
- Price divergence is unrealistic and not empirically seen: The idea that farmers only base supply on last year's price means, in theory, prices could increasingly diverge, but farmers would learn from this and preempt changes in price.
- It may not be easy or desirable to switch supply: A potato grower may concentrate on potatoes because that is his speciality. It is not easy to give up potatoes and take to aubergines.
- Other factors affecting price: There are many other factors affecting price than a farmers decision to supply. In global markets, supply fluctuations will be minimized by the role of importing from abroad. Also, demand may vary. Also, supply can vary due to weather factors.
- Buffer stock schemes: Governments or producers could band together to limit price volatility by buying surplus.

5. Correct Option: (b)

Explanation:

- There are multi-dimensional effects of inflation on an economy both at the micro and macro levels. It redistributes income, distorts relative prices, destabilises employment, tax, saving and investment policies, and finally it may bring in recession and depression in an economy.
- If inflation is high in an economy, then:
 - ▶ Low income groups are particularly hurt.
 - ▶ **People on a fixed income will be worse off in real term due to higher prices and equal income as before.**
 - ▶ **Inflation discourages export** as domestic sales are attractive and BOP problems can be caused.
 - ▶ **Inflation can drag down growth as investment climate turns bad**

due to instability and uncertainty and also interest rates are raised and cost of credit increased.

- ▶ **Inflation may discourage saving and thus hit investment, etc.**

6. Correct Option: (c)

Explanation:

Indices of Inflation

- **The Reserve Bank compiles quarterly house price index** for ten major cities, viz. Mumbai, Delhi, Chennai, Kolkata, Bengaluru, Lucknow, Ahmedabad, Jaipur, Kanpur, and Kochi.
- **RESIDEX, the country's first official housing price index (BPI) was launched by NHB in 2007** covering 26 cities and was published till 2015 on a quarterly basis. It was discontinued then and has been revived in 2017. The revamped RESIDEX has been expanded to 50 cities spread over 18 States and UTs.
- Consumer Food Price Index (CFPI) is a measure of change in retail prices of food products consumed by a defined population group in a given area with reference to a base year. **The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation' (MOSPI) started releasing Consumer Food Price Indices (CFPI) for three categories—rural, urban and combined separately on an all India basis from 2014.**

7. Correct Option: (a)

Explanation:

Inflation targeting in India

- The amended Reserve Bank of India Act, 1934, into effect in June 2016, paved the way for a flexible inflation targeting (FIT) framework in India by specifying the primary objective of monetary policy as maintaining price stability while keeping in mind the objective of growth.
- To operationalize this mandate, the Government of India notified a medium-term inflation target of 4 percent, with a band of +/- 2 percent for the period from August 2016 to March 2021.
- The inflation target has been fixed in terms of all-India **CPI-Combined** published by the Central Statistics Office (CSO).

8. Correct Option: (c)

Explanation:

GDP deflator

- It is the most comprehensive measure of inflation as it reports the change in prices of all **domestically** produced final goods and services in an economy.
- **The GDP deflator is not based on a fixed market basket of goods and services**, but applies to all the goods and services domestically produced as implied above. Hence, it is a more comprehensive inflation measure than the CPI index.
- The GDP deflator helps to measure the changes in prices when comparing nominal to real GDP over several periods.
- $\text{GDP Price Deflator} = (\text{Nominal GDP} \div \text{Real GDP}) \times 100$.
- Using the GDP deflator helps economists compare the levels of real economic activity from one year to another.

9. Correct Option: (a)

Explanation:

Headline versus core inflation.

- Headline inflation usually refers to changes in the **prices of all goods and services** in a basket of goods and services that is representative of consumer expenditures.
- Conversely, core inflation excludes the highly volatile food and fuel components and therefore represents the underlying trend inflation.
- **There is no index for direct measurement of core inflation** and now it is measured by excluding food and fuel items from headline Wholesale Price Index (WPI) or headline Consumer Price Index (CPI)
- For example, swings in food and energy prices tend to be changes in relative prices that shift consumption and production patterns. Alternatively, core inflation is sometimes calculated as the common component of price movements of all goods and services

10. Correct Option: (b)

Explanation:

Disinflation versus deflation

- **Deflation refers to negative inflation—that is, a decline in price levels—**

whereas **disinflation** refers to a decline in inflation rates that are still positive.

- **Disinflation has been widespread since the mid-1970s, whereas outright deflation has been rare in the world economy.**
- **Deflation, which is the opposite of inflation, is mainly caused by shifts in supply and demand.** Disinflation, on the other hand, shows the rate of change of inflation over time.
- Deflation, which is harmful to an economy, can be caused by a drop in the money supply, government spending, consumer spending, and corporate investment.
- **Disinflation can be caused by a recession or when a central bank tightens its monetary policy.**
- Central banks will fight disinflation by expanding its monetary policy and lowering interest rates.

11. Correct Option: (a)

Explanation:

Phillips curve

- The Phillips curve is an economic concept developed by A. W. Phillips stating that inflation and unemployment have a **stable and inverse relationship**.
- **The theory claims that economic growth brings inflation, which in turn should lead to more jobs and less unemployment.**
- **However, the original concept has been somewhat disproven empirically due to the occurrence of stagflation in the 1970s in the USA, when there were high levels of both inflation and unemployment.**
- Understanding the Phillips curve in light of consumer and worker expectations shows that the relationship between inflation and unemployment may not hold in the long run, or even potentially in the short run.

12. Correct Option: (c)

Explanation:

Network products

- India has huge potential to emerge as a major hub for final assembly in a range of products, referred to as “network products” (NP).

- It has been identified six groups of NP, based on Standard International Trade Classification (SITC) nomenclature, where global production sharing is most prevalent.
- These are:
 - ▶ Office machines and automatic data processing machines
 - ▶ Telecommunication and sound recording equipment
 - ▶ Electrical Machinery
 - ▶ Road Vehicles
 - ▶ Professional and scientific equipment
 - ▶ Photographic Apparatus

13. Correct Option: (a)

Explanation:

Wholesale Price Index (WPI)

- It is 'the price of a representative basket of wholesale goods' at wholesale prices. It focuses on the price of goods traded between corporations, rather than goods bought by consumers, which is measured by the Consumer Price Index.
- The WPI is an indicator designed to measure the changes in the price levels of commodities that flow into the wholesale trade and is a very vital guide in economic analysis and policy formulation. But one of the biggest drawbacks of WPI is that it does not include services that CPI includes like transport, health, education, etc.

Consumer Price Index (CPI)

- It measures changes in the price level of a market basket of consumer goods and services purchased by households at retail prices. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.
- CPI gives larger weight on food items than WPI and therefore is more sensitive to changes in prices in food items whereas the change in international crude prices has a greater bearing on WPI as fuel gets higher weightage in WPI.

14. Correct Option: (d)

Explanation:

Central Statistical Organization

- It is under the Ministry of Statistics and Programme Implementation, which coordinates the statistical activities in the country and evolves statistical standards.
- It is headed by a Director-General assisted by 5 Additional Director Generals.
- Consumer Price Index (CPI) and Index of Industrial Production (IIP) is released by the Central Statistical Organization.

15. Correct Option: (b)

Explanation:

GDP Deflator

- It is a tool to measure inflation comprehensively.
- **It represents the ratio of GDP at current prices to GDP at constant prices.** The GDP deflator is published on a quarterly basis since 1996 with a lag of two months.
- It is because of this very reason that economists prefer the use of the Wholesale Price Index (WPI) or Consumer Price Index (CPI) for deflating nominal price estimates to derive real price estimates.
- $\text{GDP deflator} = (\text{Nominal GDP} / \text{Real GDP}) * 100$ (if calculated in a percentage form).
- **Unlike the WPI and the CPI, GDP deflator is not based on a fixed basket of goods and services, it covers the whole economy.**
- It does not include the prices of imported goods.
- The weights are constant in CPI, but they differ according to the production level of each good in GDP deflator.

16. Correct Option: (b)

Explanation:

Inflation Tax

- The inflation tax is not an actual legal tax paid to a government; instead "inflation tax" refers to the penalty for holding cash at a time of high inflation. The degree of decrease in the value of cash is termed the inflation tax for the way it punishes people who hold assets in cash, which tend to be lower class and middle-class wage earners. There is no penalty for cash holding during deflation as aggregate demand is low.

17. Correct Option: (a)

Explanation:**Inflation**

- Inflation means a sustained increase in the general price level. However, this increase in the cost of living can be caused by different factors.
- Creeping or mild inflation is when prices rise **3 percent** a year or less.
- Trotting Inflation is when inflation rises to **10 percent** or more.
- Core inflation is a measure of inflation that **excludes certain items that face volatile price movements (like food and energy)** because in finding out the legitimate long-run inflation, short-term price volatility and transitory changes in price must be removed. Core inflation reflects the long-term trend at a particular price level.
- Disinflation is a **decrease in the rate of inflation – a slowdown in the rate of increase of the general price level of goods and services** in a nation's gross domestic product over time. It is the opposite of reflation. Disinflation occurs when the increase in the "consumer price level" slows down from the previous period when the prices were rising.

18. Correct Option: (c)

Explanation:**Effect of Inflation**

- There are multi-dimensional effects of inflation on an economy both at the micro and macro levels.
- It redistributes income, distorts relative prices, destabilises employment, tax, saving and investment policies, and finally, it may bring in recession and depression in an economy.

On Creditors and Debtors

- Inflation redistributes wealth from creditors to debtors, i.e., lenders suffer and borrowers benefit out of inflation. The opposite effect takes place when inflation falls (i.e., deflation).

On lending

- With the rise in inflation, lending institutions feel the pressure of higher lending. Institutions don't revise the

nominal rate of interest as the 'real cost of borrowing' (i.e., the nominal rate of interest minus inflation) falls by the same percentage with which inflation rises.

On Aggregate Demand

- Rising inflation indicates rising aggregate demand and indicates a comparatively lower supply and higher purchasing capacity among the consumers. Usually, higher inflation suggests the producers increase their production level as it is generally considered as an indication of higher demand in the economy.

On Investment

- Investment in the economy is boosted by the inflation (in the short-run) because of two reasons: (i) Higher inflation indicates higher demand and suggests entrepreneurs expand their production level, and (ii) Higher the inflation, lower the cost of the loan

On Income

- Inflation affects the income of individuals and firms alike. An increase in inflation increases the 'nominal' value of income, while the 'real' value of income remains the same. Increased price levels erode the purchasing power of the money in the short-run, but in the long-run, the income levels also increase (making the nominal value of income going upward). It means, in a given period of time income may go up due to two reasons, viz., inflationary situation and increased earning. The concept 'GDP Deflator' (GDP at current prices divided by GDP at constant prices) gives the idea of 'inflation effect' on income over a given period.

On Expenditure

- Inflation affects both the forms of expenditures —consumption as well as investment. Increased prices make our consumption levels fall as goods and services we buy get costlier. We see a tendency among the people to cut their consumption levels aimed at neutralising the impact of price rise making consumption expenditure fall. The exact opposite happens once prices head downward.

19. Correct Option: (c)

Explanation:**Headline Inflation**

- It is the raw inflation figure reported through the Consumer Price Index (CPI) that is released monthly by the Bureau of Labor Statistics.
- **As it includes all aspects within an economy that experience inflation, it is not adjusted to remove highly volatile figures, including those that can shift regardless of economic conditions.**
- It is often closely related to shifts in the cost of living, which provides useful information to consumers within the marketplace.

20. Correct Option: (c)

Explanation:

Deflationary Effect

- If deflation is exacerbated, it can throw an economy into a deflationary spiral. This happens when price decreases lead to lower production levels, which, in turn, leads to lower wages, which leads to lower demand by businesses and consumers, which leads to further decreases in prices.
- While it may seem like lower prices are good, deflation can ripple through the economy, such as when it causes **high unemployment**.
- It can turn a bad situation, such as a recession, into a worse situation, such as depression.
- **Demand for goods decreases** since consumers delay purchases, expecting lower prices in the future. This compounds itself as prices drop further in response to decreasing demand.
- **Bank lending drops** since borrowing money makes less sense in regards to the real cost. This is because the loan would be paid back with money that is worth more than it is now.

21. Correct option: (c)

Explanation

“Cover Unorganised, Migrant Labourers Too”

- The informal sector is an unorganized one which is neither taxed nor monitored by any form of government.
- The Economic Survey of 2018-19, released in July 2019, says “almost 93%” of the total workforce is ‘informal’.
- But the Niti Aayog’s Strategy for New India at 75, released in November 2018, said: “by some estimates, India’s informal sector employs approximately 85% of all workers”.

- Meanwhile, as per the International Labor Organization, over 80 per cent of the Indian economy is in the informal sector, while only 6.5 per cent constitutes the formal sector.
- Clearly, India’s unorganised sector is not the residual sector of the economy. In fact, it is the dominant sector.
- To bring labour reforms in the country, the bill on the Labour Code on Occupational Safety, Health and Working Condition of Workers was introduced in 2019 in the Lok Sabha.
- Then it had been referred to the Standing Committee on Labour which held meetings with stakeholders.
- In its report tabled in the Parliament, the Standing Committee on Labour said there should be uniform definitions and clarity in interpretation of the provisions contained in the Code.

22. Correct option: (d)

Explanation

Why do countries impose Economic sanctions?

- **Way to express disapproval:** Economic sanctions are a popular way for large governments to exert their disapproval over one another.
 - ▶ The US sanctions countries that **sponsor terrorism** or perpetrate **human rights violations** on their people.
- **Less costly and tangible for the country imposing it:** While wars are costly—both economically and politically—economic sanctions tend to be somewhat less tangible, at least for the country doing the sanctioning.
- **Intensive impact on the receiving country:** For the country being sanctioned, results can be enormous and long-lasting. This instrument of foreign policy and economic pressure is preferred over military action and can hit worse.

23. Correct option: (a)

Explanation

Gig economy

- **Based on temporary hiring:** In a gig economy, temporary, flexible jobs are commonplace and companies tend

toward hiring independent contractors and freelancers **instead of full-time employees.**

- ▶ This undermines the traditional economy of full-time workers who rarely change positions and instead focus on a lifetime career.
- **Technology dependent:** In the modern digital world, computers have developed to the point that they can take place of jobs previously held by people.
 - ▶ **Technology and the internet** facilitate work from home or away from the office.
 - ▶ Technology and internet **offer to workers connectivity with employers and customers.**
- **Confined more to urban areas:** Those who don't engage in **using technological services such as the Internet**, tend to be left behind by the benefits of the gig economy.
 - ▶ Cities tend to have the most highly developed services and are the most entrenched in the gig economy.
- **Attracts young workers:** Gig economy attracts millennial because it offers them alternative work arrangements. It **provides them with what they value:** flexible working hours, the ability to work from home, a variety of experiences, and a sense of excitement to be working on different projects with varied companies.
- **Wide range:** There is a **wide range of positions that fall into the category of a gig.** The gig economy is prevalent in wide-ranging sectors/segment; Finance, agriculture and forestry, transportation, education, healthcare, construction.
 - ▶ For example, adjunct and part-time professors have contracted employees as opposed to tenured professors.
- **Change of traditional roles: Workers are taking upon themselves** a much larger share of the market risk of economic ups and downs, changing trends, and fickle consumer preferences, **which were traditionally borne by capitalist business owners** who employed wage and salaried

24. Correct option: (a)

Explanation

Why industrial production has contracted, what it means for the economy

- The IIP is an index used to track the performance of the industrial sector in the Indian economy.
- It does this by mapping the volume of production.
- But since it is an “index”, it targets a basket of industrial products — ranging from the manufacturing sector to mining to energy — and allocates different weights to them.
- Then, depending on the production of this basket, it throws up an index value.
- The index value is then compared with the value of the index in the same month a year ago to arrive at a percentage growth or decline figure.
- There are two ways to understand the IIP data.
- One can either drill down the IIP data and look at the sectoral performance — where the whole industrial sector is divided into three sub-sectors, namely manufacturing, mining and electricity — or look at the use-based classification.

25. Correct option: (a)

Explanation

“Voyager 2”

- NASA's Voyager 2 is the second spacecraft to enter interstellar space. It is sister craft to Voyager 1. Both have been travelling through the solar system, and now beyond it, for the last four decades.
- Both were launched a few weeks apart in 1977 to perform an unprecedented “grand tour” of the outer solar system.
- Both spacecraft conducted flybys of Jupiter and Saturn, revealing a great deal about the solar system's two biggest planets.
- Closest approach to Jupiter occurred on March 5, 1979, for Voyager 1; July 9, 1979
- Closest approach to Saturn occurred on November 12, 1980, for Voyager 1; August 25, 1981
- Voyager 2 then zoomed past Uranus in 1986 and Neptune in 1989; the probe remains the only craft to have gotten up-close looks at either of these “ice giants.”
- Voyager 1 and Voyager 2 are currently about 13.8 billion miles (22.2 billion kilometres) and 11.5 billion miles (13.5 billion km) from Earth, respectively.
- Voyager 2 is the furthest away object made by humans: 11.5 billion miles from Earth. Not even light can travel such a distance instantaneously as it does on our planet.
- It takes more than 17 hours for light to travel from Earth to Voyager 2.

TEST

DAY - 50

Time Allowed: 30 mins

Maximum Marks: 50

1. Which of the following indices is/are published by NITI Ayog?

1. School Education Quality Index
2. Composite Water Management Index
3. Health Index

Select the correct option using the codes given below:

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

2. Which of the following five-year plans advocated 'huge imports through foreign loans'?

- (a) Second Plan
- (b) Third Plan
- (c) Rolling Plan
- (d) Tenth Plan

3. Which of the following pairs regarding 'Five Year Plans' is/are *incorrectly* matched?

1. Rolling Plan: 1966-69
2. Plan Holidays: 1978-80
3. Annual Plans: 1990-92

Select the correct option using the codes given below:

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

4. Which of the following are the negative impact of the Green Revolution in India?

1. Regional inequality
2. Monoculture
3. Multiple cropping
4. Inter-personal inequalities

Select the correct option using the codes given below:

- (a) 1 and 4 only
- (b) 2 and 3 only
- (c) 1, 2, and 3 only
- (d) 1, 2, and 4 only

5. Which of the following pairs regarding the history of Indian planning are correctly matched?

1. Visvesvaraya Plan: Democratic capitalism
2. Bombay Plan: Agrarian restructuring
3. People Plan: Gandhian perspective
4. Sarvodaya Plan: Marxist socialism

Select the correct match from the codes given below.

- (a) 1 and 3 only
- (b) 1 and 2 only
- (c) 3 and 4 only
- (d) 1, 2, 3, and 4

6. Consider the following statements regarding the National Planning Committee (NPC):

1. It was set up by Congress on the proposal of FICCI.
2. Gandhians also supported to commit the party to centralized state planning.
3. It was set up under the chairmanship of Subhash Chandra Bose.

Which of the above statements is/are correct?

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

7. Consider the following statements regarding the impact of economic reforms in India:

1. It has increased the income and quality of consumption of only high-income groups.
2. The growth has been concentrated only in some select areas in the service sector.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

8. Which of the following are the objectives of Disinvestment?

1. Reducing the fiscal deficit
2. Encouraging private ownership
3. Managing allocation

Select the correct option using the codes given below:

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

9. Which of the following statements is/are correct?

1. Disinvestment is a process in which at least 51 percent of the stake is transferred to a strategic partner.
2. Majority disinvestment is the complete privatization.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

10. What are the impacts of liberalization on the Indian economy?

1. Free flow of capital
2. Diversification for Investors
3. Destabilization of the economy

Select the correct option using the codes given below:

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

11. Which of the following are the steps of the new economic reforms in India?

1. Indian rupee was made fully convertible on capital account
2. Quantitative restrictions were removed
3. Abolition of Industrial Licensing System

Select the correct option using the codes given below:

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

12. Consider the following sectors:

1. Atomic Energy
2. High-speed train project
3. Railway Electrification

Which of the above industrial sectors are reserved for the public sector currently in India?

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

13. To increase the growth, which of the following can be considered good policy?

1. Encouragement of saving and investment
2. Nationalization of major industries
3. Adopting dear money policy
4. Encouragement of research and development

5. Promotion of free trade

Select the correct answer using the code given below:

- (a) 1, 4 and 3 only
- (b) 1, 4, and 2 only
- (c) 1, 4, and 5 only
- (d) All of the above

14. According to Lewis's model, the dual economy grows only when:

- 1. The modern sector increases its output share relative to the traditional sector
- 2. Agricultural sector hires labour economically
- 3. Share of labour hired by modern sector increases consistently

Which of the above statements is/are correct?

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

15. Consider the following statements regarding the policy changes made under the liberalisation, privatisation, and globalisation reforms in India:

- 1. Increase in import duties on agricultural products.
- 2. Lifting of Quantitative Restrictions on imports of agricultural products.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither of the two

16. Consider the following statements regarding the impact of economic reforms in India:

- 1. It has increased the income and quality of consumption of only high-income groups.
- 2. The growth has been concentrated only in some select areas in the service sector.

Which of the above statements are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

17. Consider the following statements regarding India's trade policy before the Economic Reform of 1991:

- 1. Quantitative restrictions were encouraged through tight control over imports and by high tariff rates.
- 2. The imposition of tariffs increased the prices of imported goods which, in turn, discouraged the consumption of these goods.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

18. Which of the following is *not* a necessary requirement for economic development?

- 1. A temperate climate
- 2. Natural resources
- 3. An adequate capital base
- 4. Technological advancement

Select the correct answer using the code given below:

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 3 and 4 only
- (d) 2 and 4 only

19. The Harrod - Domar growth model suggests that growth is:

- (a) Directly related to investments and inversely related to the capital/output ratio.
- (b) Directly related to the capital/output ratio and inversely related to investments.
- (c) Indirectly related to investments and the capital/output ratio.
- (d) Directly related to investments and the capital/output ratio.

20. Which of the following is a stage of growth as per Rostow's model?

1. Preconditions for take-off
2. Age of creative destruction
3. Age of high mass consumption
4. The learning curve
5. Drive to maturity
6. Traditional society

Select the correct answer using the code given below:

- (a) 1, 2, 3, 4 and 5 only
- (b) 1, 3, 5 and 6 only
- (c) 2, 3, 4, 5 and 6 only
- (d) All of the above

21. Kumbhabhishegam (consecration) ceremony at the Sri Brahadeeswarar Temple is been witnessed in which state of India?

- (a) Tamil Nadu
- (b) Kerala
- (c) Andhra Pradesh
- (d) Karnataka

22. Consider the following statements regarding iconic archaeological sites mentioned in the Budget

1. Hastinapur finds mention in the Mahabharata and the Puranas.
2. Dholavira site is in Gujarat.
3. In Rakhigarhi grave consisted of more than one skeletal remains and of individuals of the opposite sex together.

Which of the following is/are correct?

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

23. With reference to Disaster Management Act of 2005 consider the following statements

1. The Act mandated the creation of the National and state Disaster Management Authority only.
2. The main drawback of the present policy is it neglects long-term recovery.

Which of the following is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

24. Consider the following statements regarding Classical Swine Fever

1. It is also known as hog cholera
2. It is a contagious bacterial disease

Which of the following is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

25. Consider the following statements regarding Commonwealth of Nations

1. Saudi Arabia rejoined it recently
2. It is an inter-governmental organization and its outcomes are binding in nature
3. Its work supports the United Nations Sustainable Development Goals and the Paris Agreement on Climate Change.

Which of the following is/are correct?

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



ANSWER HINTS

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1. Correct Option: (d)

Explanation:

NITI Ayog

- NITI Aayog releases the **School Education Quality Index** that evaluates the performance of states and union territories in the school education sector.
- It has developed a **Composite Water Management Index** as a useful tool to assess and further improve the performance in the efficient management of water resources.
- It has also spearheaded the **Health Index initiative**, to measure the annual performance of States and UTs.

2. Correct Option: (a)

Explanation:

Second Plan

- The **Second Plan** focussed on rapid industrialization- heavy & basic industries.
- For this to happen, it advocated huge imports through foreign loans.

3. Correct Option: (c)

Explanation:

Five Year Plans

- Failure of Third Plan that of the devaluation of rupee (to boost exports) along with inflationary recession led to postponement of Fourth FYP. Instead, Three Annual Plans were introduced in **1966-69** by the LalBahadurShastri Government focusing on agriculture and acute food shortage in the country. These annual plans are euphemistically described as **Plan holiday**.
- In contrast to Nehru Model, which the Govt criticized for concentration of power, widening inequality & for mounting poverty, the Janta Government put forward a plan

for 1978-1983 emphasizing employment. As the government lasted for only 2 years. Congress Govt. returned to power in 1980 and launched a different plan. Hence, the Plan of 1978-80 is called the **Rolling Plan**.

- The eighth plan was postponed by two years because of political uncertainty at the Centre and **Two Annual Plans were launched in 1990-92**.

4. Correct Option: (d)

Explanation:

Impacts of the Green Revolution

- Although there have been numerous positive impacts of the Green Revolution such as an Increase in Agricultural Production, Reduction in import of food-grains, Industrial (esp. Farm Industry) Growth, Prosperity of farmers, etc, there are some negative points too.
- These include **Regional Inequalities, Interpersonal inequalities, exploitation of agricultural lands (heavy fertilization, saltation, etc.), mono-cropping and monoculture, etc.**

5. Correct Option: (b)

Explanation:

Planning in India

The Visvesvaraya Plan

- It is the first blueprint of Indian planning by M. Visvesvaraya.
- His ideas of state planning were an **exercise in democratic capitalism** (similar to the USA) with emphasis on industrialization i.e. a shift of labor from agricultural to industries, targeting to double the national income in one decade.
- Though there was no follow up by the British government on this plan, it aroused an urge for national planning among the educated citizens of the country

The Bombay Plan

- **Bombay Plan** or “A Plan of Economic Development for India” too, was prepared by leading capitalists. They were PurshotamdasThakurdas, J.R.D. Tata, G.D. Birla, Lala Sri Ram, KasturbhaiLalbai, A.D. Shroff, AvdeshirDalal and John Mathai.
- It was published in 1944-45.
- Many members of the Bombay plan were also members of NPC as the agreement between these groups was needed for the direction of the Indian Economy.

Agreements between NPC and the Bombay Plan

- **Agrarian restructuring: zamindari abolition**, minimum wages, guarantee of minimum or fair prices for agricultural products, cooperatives, credit, and marketing supports.
- **Rapid industrialization:** With emphasis on heavy capital goods and basic industries (the Bombay Plan had allocated 35 % of its total plan outlay on basic industries)
- **Development of the essential consumer goods industries:** Inspired from the USSR, but as a low-key affair.
- **Promotion of the medium and small-scale industries and cottage industries:** As they could provide greater employment and require lesser capital and lower order of plants and machineries.
- **The state to play an active role in the economy:** Through planning, controlling and overseeing the different areas of the economy based on the Keynesian model as well as the Soviet model.
- **Measures of social welfare:** Such as the right to work and full employment, the guarantee of a minimum wage, greater state expenditure on housing, water and sanitation, free education, social insurance to cover unemployment and sickness and provision of utility services such as electricity and transportation at a low cost through state subsidies.
- **Reducing inequalities:** Through measures like progressive taxation and prevention of concentration of wealth.

The People Plan

- This plan was formulated by M.N. Roy, a communist in 1945.

- It was based on **Marxist socialism** and advocated the need of providing the people with the “**basic necessities of life**”.
- Agricultural and industrial sectors, both were equally highlighted by the plan.
- The socialist leanings in Indian planning is attributed to this plan.
- The common minimum programs of the United Front Government in mid-nineties and that of the United Progressive Alliance of 2004 may also be thought to have been inspired by the same plan.
- “Economic reforms with the human face”, the slogan with which the economic reforms started in the early 1990s also has the resonance of the People’s Plan.

The Sarvodaya Plan

- After the reports of the NPC were published and the government was set to go for the five-year plans, another blueprint for the planned development of India was formulated by the famous socialist leader Jayaprakash Narayan viz. the Sarvodaya Plan, 1950.
- It was inspired by the Gandhian techniques of constructive works by the community and trusteeship as well as the Sarvodaya concept of Acharya Vinoba Bhave.
- **Major ideas of the plan were highly similar to the Gandhian Plan like emphasis on Agriculture, Agri based small and cottage industries, self-reliance and almost no dependence on foreign capital and technology, land reforms, self-dependent villages and decentralized participatory form of planning and economic progress.**
- Although some of the ideas of the plan got their due importance in the five-year plans, Jayaprakash Narayan had become highly critical of the Indian planning process, especially of its increasing centralizing nature and dilution of people’s participation in it.
- This led the Jayaprakash Narayan Committee (1961) to decide against the centralizing nature of Indian planning. The committee pointed out that after having accepted Panchayati Raj as the agency responsible for the planning and execution of plans, there is “no longer any valid reason for continuing the individual MPs/ MLAs allocations subjectwise.

- Disregarding the advice of the committee, central schemes like small farmers development agency (SFDA), drought-prone area program (DPAP), intensive tribal development program (ITDP), intensive agricultural district program (IADP), etc., were introduced by the government and were put totally outside the purview of the Panchayats.
- It was only after the 73rd and 74th Amendments, the role of local bodies and their importance in the process of planned development was accepted and the views of Jayprakash got vindicated.

6. Correct Option: (a)

Explanation:

The FICCI proposal

- In 1934 FICCI, the leading organization of Indian capitalists too urged for Indian planning.
- Voicing the views of the capitalist class, they called for a high powered 'National Planning Commission' to coordinate the whole process of planning so that the country could make a structural break with the past and achieve its full growth potential.
- By the late nineteenth century, the economic thinking of the nationalists (such as M.G. Ranade and DadabhaiNaraji) was in favor of a dominant role of the state in the economy and doubted the prudence of the 'market mechanism', further reinforced by the Keynesian ideas in the wake of the Great Depression the New Deal in the USA and the Soviet experiment in national planning.

The Congress Plan (NPC)

- **Though the Gandhians (including Mahatma Gandhi), and others were opposed to commit the party to centralized state planning it was on the initiative of the INC president Subhash Chandra Bose that the National Planning Committee (NPC) was set up in October 1938 under the chairmanship of J. L. Nehru to work out concrete programs for development encompassing all major areas of the economy.**
- Basically, the NPC was set up in a conference of the Ministers of Industries of the Congress-ruled States where M.

Visvesvaraya, J.R.D. Tata, G.D. Birla and Lala Sri Ram and many others including academicians, technocrats, provincial civil servants, trade unionists, socialists and communists, etc., were also invited.

- The work of the 15-member committee was interrupted when the Second World War broke out and in the wake of the Quit India Movement many of its members including the chairman were arrested, and between 1940 and 1945 the Committee had only a nominal existence.
- Though the final report of the NPC could only be published in 1949, many developments related to planning took place during the Interim Government up to 1946.
- The importance of the NPC was that it created throughout the country for co-ordinated planning as the only means of bringing about a rapid increase in the standards of living and its emphasis on the need for bringing fundamental changes in the social and economic structure.

7. Correct Option: (c)

Explanation:

Economic Reforms in India

- It has compromised the welfare and identity of people belonging to poor countries.
- Market-driven globalization has widened the economic disparities among nations and people.
- The crisis that erupted in the early 1990s in India was basically an outcome of the deep-rooted inequalities in Indian society and the economic reform policies initiated as a response to the crisis by the government, with externally advised policy package, further aggravated the inequalities.
- **Further, it has increased the income and quality of consumption of only high-income groups and the growth has been concentrated only in some select areas in the services sector such as telecommunication, information technology, finance, entertainment, travel and hospitality services, real estate and trade, rather than vital sectors such as agriculture and industry which provide livelihoods to millions of people in the country.**

8. **Correct Option: (d)****Explanation:**

Main objectives of Disinvestment in India are

- Reducing the fiscal burden on the exchequer
- Improving public finances
- Encouraging private ownership
- Funding growth and development programs
- Long-term growth
- Managing allocation, etc.

9. **Correct Option: (d)****Explanation:**

Privatization and disinvestment

- Disinvestment can be defined as the action of an organization (or government) selling or liquidating an asset or subsidiary. It is also referred to as 'divestment' or 'divestiture.'
- **The government, whenever it so desires, may sell a whole enterprise, or a majority stake in it, to private investors. In such cases, it is known as privatization, in which the resulting ownership and control of the organization does not rest with the government.**
- Disinvestment and Privatization are often loosely used interchangeably. There is, however, a vital difference between the two. **Disinvestment may or may not result in Privatization.**
- When the Government retains 26% of the shares carrying voting powers while selling the remaining to a strategic buyer, it would have disinvested, but would not have 'privatized', because with 26%, it can still stall vital decisions for which generally a special resolution (three-fourths majority) is required.
- A minority disinvestment is one such that, at the end of it, the government retains a majority stake in the company, typically greater than 51%, thus ensuring management control.
- A majority disinvestment is one in which the government, post disinvestment, retains a minority stake in the company i.e. it sells off a majority stake.

- Complete privatization is a form of majority disinvestment wherein 100% control of the company is passed on to a buyer.

10. **Correct Option: (d)****Explanation:**

Impacts of liberalization on the Indian economy

- There has been a revolutionary change in the Indian Economy since the espousal of the New Economic Strategy in 1991. This had great impacts on all the areas of life in India.
- Some of these impacts are as follows:

Positive impacts

- **Free flow of capital:** Liberalisation has improved the flow of capital into the country which makes it inexpensive for the companies to access capital from investors. Lower cost of capital enables them to undertake lucrative projects which they may not have been possible with a higher cost of capital pre-liberalization, leading to higher growth rates.
- **Stock Market Performance:** Generally, when a country relaxes its laws, taxes, the stock market values also rise. Stock Markets are platforms on which Corporate Securities can be traded in real-time.
- **Political Risks Reduced:** Liberalisation policies in the country lessens political risks to investors. The government can attract more foreign investment through the liberalization of economic policies. These are the areas that support and foster a readiness to do business in the country such as a strong legal foundation to settle disputes, fair and enforceable laws.
- **Diversification for Investors:** In a liberalized economy, Investors gets benefit by being able to invest a portion of their portfolio into a diversifying asset class.
- **Impact on Agriculture:** In the area of agriculture, the cropping patterns have undergone a huge modification, but the impact of liberalization cannot be properly measured. It is observed that there are still all-pervasive government controls and interventions starting from production to distribution for the produce.

Negative impacts

- **Destabilization of the economy:** Tremendous redistribution of economic power and political power leads to

Destabilizing effects on the entire Indian economy.

- Threat from Multinationals: Prior to 1991 MNC's did not play much role in the Indian economy. In the pre-reform period, there was domination of public enterprises in the economy. On account of liberalization, competition has increased for the Indian firms. Multinationals are quite big and operate in several countries which has turned out a threat to local Indian Firms.
- Technological Impact: Rapid increase in technology forces many enterprises and small scale industries in India to either adapt to changes or close their businesses.
- Mergers and Acquisitions: Acquisitions and mergers are increasing day-by-day. In cases where small companies are being merged by big companies, the employees of the small companies may require exhaustive re-skilling. Re-skilling duration will lead to non-productivity and would cast a burden on the capital of the company.

11. Correct Option: (c)

Explanation:

Economic reforms

- The following points highlight the four major economic reforms under the new economic policy of India since 1991:
- **De-Reservation of Industries of the Public Sector:**
 - ▶ The new industrial policy 1991 has been adopted under which far-reaching structural reforms have been initiated to lift excess direct controls and regulations on industries and to ensure a free-market-oriented economic system. The list of industries reserved for the public sector has been pruned.
- **Liberalization: Abolition of Industrial Licensing System**
 - ▶ Until 1991 the Indian industrial sector had functioned under a system of tight controls and regulations represented by industrial licensing which meant to allocate scarce resources towards building the industrial base of the economy. By the year 1991, the Indian industrial economy had a quite wide and diversified base, the new policy abolished all industrial licensing irrespective of the level of investment except for 15 industries for which license was still required.

- Privatization of Public Sector Enterprises
 - ▶ An important aspect of the new industrial policy of the Government is that it should not operate commercial enterprises. With that end in view, the Government decided to disinvest the public enterprises. The Government can sell its enterprises completely to the private sector or disinvest a part of its equity capital held by it to the private sector companies or in the open market. Accordingly, a part of the economic reforms policy, the Government started reforms in public sector enterprises.
- Globalization

The following measures for the globalization of the Indian economy were taken:

- Welcoming Private Foreign Investment and Foreign Technology
- Trade Liberalisation
- Currency Convertibility and Floating of Indian Rupee: Another major step taken towards the liberalization of the Indian economy has been to make the **Indian rupee fully convertible on the current account** since March 1993.

12. Correct Option: (a)

Explanation:

Sectors reserved for Public Sector

- Consistent with the policy of liberalization of the domestic industry, the numbers of industries reserved for the public sector have also been reduced. During 2014, private investment in Rail Infrastructure has been permitted.
- Consequently, at present only two industrial sectors are reserved for the public sector:
 - ▶ **Atomic Energy**
 - ▶ Railway Operations other than construction, operation, and maintenance of the following:
 - ◉ Suburban corridor projects through PPP,
 - ◉ **High-speed train project,**
 - ◉ dedicated freight lines,
 - ◉ Rolling stock including train sets, and locomotives/ coaches manufacturing and maintenance facilities

- **Railway Electrification,**
- signaling systems
- freight terminals,
- Passenger terminals,
- infrastructure in industrial park pertaining to railway line/sidings including electrified railway lines and connectivities to main railway line and
- Mass Rapid Transport systems.
- Accordingly, now private investment (domestic as well as foreign) in construction, operation, and maintenance of the above has been allowed.

13. Correct Option: (c)

Explanation:

Measures to Increase Growth

- **Higher savings** can help finance higher levels of investment and boost productivity over the long term which can boost economic growth. If people save more, it enables the banks to lend more to firms for investment. An economy where savings are very low means that the economy is choosing short-term consumption over long-term investment. To starve the economy of investment can lead to future bottlenecks and shortages.
- **Nationalization of major industries** may not lead to higher growth because of the inefficiency of the public sector and increased government interference in the businesses which prevents them from making profits which can further hurt private investments thus impacting the growth.
- **Dear Money Policy** will restrict the money supply in the market making it expensive to borrow by raising interest rates. This would have an adverse impact on growth in the economy because the investment would reduce when the rate of interest is high.
- **Investments in research and development (R&D)** have large payoffs in terms of growth. R&D yields new products, improving the quality of life, and new processes, enabling firms to reduce costs of production and become more competitive.
- **Free trade** increases prosperity for the citizens of all participating nations—by allowing consumers to buy more, better-quality products at lower costs. It drives

economic growth, enhanced efficiency, increased innovation, and the greater fairness that accompanies a rules-based system.

14. Correct Option: (d)

Explanation:

Lewis Model of Economic Development/ Dual Sector Model

- An LDC is conceived to operate in two sectors:
 - ▶ A traditional agricultural sector, and
 - ▶ A much smaller and also more modern industrial sector.
- “Surplus labour” (or disguised unemployment) means the existence of such a huge population in the agricultural sector that the marginal product of labour is zero. So, if a few workers are removed from the land, the total product remains unchanged.
- The essence of the development process in such an economy is “the transfer of labour resources from the agricultural sector, where they add nothing to production, to the more modern industrial sector, where they create a surplus that may be used for further growth and development.”
- In the Lewis model, the transformation process or the process of structural change starts with an autonomous expansion in demand in industry as a result of changes in domestic consumer tastes, in government purchases, or in international markets.

15. Correct Option: (b)

Explanation:

Liberalisation, Privatisation, and Globalisation (LPG) Reforms in Agriculture

- LPG Reforms have not been able to benefit agriculture, where the growth rate has been decelerating. Public investment in the agriculture sector especially in infrastructure, which includes irrigation, power, roads, market linkages and research and extension (which played a crucial role in the Green Revolution), has fallen in the reform period.
- Further, the removal of fertilizer subsidy has led to an increase in the cost of production, which has severely affected the small and marginal farmers.

- **This sector has been experiencing a number of policy changes such as the reduction in import duties on agricultural products, and lifting of quantitative restrictions on agricultural products; these have adversely affected Indian farmers as they have to face increased international competition.**
- Moreover, because of export-oriented policy strategies in agriculture, there has been a shift from production for the domestic market towards production for the export market focusing on cash crops in lieu of production of food grains. This puts pressure on the prices of food grains.

16. Correct Option: (c)

Explanation:

Economic Reforms in India

- It has compromised the welfare and identity of people belonging to poor countries.
- Market-driven globalisation has widened the economic disparities among nations and people.
- The crisis that erupted in the early 1990s in India was basically an outcome of the deep-rooted inequalities in Indian society and the economic reform policies initiated as a response to the crisis by the government, with externally advised policy package, further aggravated the inequalities.
- **Further, it has increased the income and quality of consumption of only high-income groups and the growth has been concentrated only in some select areas in the services sector such as telecommunication, information technology, finance, entertainment, travel and hospitality services, real estate and trade, rather than vital sectors such as agriculture and industry which provide livelihoods to millions of people in the country.**

17. Correct Option: (c)

Explanation:

Trade and Investment Policy Reforms: During Liberalisation, Globalisation and Privatisation Period

- Liberalization of trade and investment regime was initiated to increase the international competitiveness of industrial production and also foreign investments

and technology into the economy. The aim was also to promote the efficiency of the local industries and the adoption of modern technologies.

- **In order to protect domestic industries, India was following a regime of quantitative restrictions on imports. This was encouraged through tight control over imports and by keeping the tariffs very high.** These policies reduced efficiency and competitiveness which led to the slow growth of the manufacturing sector. To face the above challenges, trade policy reforms were introduced.
- **The Trade Policy Reforms aims at:**
 - Dismantling of quantitative restrictions on imports and exports
 - Reduction of tariff rates, and
 - Removal of licensing procedures for imports.
 - Import licensing was abolished except in the case of hazardous and environmentally sensitive industries. Quantitative restrictions on imports of manufactured consumer goods and agricultural products were also fully removed from April 2001.
 - **Export duties have been removed to increase the competitive position of Indian goods in the international markets.**

18. Correct Option: (a)

Explanation:

Requirements for Economic Development

- Temperate Climate is not a necessary condition as a lot of non-temperate countries like Singapore, Malaysia, Taiwan, etc. have registered development in the tropical climate. It was considered necessary up to the 19th century.
- Natural Resources is not a necessary condition as countries like Japan, Singapore, UK, Germany, etc. gained great growth without too many natural resources.

19. Correct Option: (a)

Explanation:

Harrod-Domar Growth Model

- Harrod-Domar Growth Model suggests that the economy's rate of growth depends on:
 - ▶ The level of national saving (S)
 - ▶ The productivity of capital investment (this is known as the capital-output ratio)
- If the capital-output ratio is low, an economy can produce a lot of output from a little capital. If the capital-output ratio is high then it needs a lot of capital for production, and it will not get as much value of output for the same amount of capital.
- **As per this model, Rate of growth of GDP = Savings ratio / capital-output ratio**
- This implies if the savings rate is 10% and the capital-output ratio is 2, then a country would grow at 5% per year.
- **Based on the model, therefore, the rate of growth in an economy can be increased in one of two ways:**
 - ▶ Increased level of savings in the economy (i.e. gross national savings as a % of GDP)
 - ▶ Reducing the capital-output ratio (i.e. increasing the quality/productivity of capital inputs)

20. Correct Option: (b)

Explanation:

Rostow's Model

- **There are five stages in Rostow's Stages of Development:**
 - ▶ **Traditional society**
 - ▶ **Preconditions to take-off**
 - ▶ **Take-off**
 - ▶ **Drive to maturity**
 - ▶ **Age of high mass consumption**
- In the 1960s, an American economist called W.W. Rostow developed this theory. It is based on the models of economic activities.
- The primary criticism leveled at Rostow's model by contemporary geographers is that it presumes that the experience of western economies—and their path of development—can be universally applied. Modern evidence suggests that there are multiple paths to development; furthermore, evidence suggests that development can take on numerous forms.

21. Correct option: (a)

Explanation

- Tens of thousands of people thronged Thanjavur in Tamil Nadu's Cauvery delta to witness the kumbhabhishegam (consecration) ceremony at the Sri Brahadeeswarar Temple.

Supplementary notes

- **Kumbhabhishegam row: How the old Aryan-Dravidian tussle played out in an iconic Tamil Nadu temple**
- This enormously significant event was held after 23 years.
- The judgment delivered the struggle for supremacy between the Sanskrit and Tamil traditions that lies at the heart of several cultural battles in the state — and which also played out in the kumbhabhishegam ceremony.
- The consecration ceremony that culminated with the mahapoornahuthi or the main puja
- The Sri Brahadeeswarar Temple (also spelt Brihadisvara, and called PeruvudaiyarKoyil, which translates simply to 'Big Temple') is the most famous of the many temples in Thanjavur.
- The temple, one of the world's largest and grandest, was built between 1003 AD and 1010 AD by the great Chola emperor Raja Raja I (c. 985-1014 AD).
- Holy water brought from the yagasalai — the site of the yajna in the temple compound — was poured on the gold-plated kalasam that tops the 216-foot vimanam over the sanctum sanctorum.
- The other idols at the temple too, were sanctified with holy water from the yagasalai.
- Kumbha-abhishekam is a purification ceremony to sanctify the temple structures and the Deities.
- Kumbha (kalasa) is a pot and the abhishekam -generally means 'bathing' (Sanskrit root word-Shic- to sprinkle - ,abhi -all around-).
- When the two words are combined, it 'means ceremonial pouring of sanctified materials.'
- In temple worship, sixty-four worship procedures are recommended by Agama Sastras.

- Of these sixty-four, five upacharas (paadyam, gandham, pushpam, dhooam, deepam) are of paramount importance.
- These five are then followed by naivedyam, which is distributed to devotees as prasadam.
- Among the five upachara, paadyam, or offer of water is most important.
- This is the reason why during the Kumbha-abhishekam, water contained in pots is first sanctified with Vedic prayers (TheerthakalasaPooja), after which it used for abhishekam for the deities and other structures.

22. Correct option: (d)

Explanation

All the above statements are correct

Supplementary notes

The five 'iconic' archaeological sites mentioned in the Budget

- **Rakhigarhi**
 - ▶ Rakhigarhi in Haryana's Hissar district is one of the most prominent and largest sites of the Harappancivilisation.
 - ▶ It is one among the five known townships of the Harappancivilisation in the Indian subcontinent.
 - ▶ Between 2013 and 2016, excavations were carried out at the cemetery in Rakhigarhi by a team of Indian and South Korean researchers led by VasantShinde of Deccan College, Pune.
 - ▶ In one of their excavations, the skeletal remains of a couple were discovered.
 - ▶ Interestingly, of the 62 graves discovered in Rakhigarhi, only this particular grave consisted of more than one skeletal remains and of individuals of the opposite sex together.
- **Hastinapur**
 - ▶ Excavations at Hastinapur, in Meerut district of Uttar Pradesh.
 - ▶ Hastinapur finds mention in the Mahabharata and the Puranas.
 - ▶ One of the most significant discoveries made at this site was of the "new ceramic industry", which was named the Painted Grey Ware, which as per the report represented the relics of the early Indo-Aryans.
- **Sivasagar**
 - ▶ The Painted Grey Ware would be associated with the early settlers on these sites, viz. The Pauravas, Panchalas, etc., who formed a part of the early Aryan stock in India.
 - ▶ Such an association may also explain the synchronism between the appearance of the Painted Grey Ware in the Ghaggar-Sutlej valleys and the probable date of the arrival of the Aryans in that area."
- **Dholavira**
 - ▶ In Sivasagar, excavations at the Karenghar (Talatalghar) complex between 2000 and 2003 led to the discovery of buried structures in the north-western and north-eastern side of the complex.
 - ▶ Among the structural remains found at the site were ceramic assemblages including vases, vessels, dishes, and bowls, etc.
 - ▶ Terracotta smoking pipes were also found.
 - ▶ Another excavation site in Sivasagar district is the Garhgaon Raja's palace.
 - ▶ A burnt-brick wall running in north-south orientation was found, along with the remains of two huge circular wooden posts.
- **Adichnallur**
 - ▶ Dholavira in Gujarat is located in the Khadirisland of the Rann of Kutch, and like Rakhigarhi is one of the sites where the remains of the Harappancivilisation have been found.
 - ▶ Dholavira is unique because remains of a complete water system have been found here.
 - ▶ The people who lived there for an estimated 1,200 years during the Harappancivilisation are noted for their water conservation system using rainwater harvesting techniques in an otherwise parched landscape.
- **Adichnallur**
 - ▶ Adichnallur lies in the Thoothukudi district of Tamil Nadu.

- ▶ The urn-burial site was first brought to light during a “haphazard excavation” by a German archaeologist in 1876.
- ▶ Following this, an Englishman Alexander Rae excavated the site between 1889 and 1905.
- ▶ Over the years, the site has gained attention because of three important findings: the discovery of an ancient Tamil-Brahmi script on the inside of an urn containing a full human skeleton, a fragment of broken earthenware, and the remains of living quarters.

23. Correct option: (b)

Explanation

- Statement 1 is incorrect: The Act mandated the creation of the National Disaster Management Authority, State Disaster Management Authorities and District Disaster Management Authorities.

Supplementary notes

- **Proposal to amend the Disaster Management Act of 2005**
- The present Act largely focuses on
 - ▶ Improving preparedness
 - ▶ Providing immediate relief
 - ▶ Protecting infrastructure
- The main drawback of the present policy is it neglects long-term recovery.

A brief about disaster management act, 2005

- It was enacted to effectively prevent, mitigate (reducing the severity) and prepare for disasters.
- It came into being on the heels of three major disasters.
 - ▶ 1999 - Super cyclone in Odisha
 - ▶ 2001 - Bhuj earthquake
 - ▶ 2004 - Indian Ocean tsunami.
- The Act mandated the creation of the National Disaster Management Authority, State Disaster Management Authorities and District Disaster Management Authorities.
- It laid down the framework, roles and responsibilities of these bodies to formulate and implement disaster management plans at their levels.

The focus of the act is preparedness, that is:

- Most States invested in resilient infrastructure, early warning systems and evacuation.

- This translated into
 - ▶ timely warnings
 - ▶ relief shelters and
 - ▶ massive evacuation exercises
- All these steps have reduced casualties.
- NDRF and SDRF have helped in providing immediate relief in the aftermath of disasters.

Long-term recovery

- Once the hazardous situation is passed, the important aspect is how to ensure recovery.
- We are seeing disasters from the narrow prism of providing food, water and medicines.
- At the most, some states are looking at providing shelter.
- These interventions are crucial, but long-term recovery needs much more.

What is urgently needed?

- Recovery measures should address inherent vulnerabilities pertaining to livelihoods, education, water, sanitation, health, and ecology of the disaster-affected communities.
- Intangible losses such as psychosocial needs of the communities should be given equal emphasis.
- Long-term recovery needs to be thought of alongside development in an integrated comprehensive manner by combining health, skill building and livelihood diversification schemes.
- This would ensure that communities have, at the very least, recovered to a new normal before the next disaster strikes. This understanding is crucial to the lawmakers looking to amend the Act.

24. Correct option: (a)

Explanation

- Statement 2 is incorrect: It is a contagious viral disease of domestic and wild swine.

Supplementary notes

Classical Swine Fever

- Classical swine fever (CSF), also known as hog cholera, is a contagious viral disease of domestic and wild swine.
- It is caused by a virus of the genus Pestivirus of the family Flaviviridae, which

is closely related to the viruses that cause bovine viral diarrhoea in cattle and border disease in sheep.

- **Clinical signs:** The virus that causes CSF varies in virulence. Some strains are highly virulent and cause acute (i.e. rapid) serious disease. Some strains are of low virulence and cause chronic (i.e. long-lasting) disease, others are intermediate causing sub-acute disease.
- There is only one serotype of CSF virus (CSFV).
- CSF is a disease listed by the OIE World Organisation for Animal Health (OIE) Terrestrial Animal Health Code and must be reported to the OIE (OIE Terrestrial Animal Health Code).

25. Correct option: (c)

Explanation

- Statement 1 is incorrect: The Maldives has rejoined the Commonwealth, bringing the total number of nations in the global organisation to 54.
- Statement 2 is incorrect: The Commonwealth is a voluntary association of 54 independent and equal countries.

Supplementary notes

Maldives rejoins Commonwealth

- The Commonwealth is a voluntary association of 54 independent and equal countries.
- It is home to 2.4 billion people and includes both advanced economies and developing countries. 32 of our members are small states, including many island nations.
- Its member governments have agreed to shared goals like development, democracy and peace.

- The Commonwealth's roots go back to the British Empire. But today any country can join the modern Commonwealth.
- Eight governments (United Kingdom, Australia, India, South Africa, Canada, Sri Lanka, New Zealand and Pakistan) came together on 28 April 1949 to form the modern Commonwealth.
- Since its formation, independent countries from Africa, the Americas, Asia, Europe and the Pacific have joined the Commonwealth.
- The republic quit the Commonwealth in 2016 after being threatened with suspension over its human rights record and lack of progress on democratic reform.
- The island nation has been readmitted after showing evidence of functioning democratic processes and popular support for being part of the family of nations.
- The Maldives, which last joined the Commonwealth in 1982, will now be part of the Commonwealth heads of government meeting in Kigali, Rwanda, in June.
- The change came into effect just over an hour after the United Kingdom left the European Union.
- India became a member of the Commonwealth in 1947, the first with chiefly non-European populations.
- India's new political interest in the Commonwealth is evident by the participation of Prime Minister Narendra Modi at the 25th Commonwealth Heads of Government Meeting (CHOGM) in London in 2018, marking the first Indian prime ministerial presence in a Commonwealth Summit after nearly a decade.



TEST

DAY - 51

Time Allowed: 30 mins

Maximum Marks: 50

1. **The committee on doubling farmers' income (DFI) was headed by__**

- (a) Abhijit Banerjee
- (b) Amitabh Kant
- (c) Ashok Dalwai
- (d) N K Singh

2. **A Working Group constituted by the Reserve Bank of India to review agricultural credit which released its report on September 13, 2019. What are the key findings of the report?**

- 1. The ratio of crop loans disbursed to the input requirement was unusually high in all the states of India.
- 2. Nearly all of the small and marginal farmers are covered by scheduled commercial banks.
- 3. Despite a significant output of 40 percent by the allied sector, its share in total agricultural credit extended by banks only nearly 10 percent.
- 4. The credit to GDP ratio is particularly low for states in the central, eastern, and north-eastern regions of the country.

Select the correct option using the codes given below:

- (a) 1 and 2 only
- (b) 3 and 4 only
- (c) 1, 3 and 4 only
- (d) 2, 3, and 4 only

3. **Which of the following statements is/are incorrect regarding the National Agricultural Cooperative Marketing Federation of India Ltd (NAFED)?**

- 1. It works under the supervision of the Ministry of Commerce and Industry.

2. It is the nodal agency to supervise the Operation Greens.

3. In 2008, it established the National Spot Exchange.

Select the correct option using the codes given below:

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

4. **Consider the following statements regarding Minimum Support Price Vs. Fair and Remunerative Price?**

- 1. Both are on the basis of recommendations of the Commission for Agricultural Costs and Prices.
- 2. Both are provided at 150% of the cost of production.
- 3. Only FRP is governed by the statutory provisions.

Which of the above statements is/are correct?

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

5. **Which of the following statements is/are incorrect regarding the 'interest subvention scheme'?**

- 1. It provides both short and long term agriculture credits.
- 2. It is implemented by both NABARD and RBI.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

6. The Price Stabilisation Fund scheme is implemented by which of the following ministries?

- (a) Ministry of consumer affairs, food & public distribution
- (b) Ministry of Agriculture and Farmers' Welfare
- (c) Ministry of Commerce and Industry
- (d) Ministry of Finance

7. Which of the following statements is/are correct regarding the Small Farmers' Agri-Business Consortium?

- 1. It is a group of small farmers only.
- 2. It is an autonomous society promoted by the Ministry of Agriculture.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

8. Q8. agencies provide(s) the loans under the 'Fisheries and Aquaculture Infrastructure Development Fund'?

- 1. NABARD
- 2. National Cooperatives Development Corporation
- 3. All scheduled Banks
- 4. All commercial banks

Select the correct option using the codes given below:

- (a) 1 only
- (b) 1, 2, and 4 only
- (c) 1, 2, and 3 only
- (d) 1, 2, 3, and 4

9. Consider the following statements regarding the 'Agricultural and Processed Food Products Export Development Authority':

- 1. It is an autonomous body under the Ministry of Food Processing Industries.
- 2. It is mandated with the responsibility of export promotion and development of the agriculture crops only.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

10. Which of the following diseases are covered in the recently launched 'National Animal Disease Control Programme'?

- 1. Contagious Bovine Pleuropneumonia
- 2. Foot & Mouth Disease
- 3. Brucellosis
- 4. Fowlpox

Select the correct option using the codes given below:

- (a) 2, 3 and 4 only
- (b) 1 and 4 only
- (c) 2 and 3 only
- (d) 1, 2, and 3 only

11. Which of the following statements regarding the Market Intervention Scheme is/are correct?

- 1. It is a central sector scheme where all the financial burdens are on the central government.
- 2. It is implemented only on the specific requests of the State /UT governments.
- 3. The scheme is only for the procurement of horticultural commodities.

Select the correct option using the codes given below:

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

12. Which of the following statements regarding the KALIA scheme is/are correct?

1. Like PM-KISAN, it is an income supporting scheme of Uttar Pradesh.
2. The scheme also has life and accident insurance covers for the farmers.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

13. Consider the following statement about minimum support price (MSP) and procurement price (PP):

1. MSP is the price to protect the farmers while PP is to maintaining the buffer stock.
2. The government announced MSP after the sowing season of the crop while PP announced before the sowing season.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

14. Which of the following areas is/are dominated by Intensive subsistence agriculture?

1. Amazon basin
2. Congo basin
3. India northern China and North Korea

Select the correct answer using the code given below:

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

15. Consider the following statements regarding Marketed Surplus generated during Green Revolution Phase I in India:

1. Due to the available marketed surplus, the price of food grains declined relative to other items of consumption.
2. It benefited the lower income group who spends a large proportion of their income on food.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

16. With reference to the Commission on Agricultural Costs and Prices (CACAP), consider the following statements:

1. It submits its recommendations to the government in the form of Price Policy Reports every year.
2. The Commission makes visits to states for on-the-spot assessment of the various constraints that farmers face in marketing their produce.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

17. With reference to fertilizer subsidy, consider the following statements:

1. Urea is highly subsidized for Indian Farmers.
2. The skewed subsidy regime has resulted in farmers paying more for urea compared to phosphorus and potassium.

Which of the above statement is/are *incorrect*?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

18. Which of the following measures were adopted during the Green Revolution?

1. Use of High Yielding seeds (HYV)
2. Increase in Irrigation Facilities
3. Use of Bio-Fertilizer
4. Expansion of Landholdings
5. Promotion of Organic Farming

Select the correct using the code given below:

- (a) 1, 2, and 3 only
- (b) 2, 3, and 4 only
- (c) 1, 3, and 5 only
- (d) 1, 2, and 4 only

19. With reference to the National Commission on Farmers Report on land reforms, consider the following statements:

1. It recommended preventing diversion of prime agricultural land and forest to the corporate sector for non-agricultural purposes.
2. The commission was chaired by M.S. Swaminathan.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

20. Global Food Security Index (GFSI) is published by:

- (a) The Economist Intelligence Unit
- (b) Food and Agriculture Organization
- (c) World Economic Forum
- (d) Amnesty International

21. Consider the following statements regarding National Mission on Quantum Technologies & Applications (NM-QTA)

1. The move will be implemented by the Department of Science & Technology (DST).
2. Quantum entanglement is the theory that sub-atomic particles exist in multiple states simultaneously.

Which of the following is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

22. Consider the following statements regarding Pradhan Mantri Matru Vandana Yojana

1. PMMVY is a maternity benefit programme being implemented in all districts of the country.
2. Recently Best performer state was Haryana.
3. It is only for the first living child of the family

Which of the following is/are correct?

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

23. With reference to Neglected Tropical Diseases consider the following statements

1. Leprosy is a complex disease caused by infection mainly of the skin and peripheral nerves
2. Yaws is a disease transmitted through the bites of infected female sandflies
3. Leishmaniases is a chronic bacterial infection affecting mainly the skin and bone.

Which of the following is/are correct?

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

24. Operation Vanilla seen recently in news is related to?

- (a) It is a Humanitarian Mission in Madagascar by India
- (b) It is a plantation drive to increase the production of vanilla in Kashmir
- (c) USA launched anti-terrorist mission in Syria
- (d) It is a cyber-security drive launched by India

25. Consider the following statements regarding Interim report of 15th finance commission

1. The 15th Finance Commission has recommended maintaining States' share in the divisible pool of tax collections at the same level of 42% for 2020-21.
2. Vertical Devolution recommends the distribution of the net proceeds of

taxes of the Union between Union and the States.

Which of the following is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2



ANSWER HINTS

DAY - 51

1. Correct Option: (c)

Explanation:

Committee on doubling farmers' income (DFI)

- The committee was headed by **Ashok Dalwai** who is also the CEO of Rainfed Area Authority.
- The DFI Committee addresses agriculture as a value-led enterprise and suggests empowering farmers with “improved market linkages” and enabling “self-sustainable models” as the basis for continued productivity-production and income growth for farmers.

2. Correct Option: (b)

Explanation:

Report on Review of Agricultural Credit

- A Working Group constituted by the Reserve Bank of India to review agricultural credit released its report on September 13, 2019. It was asked to examine: (i) reach of institutional credit, (ii) ease of credit and inclusiveness, and (iii) impact of loan waivers on state finances and credit discipline. Key observations and recommendations of the Working Group include:
 - ▶ **Increase in share of short-term crop loans:** The Working Group observed that the interest subvention scheme for short-term crop loans has increased the share of such loans in agricultural credit from 51% in 2000 to 75% in 2018. The scheme has incentivized short-term production credit over long-term investment credit which is important for the long-term sustainability of the sector. The Working Group noted that the central and state governments need to increase their capital expenditure which will stimulate the demand for

investment credit in agriculture. It also recommended that banks should provide crop loans under the scheme only through Kisan Credit Cards in order to curb the misuse of interest subsidy.

- ▶ **Loan waivers:** The Working Group observed that since 2014-15, **10 states have announced loan waivers worth Rs 2.4 lakh crore (1.4% of the 2016-17 GDP)**, mostly near elections. It noted that loan waivers do not address the underlying causes of farm distress and destroy credit culture, potentially harming farmers' interest in the medium to long term. It also noted that loan waivers squeeze the fiscal space available for productive investment in agriculture. The Working Group recommended that: (i) loan waivers should be avoided, and (ii) the central and state governments should undertake a holistic review of agricultural policies and input subsidies in order to improve the overall viability and sustainability of agriculture.
- ▶ **Credit for allied activities:** The Working Group observed that **allied activities (livestock, forestry, and fisheries) receive only 10% of the total agricultural credit while they contribute 40% of the agricultural output**. It noted that this could be due to the lack of a proper definition for farmers doing such activities, as the Census defines a farmer based on his landholding. As a result, banks insist on land records for providing credit to such farmers. Also, banks do not have any specific mandate such as priority sector lending to lend towards allied activities. The Working Group recommended that separate lending targets should be set for allied activities and banks should

not insist on land records for up to two lakh rupees of such credit.

- ▶ **Sources of credit:** The Working Group observed that in 2016-17, 72% of the credit requirement of agricultural households was met through institutional sources and 28% from non-institutional sources such as relatives and moneylenders. It noted that reliance on non-institutional sources could be due to: (i) lack of collateral security with landless laborers, tenant farmers, and sharecroppers, (ii) poor credit rating, and (ii) involvement in unviable subsistence agriculture.
- ▶ Land reforms: The Working Group noted that in the absence of a proper land leasing framework and lack of records, landless laborers, sharecroppers, tenant farmers, and oral lessees face difficulty in accessing institutional credit. Also, due to the fear of eviction, they do not have an incentive to invest in agricultural land, leading to low productivity. It recommended the central government to push states to timely complete the process of digitization and updating of land records. States having highly restrictive land leasing frameworks should be encouraged to adopt reforms based on the Model Land Leasing Act and the Andhra Pradesh Land Licensed Cultivators' Act, 2011.
- ▶ The Working Group observed that reforms such as the model Acts have not been adopted by many states, which could be due to a lack of consensus on concerns raised by states during consultations. The Working Group recommended that for building a consensus, the central government should set up a federal institution, on the lines of the GST Council, to suggest and implement reforms in agriculture.
- ▶ Credit for small and marginal farmers: The Working Group observed that small and marginal farmers hold 86% of the operational landholdings and have 47% share in the total operated area (2015-16). However, **only 41% of such farmers could be covered by banks**. It recommended that the lending target for small and marginal

farmers should be revised from the existing 8% to 10% with a roadmap of two years.

- ▶ Regional disparity in credit: The Working Group observed that some states are getting higher credit as a proportion of their agricultural GDP, indicating the possibility of diversion of credit for non-agricultural purposes. **In contrast, this credit to GDP ratio is particularly low for states in the central, eastern, and north-eastern regions of the country.** It recommended that the priority sector lending norms should be reviewed and suitable measures should be introduced for improving the credit off-take in these regions.

3. Correct Option: (a)

Explanation:

NAFED

- National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) is an apex organization of marketing cooperatives for agricultural produce in India, under the **Ministry of Agriculture**, Government of India.
- NAFED is the nodal agency to implement price stabilization measures under **“Operation Greens”** which aims to double the farmers' income by 2022.
- NAFED along with FCI with a proactive role of state governments also physically procures oilseeds, pulses and copra under the Price Support Scheme (PSS) which in turn is under the umbrella scheme of PM-AASHA.
- In 2008, it established, **National Spot Exchange**, a Commodities exchange as a joint venture of Financial Technologies (India) Ltd. (FTIL).

4. Correct Option: (d)

Explanation:

Minimum Support Price (MSP)

- MSP is a form of market intervention by the Govt. of India to insure agricultural producers against any sharp fall in farm prices.
- It is announced at the beginning of the sowing season for certain crops on recommendations by Commission for

Agricultural Costs and Prices (CACP) and announced by Cabinet Committee on Economic Affairs (CCEA) chaired by the PM of India.

- The amount of MSP for the Crops is at a level of at least 1.5 times of the all India weighted average cost of production.
- Government announces minimum support prices for 22 mandated crops and fair and remunerative price (FRP) for sugarcane.

Fair and Remunerative Price

- It is the minimum price at which rate sugarcane is to be purchased by sugar mills from farmers. FRP is fixed by the Union government (CCEA) on the basis of recommendations of the Commission for Agricultural Costs and Prices (CACP).
- The pricing of sugarcane is governed by the statutory provisions of the Sugarcane (Control) Order, 1966 issued under the Essential Commodities Act (ECA), 1955.
- The Fair and Remunerative Price payable by sugar mills for 2019-20 sugar season has been fixed at Rs.275 per quintal for a basic recovery rate of 10%; providing a premium of Rs. 2.75/qtl for each 0.1 % increase in recovery over and above 10%. The cost of production of sugarcane for the sugar season is Rs. 155 per quintal. Hence, the amount of FRP is around 180% of the cost of production.

5. Correct Option: (a)

Explanation:

Interest subvention scheme

- The interest subvention scheme for farmers aims at providing **short term credit, for 1 year, to farmers at subsidized interest rates.**
- The Interest Subvention Scheme is being implemented by **NABARD and RBI.**

6. Correct Option: (a)

Explanation:

Price Stabilisation Fund

- The Price Stabilization Fund (PSF) was set up in 2014-15 under the Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW) to help regulate the price volatility of important agri-horticultural commodities like **onion, potatoes and pulses** were also added subsequently.

- The PSF scheme was transferred from DAC&FW to the Department of Consumer Affairs (DOCA), **Ministry of consumer affairs, food & public distribution** w.e.f. 1st April 2016.
- The scheme provides for maintaining a strategic buffer of the aforementioned commodities for subsequent calibrated release to moderate price volatility and discourage hoarding and unscrupulous speculation. For building such stock, the scheme promotes direct purchase from farmers/farmers' association at farm gate/ Mandi.
- The PSF is utilized for granting interest-free advance of working capital to Central Agencies, State/UT Governments/Agencies to undertake market intervention operations. Apart from domestic procurement from farmers/wholesale mandis, import may also be undertaken with support from the Fund.

7. Correct Option: (b)

Explanation:

Small Farmers' Agri-Business Consortium

- Small Farmers Agribusiness Consortium (SFAC) is an Autonomous Society promoted by the **Ministry of Agriculture, Cooperation and Farmers' Welfare**, Government of India. It was registered under Societies Registration Act XXI of 1860 on 18th January, 1994
- The Society is governed by the Board of Management which is chaired, ex-officio, by Hon'ble Union Minister for Agriculture and Farmers Welfare as the President and the Secretary, Department of Agriculture, Cooperation and Farmers Welfare, Government of India, is the ex-officio Vice-President.
- It is implementing the central schemes of the Government of India namely VCA, EGCGS for economic inclusion of small and marginal farmers in agribusiness activities.
- It is a pioneer in **organizing small and marginal farmers** as Farmers Interest Groups, Farmers Producers Organisation and Farmers Producers Company for endowing them with bargaining power and economies of scale. It provides a platform for increased accessibility and cheaper availability of agricultural inputs to small and marginal farmers and in establishing

forward and backward linkages in supply chain management. This initiative has triggered mobilization of farmers for aggregation across the country with the ultimate aim of sustainable business model and augmented incomes.

8. Correct Option: (c)

Explanation:

Fisheries and Aquaculture Infrastructure Development Fund

- To address the gaps in fisheries infrastructure, the government has created the Fisheries and Aquaculture Infrastructure Development Fund (FIDF) during 2018-19 with a total fund size of ` 7,522.48 crore.
- The FIDF provides concessional finance/loan to the Eligible Entities (EEs), including State Governments/Union Territories (UTs) and State entities for the development of identified fisheries infrastructure facilities.
- The concessional finance under the FIDF is provided by the Nodal Lending Entities (NLEs) namely (i) NABARD, (ii) **National Cooperatives Development Corporation (NCDC)** and (iii) **All scheduled Banks**.

9. Correct Option: (d)

Explanation:

APEDA

- The Agricultural and Processed Food Products Export Development Authority (APEDA) was established by the Government of India under the Agricultural and Processed Food Products Export Development Authority Act passed by the Parliament in December, 1985.
- APEDA has been actively engaged in the development of markets besides the up-gradation of infrastructure and quality to promote the export of agro products. In its endeavor to promote agro exports, APEDA, under its Plan Scheme titled '**Agriculture Export Promotion Scheme of APEDA**' provides financial assistance to the registered exporters under sub-components of the Scheme - Market Development, Infrastructure Development, Quality Development and Transport Assistance.
- Established under the **Ministry of Commerce and Industry**, It is mandated

with the responsibility of export promotion and development of the following scheduled products:

- ▶ **Fruits, Vegetables and their Products.**
- ▶ **Meat and Meat Products.**
- ▶ **Poultry and Poultry Products.**
- ▶ **Dairy Products.**
- ▶ **Confectionery, Biscuits and Bakery Products.**
- ▶ **Honey, Jaggery and Sugar Products.**
- ▶ **Cocoa and its products, chocolates of all kinds.**
- ▶ **Alcoholic and Non-Alcoholic Beverages.**
- ▶ **Cereal and Cereal Products.**
- ▶ **Groundnuts, Peanuts, and Walnuts.**
- ▶ **Pickles, Papads, and Chutneys.**
- ▶ **Guar Gum.**
- ▶ **Floriculture and Floriculture Products.**
- ▶ **Herbal and Medicinal Plants.**

10. Correct Option: (c)

Explanation:

National Animal Disease Control Programme

- Recently, the Prime Minister launched the National Animal Disease Control Programme (NADCP), to control and eradicate the **Foot & Mouth Disease (FMD) and Brucellosis** amongst the livestock in the country.
- Foot-and-mouth disease (FMD) or hoof-and-mouth disease (HMD) is an infectious and sometimes fatal viral disease that affects cloven-hoofed animals, including domestic and wild bovids viz. cattle, water buffalo, sheep, goats, pigs, antelope, deer, and bison, etc. The virus (picornavirus) causes a high fever lasting two to six days, followed by blisters inside the mouth and on the feet that may rupture and cause lameness.
- Brucellosis is a highly contagious zoonosis caused by ingestion of unpasteurized milk or undercooked meat from infected animals, or close contact with their secretions. It is also known as undulant fever, Malta fever, and Mediterranean fever.

11. Correct Option: (a)

Explanation:**Market Intervention Scheme**

- The Department of Agriculture & Cooperation is implementing a scheme namely Market Intervention Scheme (MIS) for the procurement of **agricultural and horticultural commodities** which are generally perishable in nature.
- The basic objective of MIS is to provide remunerative prices to the farmers in case of glut in production and fall in prices.
- Further, **the MIS is implemented on the specific requests of the State Government/UT Administrations** willing to share the loss with the Central Government on a 50:50 basis (75:25 in case of North-Eastern States).
- **Under MIS, funds are not allocated to the States. Instead, the central share of losses as per the guidelines of MIS is released to the State Governments/UTs**, for which MIS has been approved based on specific proposals received from them.

12. Correct Option: (a)

Explanation:**Krushak Assistance for Livelihood and Income Augmentation (KALIA) Scheme of Odisha**

- This scheme was launched by the Government of Odisha in 2018-19 Rabi season onwards, to accelerate agricultural prosperity and elimination of poverty in the State.
- Benefits provisioned under different components are: financial support of ` 25,000 per farm family over five seasons will be provided to small and marginal farmers so that farmers can purchase inputs like seeds, fertilizers, pesticides, labor & other investments.
- For landless agriculture households, financial assistance of ` 12500 will be provided to each landless agricultural household for agricultural allied activities such as small goat rearing unit, mini-layer unit, duckery units, fishery kits for fisherman, mushroom cultivation and bee-keeping, etc.
- Vulnerable cultivators/landless agricultural laborers will get financial assistance of ` 10,000 per family per year to enable them to take care of their sustenance.

- The scheme also has life and accident insurance covers for the farmers at very nominal premiums.

13. Correct Option: (a)

Explanation:**Minimum Support Price (MSP)**

- Minimum Support Price (MSP) is a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices.
- The minimum support prices are announced by the Government of India at the beginning of the sowing season for certain crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP).
- MSP is price fixed by the Government of India to protect the producer - farmers - against excessive fall in price during bumper production years. The minimum support prices are a guaranteed price for their produce from the Government.
- The major objectives are to support the farmers from distress sales and to procure food grains for public distribution. In case the market price for the commodity falls below the announced minimum price due to bumper production and glut in the market, government agencies purchase the entire quantity offered by the farmers at the announced minimum price.
- **Procurement Price:**
- The procurement price of a commodity refers to the price at which govt. procures the commodity from producers/manufacturers for maintaining the buffer stock or the public distribution system.
- These prices are announced by the govt. of India on the recommendations of the **Commission for Agricultural Costs and Prices before the harvest season of the crop.**
- Procurement prices are fixed generally at a level, which is somewhat higher than the level of minimum support prices but lower than the prevailing market prices.
- Procurement prices are announced before the sowing season. As a result, the procurement price itself becomes the support price at which the govt. purchased all the foodgrains offered for sale.
- Procurement prices also become the minimum support prices because of the govt. was bound to purchase the foodgrains offered by the producers for sale.

14. Correct Option: (d)

Explanation:**Intensive Subsistence Agriculture**

- This type of agriculture is largely found in densely populated regions of monsoon Asia. Landholdings are very small due to the high density of the population. Farmers work with the help of family labour leading to intensive use of land. The use of machinery is limited and most of the agricultural operations are done by manual labour. Farmyard manure is used to maintain the fertility of the soil. In this type of agriculture, the yield per unit area is high but per labour productivity is low.
- Amazon basin and Congo basin are the Areas of Primitive Subsistence Agriculture
- The areas with Intensive subsistence agriculture are India, South China, and South Korea South East Asia.

15. Correct Option: (c)

Explanation:**Marketed Surplus**

- The portion of agricultural produce which is sold in the market by the farmers is called a marketed surplus. A good proportion of the rice and wheat produced **during the Green Revolution period (available as marketed surplus) was sold by the farmers in the market. As a result, the price of food grains declined relative to other items of consumption.**
- **The low-income groups, who spend a large percentage of their income on food, benefited from this decline in relative prices.** The green revolution enabled the government to procure a sufficient amount of food grains to build a stock which could be used in times of food shortage
- The portion of agricultural produce which is sold in the market by the farmers is called a marketed surplus.

16. Correct Option: (c)

Explanation:**Commission on Agricultural Costs and Prices (CACP)**

- CACP is an **attached office of the Ministry of Agriculture and Farmers Welfare, Government of India.** It came into existence in January 1965.

- It is mandated to recommend minimum support prices (MSPs) separately for five groups of commodities namely Kharif crops, Rabi crops, Sugarcane, Raw Jute and Copra.
- This to incentivize the cultivators to adopt modern technology and raise productivity and overall grain production in line with the emerging demand patterns in the country.
- However, the Cabinet Committee on Economic Affairs (CCEA) of the Union government takes a final decision on the level of MSPs and other recommendations made by CACP. Currently, the Commission comprises a Chairman, Member Secretary, one Member (Official) and two Members (Non-Official).
- The non-official members are representatives of the farming community and usually have an active association with the farming community.
- **It submits its recommendations to the government in the form of Price Policy Reports every year.**
- The Commission also **makes visits to states for on-the-spot assessment of the various constraints that farmers face in marketing their products** or even raising the productivity levels of their crops. Based on all these inputs, the Commission then finalizes its recommendations/reports, which are then submitted to the government.
- The government, in turn, circulates the CACP reports to state governments and concerned central Ministries for their comments.

17. Correct option: (b)

Explanation:**Fertilizer Subsidy**

- Urea is **highly subsidized for Indian Farmers.**
- The skewed subsidy regime, **resulting in farmers paying lesser for urea compared to phosphorus and potassium, had led to urea overuse.**
- India purchases about 50 lakh metric tonnes of excess urea, leading to farmers and the government wastefully spend Rs. 2,680 crore and Rs. 5,860 crore respectively, further putting a constraint on the government's resources.

- The **distorted policy has also led to the stagnation of private investment in the sector, especially in urea, and increased reliance on imports.** The fertilizer subsidy hurts everyone — farmers, firms, taxpayers and consumers.
- **Fertilizer Subsidy** includes the Distribution of **cheap chemical or non-chemical fertilizers among the farmers.** It amounts to the difference between the price paid to the manufacturer of fertilizer (domestic or foreign) and price, received from farmers.
- This subsidy ensures:
 - ▶ Cheap inputs to farmers
 - ▶ Reasonable returns to the manufacturer
 - ▶ Stability in fertilizer prices
 - ▶ Availability of fertilizers to farmers.
- In some cases, this kind of subsidies is granted through lifting the tariff on the import of fertilizers, which otherwise would have been imposed.

18. **Correct Option: (d)**

Explanation:

Green Revolution

- Dependence on monsoon was also a major setback for Indian farmers. Thus, in this scenario, the introduction of High Yielding Varieties (HYV) of seeds and the increased use of fertilizers, pesticides and irrigation facilities was the major breakthrough and the use of these measures was collectively known as the Green Revolution.
- It was implemented to make India a self-sufficient country by increasing the production of food-grains by using HYV seeds and to ensure food security in India and to upgrade the mode of technology used in agriculture. It also aimed to enhance the marketed surplus in India.

Green Revolution benefited farmers in the following ways:

- **Increase in Income:** It helped in raising the income of the farmers and hence their living standard because now the large production of food grains and the farmers had a marketable surplus to sell in the market.
- **Improvement in Irrigation facilities:** The use of HYV seeds necessitated the

improvement in irrigation facilities by the government which made the farmers less dependent on rainfall and hence more secure.

- **Loan and Subsidy Facility:** The government provided loans at a low-Interest rate to small farmers and subsidised fertilizers so that small farmers could also have access to the required inputs.

Green revolution benefited the government in the following ways:

- **Increase in Production:** Green Revolution led to an increase in the production of food grains.
- Use of modern technology, use of HYV seeds, the spread of marketed surplus, abolition of the zamindari system and shift of ownership of land to tenants were the other major contributing factors.

19. **Correct Option: (c)**

Explanation:

National Commission on Farmers

- The National Commission on Farmers, chaired by Prof. M. S. Swaminathan, submitted five reports through the period of December 2004 - October 2006.
- Some of the recommendations related to land reforms are:
 - ▶ Distribution of ceiling-surplus and wasteland among farmers, prevention of the non-agricultural use of farmland, securing grazing rights and seasonal forest access to forest trails were the mainland reforms suggested in the commission.
 - ▶ It also suggested establishing a National Land Use Advisory Service, which would link land-use decisions with ecological and marketing factors of the season and geography-specific basis.
 - ▶ To address the growing farmer suicides, affordable health insurance at primary health centers in rural areas was one of the key recommendations. The recommendations included an extension of the national rural health mission to suicide-prone areas. Restructuring of microfinance policies, covering all crops by insurance and social security net for support were also sought.

20. Correct Option: (a)

Explanation:**Global Food Security Index (GFSI)**

- The Global Food Security Index considers the core issues of affordability, availability, and quality across a set of 113 countries. The index is a dynamic quantitative and qualitative benchmarking model, constructed from 28 unique indicators, that measures these drivers of food security across both developing and developed countries.
- This index is the first to examine food security comprehensively across the three internationally established dimensions. Moreover, the study looks beyond hunger to the underlying factors affecting food insecurity. The GFSI now includes an adjustment factor on natural resources and resilience. This category assesses a country's exposure to the impacts of a changing climate; its susceptibility to natural resource risks; and how the country is adapting to these risks.

21. Correct option: (a)

Explanation

- **Statement 2 is incorrect:** Quantum entanglement is when two atoms are connected, or entangled, despite being separated. While, Quantum superposition is the theory that sub-atomic particles exist in multiple states simultaneously.

Supplementary notes**National Mission on Quantum Technologies & Applications (NM-QTA)**

- The new mission will oversee the development of quantum technologies for communications, computing, materials development and cryptography.
- It will coordinate the work of scientists, industry leaders and government departments
- Implementing authority: The move will be implemented by the Department of Science & Technology (DST).
- Focus area: The areas of focus for the Mission will be in fundamental science, translation, technology development, human and infrastructural resource generation, innovation and start-ups to address issues concerning national priorities.

Quantum Technology:

- Quantum technologies are rapidly developing globally with a huge disruptive potential.
- Quantum technology is a class of technology that works by using the principles of quantum mechanics (the physics of sub-atomic particles), including quantum entanglement and quantum superposition.
 - ▶ Quantum entanglement is when two atoms are connected, or entangled, despite being separated.
 - ▶ Quantum superposition is the theory that sub-atomic particles exist in multiple states simultaneously.
- It concerns the control and manipulation of quantum systems, with the goal of achieving information processing beyond the limits of the classical world.
- Quantum technology is opening up new frontiers in computing, communications, cyber security with wide-spread applications.
- It is expected that lots of commercial applications would emerge from theoretical constructs which are developing in this area.
- Quantum technology promises improvements to a vast range of everyday gadgets, including:
 - ▶ more reliable navigation and timing systems
 - ▶ more secure communications
 - ▶ more accurate healthcare imaging
 - ▶ more powerful computing
- The next generation transformative technologies that will receive a push under this mission include quantum computers and computing, quantum communication, quantum key distribution, encryption, crypt analysis, quantum devices, quantum sensing, quantum materials, quantum clock and so on.

22. Correct option: (c)

Explanation

- **Statement 2 is incorrect:** Best performer: In the category of best performance since inception of the Scheme to States/ UTs having a population of more than 1 crore the first position was awarded to the State of Madhya Pradesh, followed by Andhra Pradesh and Haryana was in the third position.

Supplementary notes

Pradhan Mantri Matru Vandana Yojana (PMMVY)

- The PMMVY is a maternity benefit programme being implemented in all districts of the country from 01.01.2017.
- Under PMMVY a cash incentive of Rs. 5000 is provided directly to the bank/ post office account of Pregnant Women and Lactating Mothers (PW&LM) for the first living child of the family subject to fulfilling specific conditions relating to maternal and child health.
- PMMVY is implemented using the platform of Anganwadi Services Scheme of Umbrella ICDS under the WCD Ministry in respect of States/ UTs implementing scheme through Women and Child Development Department/ Social Welfare Department and through the health system in respect of States/ UTs where the scheme is implemented by Health and Family Welfare Department.
- PMMVY is implemented through a centrally deployed web-based MIS software application and the focal point of implementation is the Anganwadi Centre (AWC) and ASHA/ANM.
- Matru Vandana Saptah (MVS) is a week-long maternity benefit programme which was taken up under PMMVY from December 2-8, 2019 to intensify the implementation of the scheme; create a healthy competition among states/UTs and felicitate states/UTs and districts for exemplary performance in implementation of PMMVY since its inception and during MVS.

How the states have performed?

- Best performer: In the category of best performance since inception of the Scheme to States/ UTs having a population of more than 1 crore the first position was awarded to the State of Madhya Pradesh, followed by Andhra Pradesh and Haryana was in the third position.
- In the same category, among States/ UTs having a population of less than 1 crore Dadra & Nagar Haveli is in the first position. Himachal stood second and Chandigarh is in the third position.
- District-level awards for States/ UTs with a population of more than 1 crore the first position went to Indore in Madhya Pradesh.

- Kurnool in Andhra Pradesh is in the second position and South Salmara Mankachar in Assam was third.
- Among the districts of States/ UTs having a population of less than 1 crore the first position went to Serchhip in Mizoram, the second position to Unain Himachal Pradesh and Puducherry were in the third position.

23. Correct option: (a)

Explanation

- **Statement 2 is incorrect:** Yaws: A chronic bacterial infection affecting mainly the skin and bone.
- **Statement 3 is incorrect:** Leishmaniasis: Disease transmitted through the bites of infected female sandflies that in its most severe (visceral) form attacks the internal organs and in its most prevalent (cutaneous) form causes face ulcers, disfiguring scars and disability.

Supplementary notes

Types of Neglected Tropical Diseases

- **Dengue:** A mosquito-borne infection caused by dengue virus by Aedes mosquitoes.
- **Rabies:** A preventable viral disease transmitted to humans through the bites of infected dogs that is invariably fatal once symptoms develop.
- **Trachoma:** A chlamydial infection transmitted through direct contact with the infectious eye or nasal discharge, or through indirect contact with unsafe living conditions and hygiene practices, which left untreated causes irreversible corneal opacities and blindness.
- **Buruli ulcer:** A debilitating mycobacterial skin infection causing severe destruction of the skin, bone and soft tissue.
- **Yaws:** A chronic bacterial infection affecting mainly the skin and bone.
- **Leprosy:** A complex disease caused by infection mainly of the skin, peripheral nerves, mucosa of the upper respiratory tract and eyes.
- **Chagas disease:** A life-threatening illness transmitted to humans through contact with vector insects (triatomine bugs), ingestion of contaminated food, infected blood transfusions, congenital transmission, organ transplantation or laboratory accidents.

- **Human African trypanosomiasis (sleeping sickness):** A parasitic infection spread by the bites of tsetse flies.
- **Leishmaniases:** Disease transmitted through the bites of infected female sandflies that in its most severe (visceral) form attacks the internal organs and in its most prevalent (cutaneous) form causes face ulcers, disfiguring scars and disability.
- **Taeniasis and neurocysticercosis:** An infection caused by adult tapeworms in human intestines; cysticercosis results when humans ingest tapeworm eggs that develop as larvae in tissues.
- **Dracunculiasis (guinea-worm disease):** A nematode infection transmitted exclusively by drinking water contaminated with parasite-infected water fleas.
- **Echinococcosis:** Infection caused by the larval stages of tapeworms forming pathogenic cysts in humans.
- **Foodborne trematodiasis:** Infection acquired by consuming fish, vegetables and crustaceans contaminated with larval parasites.
- **Lymphatic filariasis:** Infection transmitted by mosquitoes causing abnormal enlargement of limbs and genitals from adult worms inhabiting and reproducing in the lymphatic system.
- **Onchocerciasis (river blindness):** Infection transmitted by the bite of infected. It can lead to visual impairment and permanent blindness.
- **Schistosomiasis:** Trematode infections transmitted when larval forms released by freshwater snails penetrate human skin during contact with infested water.
- **Mycetoma:** A chronic, progressively destructive inflammatory skin disease which usually affects the lower limbs.

24. Correct option: (a)

Explanation

- India sent an amphibious warship, INS Airavat, to Madagascar in the Indian Ocean Region to help in rescue efforts after the island nation was hit by a cyclone.

Supplementary notes

- As part of Operation Vanilla, the Navy delivered clothing, food and medicines, and also provided diving and communication assistance for evacuation.

- This was done after an appeal is made by Madagascar President to deal with unprecedented situation caused by floods.
- In March 2019, the Navy deployed four warships for relief operations, when Mozambique was hit by Cyclone, Idai. Indian naval teams played a stellar role in search and rescue operations and even set up medical camps.
- A few months later, the Navy sent two warships to Japan to assist in rescue efforts following Typhoon Hagibis.
- A year earlier, Indian vessels had delivered urgent medical assistance to Sulawesi, Indonesia, after it was struck by a high-intensity earthquake. Operation SamudraMaitri was launched after a telephonic conversation between Indian Prime Minister and Indonesian President.
- The Navy's new humanitarian approach, many say, is a maritime manifestation of Prime Minister's vision for the IOR, christened SAGAR (Security And Growth for All in the Region).
- As natural disasters in the IOR become more frequent and intense, India's regional security role is likely to grow exponentially.
- At the forefront of disaster scenarios, the Indian Navy and Coast Guard would find themselves undertaking demanding missions.
- Humanitarian operations could serve as a springboard for a larger cooperative endeavour in the maritime commons.

25. Correct option: (c)

Explanation

- Both the above statements are correct

Supplementary notes

Interim report of 15th finance commission: Continuity and fiscal follow through.

- The 15th Finance Commission has recommended maintaining States' share in the divisible pool of tax collections at the same level of 42% for 2020-21.
- To factor in the changed status of the erstwhile State of Jammu & Kashmir, the rate at which funds may be shared with the States has been reset at 41%.
- This is after adjusting 1 percentage point for the needs, including special ones of the

two new Union Territories of J&K and Ladakh.

- An official said that the actual pool of funds available to States will be equivalent to what they were receiving from the 42% share granted by the 14th Finance Commission, as the number of States is now 28 instead of 29.
- The one percentage point reduction is what would have been earmarked for J&K as a State.
- **Vertical Devolution:** It recommends the distribution of the net proceeds of taxes of the Union between Union and the States.
- **Horizontal Devolution:** It allocates among the States the proceeds of the Vertical Devolution.
- **Post Devolution Revenue Deficit Resources To Local Bodies:** Article

280 (3) (bb) and Article 280 (3) (c) of the Constitution mandate the Commission to recommend measures to augment the Consolidated Fund of a State to supplement the resources of Panchayats and Municipalities based on the recommendations of the respective State Finance Commissions (SFCs). This also includes augmenting the resources of Panchayats and Municipalities.

- **Grants:** It has to look at the States, where the devolution alone could not cover the assessed gap. It takes into account the expenditure requirements of the States, the tax devolution to them and the revenue mobilisation capacity.
- **Disaster Management:** Allocations for disaster management are also done.



TEST**DAY - 52**

Time Allowed: 30 mins

Maximum Marks: 50

1. Which of the following is/are correct about the service sector of India?

1. The share of services sector exceeds 50 percent of Gross State Value of all the states in India barring Bihar.
2. India's share in the world's commercial services is around twice the share in the world's merchandise exports.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

2. The GATS distinguishes between four modes of supplying services. Regarding this which of the following statements is/are correct?

1. Consumption abroad means when a tourist moves into another country.
2. Commercial presence means when doctors of one member country entering the territory of another member to supply a service.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

3. Which of the following statements regarding Most Favored Nation treatment is/are correct?

1. Under this agreement, countries can discriminate between their trading

partners by favoring some selected partners.

2. This agreement can be made for the trade both in goods and services but not in the Intellectual Property Rights.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

4. Which of the following statements regarding National treatment is/are correct?

1. It means treating foreigners and locals equally.
2. It applies to both goods and services.
3. Charging customs duty on an import is not a violation of national treatment.

Select the correct option using the codes given below:

- 1 and 2 only
- 2 only
- 1, 2, and 3
- 3 only

5. What are the reasons for the decline in the recent world output growth?

1. US-China trade tensions
2. Tighter credit policies in China
3. weakness in Germany's auto sector

Select the correct option using the codes given below:

- (a) 1 and 3 only

- (b) 1 and 2 only
- (c) 2 and 3 only
- (d) 1, 2, and 3

6. Which of the following statements is/are correct?

1. The Tourism Satellite Account of India has been prepared by the Indian Space Research Organization and the Ministry of Tourism.
2. It has been developed because tourism is not an industry in the way industry is defined in the System of National Accounts.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

7. GPS Aided Geo Augmented Navigation-GAGAN is joint project of ___

1. Airports Authority of India
2. Defence Research and Development Organisation
3. Indian Space Research Organization
4. Indian Institute of Science, Bangalore

Select the correct option using the codes given below:

- (a) 1, 2, 3, and 4
- (b) 1 and 3 only
- (c) 2, 3 and 4 only
- (d) 1, 2 and 3 only

8. Arrange the following modes of transportation in decreasing order of their cost in Rs/Ton-Km:

1. Rail
2. Road
3. Waterways
4. Pipelines

Select the correct option using the codes given below:

- (a) 1-2-3-4
- (b) 2-3-4-1
- (c) 2-1-3-4
- (d) 2-4-1-3

9. Consider the following statements regarding the Service Exports from India Scheme:

1. The scheme had been launched under the Foreign Trade Policy 2015-20.
2. Under this, the service providers of only notified services are incentivized in the form of the non-transferable Duty Credit Scrips.
3. Foreign exchange remittances that are earned through the offering of services other than the notified services are not eligible for the SEIS.

Which of the above statements is/are correct?

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

10. Arrange the following into decreasing order of their Budget for the space sector:

1. USA
2. China
3. Russia
4. India

Select the correct option using the codes given below:

- (a) 1-2-3-4
- (b) 2-1-4-3
- (c) 3-1-4-2
- (d) 1-3-2-4

11. Which of the following are the sub-sectors of the Information Technology and Business Process Management (IT-BPM) Services?

1. Software products
2. Hardware products
3. Engineering services

Select the correct option using the codes given below:

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

12. Which of the following statements is/are *incorrect*?

1. The turnaround time of ships has been on a continuous rise in India.
2. It is highest at the Cochin and the lowest at the Kolkata port.
3. The average turnaround time of India is below the global average.

Select the correct option using the codes given below:

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

13. Which of the following is/are the objectives of the disinvestment policy in India?

1. Releasing public resources locked up in non-strategic PSEs.
2. Reducing public debt.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

14. Injeti Srinivas Committee, seen in the news recently, is associated with:

- (a) Governance of Public Sector Banks
- (b) Police Reforms
- (c) Corporate Social Responsibility
- (d) Financial Inclusion

15. Consider the following statements regarding the Unorganised Sector:

1. It is characterized by small and scattered units which are largely outside the control of the government.
2. There are no rules and regulations by the government to be followed.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

16. Which of the following characterize/s the informal sector credit in India?

1. High-interest rate
2. Debt trap
3. Easy credit access

Select the correct answer using the code given below:

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

17. Consider the following statements:

1. The primary sector is the largest employer in India.
2. Not enough jobs have been created in the secondary and tertiary sectors in India.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

18. Which of the following activities come(s) under the Quaternary Sector?

- (a) Information Technology
- (b) Consultancy
- (c) Research and Development
- (d) All of the above

19. Which of the following can be grouped under the Economic Activities?

1. Tutor teaching a student free of cost.
2. Government providing scholarship.
3. Philanthropist giving out charity to NGOs.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 Only
- (c) 2 and 3 Only
- (d) None

20. Which of the following services witnessed decelerating growth during 2018-19?

1. Real Estate
2. Tourism
3. Transport
4. Defence

Select the correct answer using the code given below:

- (a) 1, 2 and 3 only
- (b) 2, 3 and 4 only
- (c) 1 and 4 only
- (d) 2 and 3 only

21. Consider the following statements regarding the Uniform Civil code:

1. A Uniform Civil Code is one that would provide for one law for the entire country.
2. It would be applicable to all religious communities in their personal matters.
3. Article 44 of the Constitution of India provides for the state to secure a Uniform Civil Code for the citizens throughout the territory of India.

Which of the statements given above are correct?

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

22. Consider the following statements:

1. No Member of Parliament shall be liable to any proceedings in any court in respect of anything said or any vote given by him in Parliament.
2. Speaker may order expunction of words which are defamatory in nature or levels allegation against a high dignitary or authority or organization.

Which of the statement(s) given above is/ are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

23. "Voyager 2" has been launched by which of the following nation?

- (a) USA
- (b) Russia
- (c) China
- (d) European Union

24. Consider the following statements:

1. The mercury in a fluorescent bulb can be released as both dust and vapour if the light is broken.
2. LED bulbs use about 40% less power than fluorescent lights, and 80% less than incandescent lights, to produce the same amount of light.

Which of the statement(s) given above is/ are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

25. "Muktoshri" which was seen recently in news is-

- (a) new Rice variety
- (b) new Wheat variety
- (c) new Jowar variety
- (d) new Bajra variety



ANSWER HINTS

DAY - 52

1. Correct Option: (b)

Explanation:

The service sector of India

- The services sector's significance in the Indian economy has continued to increase, with the sector now accounting for around **55 percent of the total size of the economy** and GVA growth, **two-thirds of total FDI inflows into India** and about **38 percent of total exports**.
- **The share of services sector now exceeds 50 percent of Gross State Value Added in 15 out of the 33 states and UTs**, with this share more than 80 percent in Delhi and Chandigarh.
- **Services exports have outperformed goods exports in recent years, due to which India's share in the world's commercial services exports has risen steadily over the past decade to reach 3.5 percent in 2018, twice the share in the world's merchandise exports at 1.7 percent.**

2. Correct Option: (a)

Explanation:

Modes of supplying services

- The GATS distinguishes between four modes of supplying services: cross-border trade, consumption abroad, commercial presence, and presence of natural persons.
- Cross-border supply is defined to cover services flows from the territory of one member into the territory of another member (e.g. banking or architectural services transmitted via telecommunications or mail);
- **Consumption abroad refers to situations where a service consumer (e.g. tourist or patient) moves into another member's territory to obtain a service;**

- **Commercial presence implies that a service supplier of one member establishes a territorial presence, including through ownership or lease of premises, in another member's territory to provide a service (e.g. domestic subsidiaries of foreign insurance companies or hotel chains);** and
- **The presence of natural persons** consists of persons of one member (**for instance doctors**) entering the territory of another member to supply a service (e.g. accountants, doctors or teachers). The Annex on Movement of Natural Persons specifies, however, that members remain free to operate measures regarding citizenship, residence or access to the employment market on a permanent basis.

3. Correct Option: (d)

Explanation:

MFN treatment: treating other people equally

- **Under the WTO agreements, countries cannot normally discriminate between their trading partners.** Grant someone a special favor (such as a lower customs duty rate for one of their products) and you have to do the same for all other WTO members. This principle is known as most-favored-nation (MFN) treatment.
- It is so important that it is the first article of the General Agreement on Tariffs and Trade (GATT), which governs trade in goods. **MFN is also a priority in the General Agreement on Trade in Services (GATS) (Article 2) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (Article 4)**, although in each agreement the principle is handled slightly differently. Together, those three agreements cover all three main areas of trade handled by the WTO.

4. Correct Option: (c)

Explanation:

National treatment: Treating foreigners and locals equally

- **Imported and locally-produced goods should be treated equally** — at least after the foreign goods have entered the market. The same should apply to **foreign and domestic services**, and to foreign and local trademarks, copyrights and patents.
- This principle of “national treatment” (giving others the same treatment as one’s own nationals) is also found in all the three main WTO agreements (Article 3 of GATT, Article 17 of GATS and Article 3 of TRIPS), although once again the principle is handled slightly differently in each of these.
- **National treatment only applies once a product, service or item of intellectual property has entered the market.**
- **Therefore, charging customs duty on an import is not a violation of national treatment** even if locally-produced products are not charged an equivalent tax.

5. Correct Option: (d)

Explanation:

Global slowdown

- India continues to remain the fastest-growing major economy in the world in 2018-19, despite a slight moderation in its GDP growth from 7.2 percent in 2017-18 to 6.8 percent in 2018-19.
- On the other hand, the world output growth declined **from 3.8 percent in 2017 to 3.6 percent in 2018**. The slowdown in the world economy and Emerging Market and Developing Economies (EMDEs) in 2018 followed the **escalation of US-China trade tensions, tighter credit policies in China, financial tightening alongside the normalization of monetary policy in the larger advanced economies, economic turmoil in Argentina and Turkey, weakness in Germany’s auto sector, and higher interest rates.**

6. Correct Option: (b)

Explanation:

Tourism Satellite Account

- **The Ministry of Tourism along with the National Council of Applied Economic Research (NCAER)** has prepared a Tourism Satellite Account (TSA) following the methodology recommended by the UN World Tourism Organization.
- **The need for a satellite account for tourism arises because tourism is not an industry in the way industry is defined in the System of National Accounts.** Instead, tourism is a demand-based concept defined not by its output but by its use.

7. Correct Option: (b)

Explanation:

GAGAN

- The Indian Space Research Organization (ISRO) and Airports Authority of India (AAI) have implemented the GPS Aided Geo Augmented Navigation-GAGAN project as a Satellite-Based Augmentation System (SBAS) for the Indian Airspace.
- The objective of GAGAN to establish, deploy and certify satellite-based augmentation systems for safety-of-life civil aviation applications in India has been successfully completed.

8. Correct Option: (c)

Explanation:

- As per the Ministry of Shipping,

Mode	Cost (Rs/Ton-Km)
Road	2.0-3.0
Rail	1.2-1.5
Waterways	1.1-1.2
Pipelines	0.1-0.15

9. Correct Option: (c)

Explanation:

Service Exports from India Scheme

- Service Exports from India Scheme is one of the two schemes **under Foreign Trade Policy 2015-20** that were launched as a part of the Export from India Scheme. The other is Merchandise Exports from India Scheme (MEIS).
- The prime motto of this scheme is to encourage the export of notified services from India.
- **Under SEIS, the service providers of notified services are incentivized in**

the form of **Duty Credit Scrips** at the rate of 3 or 5% on their net foreign exchange earnings. These SEIS scrips are transferrable and can also be used for payment of a number of Central duties/taxes including the basic customs duty.

- Foreign exchange remittances that are earned through the offering of services other than the notified services will not be considered to be eligible for the SEIS. Examples of such earnings are donations, debt participation, loan repayment receipts and so on.
- Apart from services, there is also a scheme for incentivizing the export of merchandise/goods. The Merchandise Exports from India Scheme (MEIS) in the Foreign Trade Policy (FTP) 2015-20 operating since April 1, 2015 rewards export of merchandise which are produced/manufactured in India through Duty Credit Scrips which are transferable and can be used to pay Central duties/taxes including customs duties.

10. Correct Option: (a)

Explanation:

Government Budget for Space Sector in 2018

Country	Expenditure (US\$ billion)
USA (NASA)	19.5
China (CNSA)	11.0
Russia (Roskosmos)	3.3
India (ISRO)	1.5

11. Correct Option: (d)

Explanation:

IT-BPM industry

- The Indian IT-BPM industry has been the flag-bearer of India's exports for the past two decades, with industry size reaching about US\$ 177 billion in March 2019.
- The sector contributes significantly to the economy via employment growth and value addition.
- It has various sub-sectors viz. **IT services, BPM, Software, Engineering services, and Hardware.**
- IT services constituted 51 percent of the IT-BPM sector in 2018-19, followed by Software & Engineering Services (20.6 percent share) and BPM Services (19.7 percent share).

- Within the IT-BPM sector, IT services remained the dominant segment with about US\$ 91 billion in revenues in 2018-19. Out of the IT services, digital revenues grew (YoY) more than 30 percent to reach US\$ 33 billion.

12. Correct Option: (d)

Explanation:

Turnaround time of ships

- It corresponds to the average difference between the date of departure and date of arrival among all container vessels calling at a port (or country) within one month of navigation. The unit is the number of days per call.
- The turnaround time of ships, which is a key indicator of the efficiency of the ports sector, has been on a continuous decline in India, almost halving between 2010-11 and 2018-19 to **2.48 days**.
- The shipping turnaround time has declined across all major ports and is now the lowest at the **Cochin(lowest)**, New Mangalore, V.O. Chidambaranar and Chennai ports, and the **highest at the Kolkata port**.
- As per the latest UNCTAD data, the median ship turnaround time **globally is 0.97 days**, suggesting that India has room to further improve upon the efficiency at ports.

13. Correct Option: (c)

Explanation:

Disinvestment

- Disinvestment can also be defined as the action of an organization (or government) selling or liquidating an asset or subsidiary. It is also referred to as 'divestment' or 'divestiture.'
- The following main objectives of disinvestment were outlined:
 - ▶ To improve the performance of units
 - ▶ To reduce budgetary deficits and Public Debt.
 - ▶ To overcome the problem of political involvement in PSUs
 - ▶ Enable the government to concentrate on Social development
 - ▶ To provide better service to customers
 - ▶ Releasing public resources locked up in non-strategic PSEs.

- ▶ To ensure proper planning and execution
- ▶ To overcome the problem of corruption
- ▶ To fix the responsibility on management
- ▶ To make efficient use of disinvestment proceeds.
- ▶ To reduce the financial burden on the Government
- ▶ To improve public finances
- ▶ To introduce, competition and market discipline
- ▶ To fund growth
- ▶ To encourage wider share of ownership
- ▶ To depoliticize non-essential services

14. Correct Option: (c)

Explanation:

Injeti Srinivas Committee recommendations on Corporate Social Responsibility

- CSR expenses should be eligible for deduction in the computation of taxable income.
- Carry forward unspent CSR money beyond 3-5 years to a specially designated fund. (At present, CSR funds can be contributed to PM National Relief Fund, Swachh Bharat Kosh, Clean Ganga Fund and any other fund set up by Central Government).
- Align Schedule VII of the Company Act with UN SDG.
- Violation of CSR compliance should be made a civil offense.

15. Correct Option: (a)

Explanation:

Unorganised Sector

- **The unorganised sector is characterized by small and scattered units which are largely outside the control of the government.**
- **There are rules and regulations but these are not followed.** Jobs here are low-paid and often not regular.
- There is no provision for overtime, paid leave, holidays, leave due to sickness, etc. Employment is not secure.

- People can be asked to leave without any reason. When there is less work, such as during some seasons, some people may be asked to leave.
- A lot also depends on the whims of the employer.
- This sector includes a large number of people who are employed on their own doing small jobs such as selling on the street or doing repair work.
- Similarly, farmers work on their own and hire labourers as and when they require.

16. Correct Option: (d)

Explanation:

Loans

- Credit (or loans) refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment.

Types of Loans

- Loans can be categorized as formal sector loans and informal sector loans.
- Among the former are loans from banks and cooperatives. Informal lenders include moneylenders, traders, employers, relatives, friends, etc.
- Compared to the formal lenders, **most of the informal lenders charge much higher interest on loans. Thus, the cost to the borrower of informal loans is much higher.**
- The higher cost of borrowing means a larger part of the earnings of the borrowers is used to repay the loan. Hence, borrowers have less income left for themselves.
- **In certain cases, the high-interest rate for borrowing can mean that the amount to be repaid is greater than the income of the borrower. This could lead to an increasing and debt trap.**
- Getting a loan from a bank is much more difficult than taking a loan from informal sources as bank loans require proper documents and collateral.

17. Correct Option: (c)

Explanation:

Where most of the people are employed?

- **The primary sector continues to be the largest employer even now. It is because not enough jobs were created in the secondary and tertiary sectors.**

- While production in the service sector rose by 14 times, employment in the service sector rose around five times.
- More than half of the workers in the country are working in the primary sector, mainly in agriculture, producing only a quarter of the GDP.
- In contrast to this, the secondary and tertiary sectors produce four-fifths of the product whereas they employ less than half the people.

18. Correct Option: (d)

Explanation:

Quaternary Sector

- Activities which deals with the information sector are known as Quaternary activities
- Quaternary activities involve the collection, production, and dissemination of information or even the production of information. It includes research, development and may be seen as an advanced form of services involving specialized knowledge and technical skills.
- Some industries in the quaternary sector are consultancy, financial planning, designing, information technologies, research and development (R&D) and generation of information.

19. Correct Option: (d)

Explanation:

Economic Activities

- For economic activities, a financial transaction needed to be done for a work done by a person.
- **Statement 1 is incorrect:** Tutor teaching a student free of cost. In this no money is involved. So this is not an economic activity.
- **Statement 2 is incorrect:** Money is not paid for the work done by student. It is a charity kind of thing.
- **Statement 3 is incorrect:** Philanthropist giving out charity to NGOs. Money is not earned, it's a charity. It cannot be grouped under economic activity.

20. Correct Option: (b)

Explanation:

Trends in Service Sector

- The services sector accounts for 54 per cent of India's Gross Value Added (GVA).

- Its growth rate moderated to 7.5 per cent in 2018-19 from 8.1 per cent in 201718.
- **The segments that saw deceleration are tourism, trade, hotels, transport, communication and services related to broadcasting, public administration and defence.**
- **The growth rate of Financial, real estate and professional services category accelerated**

21. Correct option: (d)

Explanation

All the statements are correct

Supplementary notes

Uniform Civil code - the debate, the status

- A Uniform Civil Code is one that would provide for one law for the entire country, applicable to all religious communities in their personal matters such as marriage, divorce, inheritance, adoption etc.
- Article 44 of the Constitution lays down that the state shall endeavour to secure a Uniform Civil Code for the citizens throughout the territory of India.
- Article 44 is one of the directive principles.
- These, as defined in Article 37, are not justiciable (not enforceable by any court) but the principles laid down therein are fundamental in governance.
- Fundamental rights are enforceable in a court of law.
- While Article 44 uses the words "the state shall endeavour", other Articles in the 'Directive Principles' chapter use words such as "in particular strive"; "shall, in particular, direct its policy"; "shall be the obligation of the state" etc.
- Article 43 mentions "state shall endeavour by suitable legislation" while the phrase "by suitable legislation" is absent in Article 44.
- All this implies that the duty of the state is greater in other directive principles than in Article 44.

22. Correct option: (c)

Explanation

- Both statements are correct.

Supplementary notes

- Unparliamentarily speech and conduct in Parliament

- While **Article 105(2)** of the Constitution of India lays down that “**no Member of Parliament shall be liable to any proceedings in any court in respect of anything said or any vote given by him in Parliament or any committee thereof**”, MPs do not enjoy the freedom to say whatever they want inside the house.
- **Article 121** prohibits discussion in Parliament with respect to the conduct of any Judge of the Supreme Court or of a High Court in the discharge of the duties except upon a motion for presenting an address to the President for the removal in the manner prescribed.
- Whatever an MP says is subject to the discipline of the **Rules of Parliament**, the “good sense” of Members, and the control of proceedings by the Speaker.
- These checks ensure that MPs cannot use “defamatory or indecent or undignified or unparliamentary words” inside the House.
- **Rule 380 (“Expunction”)** of the Rules of Procedure and Conduct of Business in Lok Sabha says: “If the Speaker is of opinion that words have been used in debate which is defamatory or indecent or unparliamentary or undignified, the Speaker may while exercising discretion order that such words be expunged from the proceedings of the House.”
- **Rule 381** says: “The portion of the proceedings of the House so expunged shall be marked by asterisks and an explanatory footnote shall be inserted in the proceedings as follows: ‘Expunged as ordered by the Chair’.”

23. Correct option: (a)

Explanation

- In an incredible feat of remote engineering, NASA has fixed one of the most intrepid explorers in human history. Voyager 2, currently some 11.5 billion miles from Earth, is back online and resuming its mission to collect scientific data on the solar system and the interstellar space beyond.

Supplementary notes

“Voyager 2”

- NASA’s Voyager 2 is the second spacecraft to enter interstellar space. It is sister craft to Voyager 1. Both have been travelling through the solar system, and now beyond it, for the last four decades.

- Both were launched a few weeks apart in 1977 to perform an unprecedented “grand tour” of the outer solar system.
- Both spacecraft conducted flybys of Jupiter and Saturn, revealing a great deal about the solar system’s two biggest planets.
- Closest approach to Jupiter occurred on March 5, 1979, for Voyager 1; July 9, 1979
- Closest approach to Saturn occurred on November 12, 1980, for Voyager 1; August 25, 1981
- Voyager 2 then zoomed past Uranus in 1986 and Neptune in 1989; the probe remains the only craft to have gotten up-close looks at either of these “ice giants.”
- Voyager 1 and Voyager 2 are currently about 13.8 billion miles (22.2 billion kilometres) and 11.5 billion miles (13.5 billion km) from Earth, respectively.
- Voyager 2 is the furthest away object made by humans: 11.5 billion miles from Earth. Not even light can travel such a distance instantaneously as it does on our planet.
- It takes more than 17 hours for light to travel from Earth to Voyager 2.

24. Correct option: (c)

Explanation

- Both statements are correct.

Supplementary notes

“Kerala bans CFL and filament bulbs”

- The mercury in a fluorescent bulb can be released as both dust and vapour if the light is broken.
- This toxic element is dangerous to people and animals and can easily migrate through the environment in the air, water and soil.
- LED bulbs use about 40% less power than fluorescent lights, and 80% less than incandescent lights, to produce the same amount of light.
- Light Emitting Diodes (LEDs) use about 75% less energy than a typical incandescent bulb
- LEDs contain no mercury and have a much smaller environmental impact compared to CFL bulbs
- LED Light lasts up to 50 times longer than the conventional halogen light bulb and 10 times longer than a CFL light bulb

- LED Lights are instant on so they do not require any warm-up time compared to other light bulbs
- LEDs don't give off heat making it cooler to operate and may even lower your A/C Bill.
- Switching to LEDs can reduce electricity and maintenance costs of a commercial building by up to 30%
- An incandescent lamp converts about 10% of the energy fed to it into the light, whereas LEDs convert nearly 100% of the energy they consume as light. LED lights are way more cost-effective than traditional incandescent.

25. Correct option: (a)

Explanation

- The new rice variety, Muktosshri, also called IET 21845, was developed jointly by the Rice Research Station at Chinsurah coming under West Bengal's Agriculture Department and the National Botanical Research Institute, Lucknow, over several years.

Supplementary notes

“Arsenic-resistant rice”

- The new rice variety, Muktosshri, also called IET 21845, was developed jointly by the Rice Research Station at Chinsurah coming under West Bengal's Agriculture Department and the National Botanical Research Institute, Lucknow, over several years.
- Work on developing the variety started in 2006 and by 2013 the scientists were successful.
- This variety uptakes very less amount of arsenic from soil and water in comparison to other varieties of rice.

- The variety yields 5.5 metric tonnes per hectare in the Boro season and 4.5 to 5 metric tonnes per hectare in the Kharif season, respectively.
- Arsenic is naturally present at high levels in the groundwater of a number of countries. It is highly toxic in its inorganic form.
- Arsenic contamination of groundwater is widespread and there are a number of regions where arsenic contamination of drinking-water is significant.
- Arsenic is one of WHO's 10 chemicals of major public health concern.
- It is now recognized that at least 140 million people in 50 countries have been drinking water containing arsenic at levels above the WHO provisional guideline value of 10 µg/L (4).
- According to the latest report of the Central Ground Water Board (CGWB), 21 states across the country have pockets with arsenic levels higher than the Bureau of Indian Standards' (BIS) stipulated permissible limit of 0.01 milligram per litre (mg/l).
- In India, arsenic contamination was first officially confirmed in West Bengal in 1983. Close to four decades after its detection, the scenario has worsened, about 9.6 million people in West Bengal are at immediate risk from arsenic contamination in groundwater.
- West Bengal is among the States with the highest concentration of arsenic in groundwater, with as many as 83 blocks across seven districts having higher arsenic levels than permissible limits.



TEST

DAY - 53

Time Allowed: 30 mins

Maximum Marks: 50

1. Which of the following statements is/ are correct regarding the Alternative Investment Funds in India?

1. It is a privately pooled investment vehicle regulated by the Insurance Regulatory and Development Authority.
2. It includes mutual funds.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

2. Which of the following statements is/ are correct?

1. Over-the-counter is a process by which securities are traded for companies that are not listed on a formal stock exchange.
2. It helps promote equity and financial instruments that would otherwise be unavailable to investors.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

3. Which of the following statements is/ are incorrect?

1. The London Interbank Offered Rate is the primary benchmark for long term interest rates around the world.

2. The Mumbai Inter-Bank Offer Rate is the yardstick of the Indian call money market.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

4. Which of the following statements is/ are correct regarding the Certificate of Deposit?

1. It can be issued by scheduled commercial banks only.
2. It can be issued to Non-Resident Indians also.
3. One of its advantages is that banks can provide loans against it.
4. It is a safer investment than stocks and bonds due to non-volatile and guaranteed rates of return.

Select the correct option using the codes given below:

- (a) 1 and 3 only
- (b) 2 and 4 only
- (c) 1, 3 and 4 only
- (d) 1, 2, and 3 only

5. Which of the following statements is/ are correct regarding the Call Money market?

1. Regional Rural Banks cannot be the participants in the call money market.
2. Banks can borrow in this money market to meet the mandatory Cash Reserve Ratio & Statutory Liquidity Ratio requirements.

3. Calculation of interest rates is based on the methodology given by the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

Select the correct option using the codes given below:

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

6. Consider the following statements regarding the India INX:

1. It is India's first international stock exchange.
2. It is a subsidiary of the National Stock Exchange.
3. It has launched the Global Securities Market, India's first international primary market platform.

Which of the above statements are correct?

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

7. Which of the following are the types of derivatives?

1. Options
2. Futures
3. Forwards
4. Swaps

Select the correct option using the codes given below:

- (a) 1 and 2 only
(b) 2 and 4 only
(c) 1, 2, and 3 only
(d) 1, 2, 3, and 4

8. Consider the following statements regarding the Inflation Indexed Bonds (IIBs):

1. The inflation index used in IIBs can be the Wholesale Price Index or Consumer Price Index
2. They provide inflation protection to both principal and interest payments.

Which of the above statements is/are correct?

- (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

9. Consider the following statements regarding Sovereign Gold Bond Scheme:

1. Sovereign Gold Bonds are non-tradable government securities.
2. This scheme is open only to Indian residents.
3. Designated Post Offices are also allowed to sell the bonds.

Which of the above statements is/are correct?

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

10. Which of the following statements regarding the Cash Management Bills/ are correct?

1. It is issued by the RBI on behalf of the government.
2. It is issued for maturities more than 90 days but less than a year.

Select the correct option using the codes given below:

- (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

11. Which of the following statements are correct regarding the Government Securities?

1. Only the Central Government can issue both treasury bills and dated securities.
2. Treasury bills do not pay any interest.
3. Most of the dated securities are floating coupon securities.

Select the correct option using the codes given below:

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

12. Which of the following statements is/are correct regarding the Commercial Paper?

1. It is a form of unsecured money market debt instrument.
2. Non-Resident Indians and Foreign Institutional Investors can not invest in this debt instrument.
3. It can be issued for maturities between a minimum of 7 days and a maximum of up to 270 days from the date of issue.

Select the correct option using the codes given below:

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

13. Consider the following statements regarding the Insurance Sector in India:

1. The performance of the insurance sector is generally assessed on the basis of insurance penetration and insurance density.
2. Insurance density is measured as the percentage of insurance premium to GDP while insurance penetration is calculated as the ratio of premium to population.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

14. Consider the following statements about the Insurance Regulatory and Development Authority (IRDA):

1. It is an apex statutory body headquartered in Hyderabad.

2. It adjudicates disputes between insurers and intermediaries or insurance intermediaries.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

15. Which of the following statements regarding the Capital market is/are correct?

1. Both debt and equity funds are raised and invested in the capital market.
2. The participants of the capital market are development banks, commercial banks, and stock exchanges.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

16. Consider the following statements regarding the functions of the Financial Market:

1. Mobilization of savings
2. Facilitating price discovery for financial assets
3. Providing liquidity to financial assets

Which of the above statements are correct?

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

17. What are gilt-edged securities?

- (a) It is a tradable short-term instrument whose maturity is up to 90 days issued by the central government.
- (b) These are the dated-securities issued only by the central government.
- (c) These are high-grade investment bonds offered by governments and large corporations as a means of borrowing funds.
- (d) None of the above

18. Which of the following is *not* an instrument of the Money market?

- (a) Dated Securities (G-Sec)
- (b) Commercial Paper
- (c) Zero-coupon bonds
- (d) Certificate of Deposit

19. Which of the following statements is/are correct regarding the “bear market”?

- 1. It leads to a fall in the value of the investment.
- 2. Investors rush to buy stocks instead of selling.

Select the correct answer using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

20. Consider the following statements regarding Market Stabilisation Bonds in India:

- 1. These are bonds floated by Central Government to absorb excess liquidity from the system.
- 2. These bonds are raised through an auction and are tradable in the secondary market.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

21. Suranga Bawadi was recently inducted in the World Monument Watch list. In this context, consider the following statements:

- 1. Suranga Bawadi is a part of Karez system of supplying water through subterranean tunnels.
- 2. Suranga Bawadi was built by Ibrahim Adil Shah-II of Bijapur sultanate.
- 3. World Monument Watch is a biennial selection of at-risk cultural heritage sites by UNESCO.

Which of the above statements is/are *incorrect*?

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

22. With reference to Karez system, consider the following statements:

- 1. It is water harnessing technology in which groundwater is brought to the surface by a tunnel.
- 2. It originated in Iran and was widely used during medieval period.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

23. Which among the following folk musical instruments do *not* belong to membranophone category?

- (a) Ghumot
- (b) Sambal
- (c) Algoza
- (d) Tamak

24. Which of the following statements regarding Guru Nanak is/are correct?

- 1. He was born in Sultanpur Lodhi in 1469 AD.
- 2. He compiled Adi Granth which later came to be known as Guru Granth Sahib.
- 3. He introduced the institution of Langar that is a free communal kitchen at Kartarpur.
- 4. He practiced a nirguna form of Bhakti.

Select the correct answer using the code given below:

- (a) 1, 2 and 3 only
- (b) 1, 3 and 4 only
- (c) 2 and 4 only
- (d) 3 and 4 only

25. Which of the following statements are correct regarding Asiatic Lion Conservation Project?

1. This project will focus on conservation efforts of Asiatic Lions in only few parts of Gir Range.
2. This project envisages involvement of communities for disease control and veterinary care for conservation efforts.

Choose the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2



ANSWER HINTS

DAY - 53

1. Correct Option: (d)

Explanation:

Alternative Investment Funds

- Alternative Investment Fund or AIF means any fund established or incorporated in India which is a privately pooled investment vehicle that 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.
- They are regulated by SEBI.
- They exclude mutual funds or collective investment Schemes, family trusts, Employee Stock Option, etc.

2. Correct Option: (c)

Explanation:

Over-The-Counter

- **Over-the-counter (OTC) refers to the process of how securities are traded for companies that are not listed on a formal exchange.**
- Securities that are traded over-the-counter are traded via a broker-dealer network as opposed to on a centralized exchange. These securities do not meet the requirements to have a listing on a standard market exchange.
- OTC trading helps promote equity and financial instruments that would otherwise be unavailable to investors.

3. Correct Option: (d)

Explanation:

LIBOR

- The London Interbank Offered Rate is the average interest rate estimated by leading banks in London that they would be charged for what they borrow from other banks. It

is usually abbreviated to BBA Libor (for British Bankers' Association Libor).

- **It is the primary benchmark, along with the Euribor, for short term interest rates around the world.** Many financial institutions, mortgage lenders and credit card agencies set their own rates relative to it.

Mumbai Inter-Bank Offer Rate

- **The Mumbai Interbank Offer Rate (MIBOR) is one iteration of India's interbank rate, which is the rate of interest charged by a bank on a short-term loan to another bank.**
- As India's financial markets have continued to develop, India felt it needed a reference rate for its debt market, which led to the development and introduction of the MIBOR.
- Banks borrow and lend money to one another on the interbank market in order to maintain appropriate, legal liquidity levels, and to meet reserve requirements placed on them by regulators. Interbank rates are made available only to the largest and most creditworthy financial institutions.

4. Correct Option: (b)

Explanation:

Certificate of Deposit

- A Certificate of Deposit (CD) is a money market instrument that is issued in a dematerialized form against funds deposited in a bank for a specific period. The Reserve Bank of India (RBI) issues guidelines for Certificate of Deposit from time to time.
- Certificates of Deposit are issued by **scheduled commercial banks and select financial institutions** in India as allowed by RBI within a limit.

- **Certificates of Deposits are issued to individuals, companies, corporations, and funds among others. Certificates of Deposits can also be issued to Non-Resident Indians but on a non-repatriable basis only.**
- **It is important to note that banks and financial institutions cannot provide loans against Certificates of Deposits.**
- Also, banks cannot buy their own Certificates of Deposit prior to the latter's maturity. However, the aforementioned norms may be relaxed by the RBI for a specific period of time.
- It is important to note that banks have to maintain the statutory liquidity ratio (SLR) and cash reserve ratio (CRR) on the price of a Certificate of Deposit.
- **CDs are a safer and more conservative investment than stocks and bonds, offering lower opportunity for growth, but with a non-volatile, guaranteed rate of return.**

5. Correct Option: (d)

Explanation:

Call Money market

- Call money rate is the rate at which short term funds are borrowed and lent in the money market.
- The demand and supply of liquidity affect the call money rate. A tight liquidity condition leads to a rise in call money rate and vice versa.
- The loans are of short-term duration varying from 1 to 14 days, are traded in the call money market. The money that is lent for one day in this market is known as "Call Money", and if it exceeds one day (but less than 15 days) it is referred to as "Notice Money". Term Money refers to Money lent for 15 days or more in the Inter-Bank Market.
- Banks borrow in this money market for the following purpose:
 - ▶ To fill the gaps or temporary mismatches in funds
 - ▶ **To meet the Cash Reserve Ratio(CRR) & Statutory Liquidity Ratio(SLR) mandatory requirements as stipulated by the RBI**

- ▶ To meet the sudden demand for funds arising out of large outflows.

- Thus call money usually serves the role of equilibrating the short-term liquidity position of banks.
- Participants in the Call Money Market: As the RBI guideline, the participants in call/notice money market currently include scheduled commercial banks (**excluding RRBs**), Development Financial Institutions, Co-operative banks (other than Land Development Banks) and Primary Dealers (PDs), both as borrowers and lenders.
- Interest Rate: Eligible participants are free to decide on interest rates in the call/notice money market. **Calculation of interest payable would be based on the methodology given by the Fixed Income Money Market and Derivatives Association of India (FIMMDA).**

6. Correct Option: (b)

Explanation:

India INX

- **India International Exchange (IFSC) Limited (India INX) is India's first international stock exchange, established in International Financial Services Centre (IFSC) located at the Gujarat International Finance-Tec City (GIFT City).**
- **India INX is a subsidiary of Bombay Stock Exchange Limited.**
- The Exchange was inaugurated by Hon'ble Prime Minister of India, Shri Narendra Modi, on Jan 09, 2017, and commenced its operations from Jan 16, 2017.
- Operating on an advanced technology platform of EUREX T7, the Exchange is the fastest in the world with a turn-around time of 4 microseconds. The exchange offers a first of its kind single segment approach for all asset classes - equities, currencies, commodities, fixed income securities providing significant cost advantages to participants.
- **India INX launched Global Securities Market, India's first international primary market platform that connects global investors with Indian and foreign issuers.** This provides global investors a first of its kind opportunity to invest in Indian securities without

assuming any currency risk and in a regulatory regime comparable with any other leading jurisdiction.

7. Correct Option: (d)

Explanation:

Derivatives

- Derivatives are financial contracts whose value is dependent on an underlying asset or group of assets. The commonly used assets are stocks, bonds, currencies, commodities and market indices.
- The four major types of derivative contracts are **options, forwards, futures and swaps**.

8. Correct Option: (c)

Explanation:

Inflation-Indexed Bonds (IIBs)

- IIBs are bonds wherein both coupon flows and Principal amounts are protected against inflation.
- **The inflation index used in IIBs may be the Whole Sale Price Index (WPI) or Consumer Price Index (CPI).**
- Inflation-Indexed Bonds (IIBs) were issued in the name of Capital Indexed Bonds (CIBs) during 1997 which used to provide inflation protection only to principal and not to interest payment.
- **The new product of IIBs provide inflation protection to both principal and interest payments.**

9. Correct Option: (c)

Explanation:

Sovereign Gold Bond Scheme

- SGBs are **tradable and transferable 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 Reserve Bank on behalf of the Government of India.
- **Persons resident in India as defined under the Foreign Exchange Management Act, 1999 are eligible to invest in SGB.** Eligible investors include individuals, HUFs, trusts, universities and charitable institutions. Individual investors

with subsequent change in residential status from resident to non-resident may continue to hold SGB till early redemption/maturity.

- The Bonds are issued in denominations of one gram of gold and in multiples thereof. Minimum investment in the Bond shall be one gram with a maximum limit of subscription of 4 kg for individuals, 4 kg for Hindu Undivided Family (HUF) and 20 kg for trusts and similar entities notified by the government from time to time per fiscal year (April – March). In case of joint holding, the limit applies to the first applicant.
- The Bonds bear interest at the rate of 2.50 percent (fixed rate) per annum on the amount of initial investment. Interest will be credited semi-annually to the bank account of the investor and the last interest will be payable on maturity along with the principal.
- Bonds are sold through offices or branches of Nationalised Banks, Scheduled Private Banks, Scheduled Foreign Banks, **designated Post Offices**, Stock Holding Corporation of India Ltd. (SHCIL) and the authorized stock exchanges either directly or through their agents.

10. Correct Option: (a)

Explanation:

Cash Management Bills (CMBs)

- In 2010, the Government of India, in consultation with RBI introduced a new **short-term instrument**, known as Cash Management Bills (CMBs), to meet the temporary mismatches in the cash flow of the Government of India.
- The bills are issued by the RBI on behalf of the government.
- **The CMBs have the generic character of T-bills but are issued for maturities less than 91 days.**

11. Correct Option: (a)

Explanation:

G-Sec

- Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments. It acknowledges the Government's debt obligation.

- Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more).
- In India, the **Central Government issues both, treasury bills and bonds or dated securities** while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs). G-Secs carry practically no risk of default and, hence, are called risk-free gilt-edged instruments.
- Treasury bills or T-bills, which are money market instruments, are short term debt instruments issued by the Government of India and are presently issued in three tenors, namely, 91 day, 182 day and 364 day.
- **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 Rs.100/- (face value) may be issued at say Rs. 98.20, that is, at a discount of say, Rs. 1.80 and would be redeemed at the face value of Rs. 100/-. The return to the investors is the difference between the maturity value or the face value (that is Rs. 100) and the issue price.
- Dated G-Secs are securities that carry a fixed or floating coupon (interest rate) which is paid on the face value, on a half-yearly basis. Generally, the tenor of dated securities ranges from 5 years to 40 years.
- The Public Debt Office (PDO) of the Reserve Bank of India acts as the registry/depository of G-Secs and deals with the issue, interest payment and repayment of principal at maturity.
- **Most of the dated securities are fixed coupon securities.**

12. Correct Option: (a)

Explanation:

Commercial Paper (CP)

- **Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note. It is not usually backed by any form of collateral, making it a form of unsecured debt.**
- It was introduced in India in 1990 with a view to enabling highly rated corporate

borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors. Subsequently, primary dealers and all-India financial institutions were also permitted to issue CP to enable them to meet their short-term funding requirements for their operations.

- **Corporates, primary dealers (PDs) and the All-India Financial Institutions (FIs) are eligible to issue CP.**
- As per the rating symbol and definition prescribed by the Securities and Exchange Board of India (SEBI), the minimum credit rating shall be A-2 for the issuance of the CP.
- **CP can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue.** However, the maturity date of the CP should not go beyond the date up to which the credit rating of the issuer is valid.
- **Individuals, banking companies, other corporate bodies (registered or incorporated in India) and unincorporated bodies, Non-Resident Indians (NRIs), and Foreign Institutional Investors (FIIs), etc. can invest in CPs.** However, investment by FIIs would be within the limits set for them by the Securities and Exchange Board of India (SEBI) from time-to-time.

13. Correct Option: (a)

Explanation:

Insurance Sector

- Insurance has evolved as a tool for safeguarding the interest of people from loss and uncertainty. Apart from protecting against mortality; property; and casualty risks; it provides a safety net for individuals and enterprises in urban and rural areas. The insurance sector encourages savings and provides long-term funds to individuals. It also provides funds for infrastructure development and other long gestation projects of the nation.
- The potential and performance of the insurance sector are generally assessed on the basis of two parameters, viz., insurance penetration and insurance density.
- The measure of insurance penetration and density reflects the level of development of the insurance sector in a country.

- While insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium to population (measured in US\$ for convenience of international comparison).

14. Correct Option: (c)

Explanation:

Insurance Regulatory and Development Authority (IRDA)

- IRDA is an **apex statutory body** that regulates and develops the insurance industry in India. It was constituted as per provisions of the Insurance Regulatory and Development Authority Act, 1999.
- Its **headquarter is in Hyderabad.**

Functions of IRDA

- Promote and regulate professional organisations connected with insurance and reinsurance business; regulate investment of funds by insurance companies.
- **Adjudication of disputes between insurers and intermediaries or insurance intermediaries.**
- To protect the interest of and secure fair treatment to policyholders.
- To bring about speedy and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefit of the common man, and to provide long term funds for accelerating growth of the economy.
- To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates.
- To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery.
- To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players.
- To take action where such standards are inadequate or ineffectively enforced.
- To bring about the optimum amount of self-regulation in the day-to-day working of the industry consistent with the requirements of prudential regulation.

15. Correct Option: (c)

Explanation:

Capital market

- The term capital market refers to facilities and institutional arrangements through which long-term funds; **both debt and equity are raised and invested.**
- It consists of a series of channels through which savings of the community are made available for industrial and commercial enterprises and for the public in general. It directs these savings into their most productive use leading to growth and development of the economy.
- **The capital market consists of development banks, commercial banks, and stock exchanges.**
- An ideal capital market is one where finance is available at a reasonable cost. The process of economic development is facilitated by the existence of a well-functioning capital market.
- It is essential that financial institutions are sufficiently developed and that market operations are free, fair, competitive and transparent. The capital market should also be efficient in respect of the information that it delivers, minimize transaction costs and allocate capital most productively.
- The Capital Market can be divided into two parts:
 - ▶ Primary Market
 - ▶ Secondary Market

16. Correct Option: (d)

Explanation:

Functions of Financial Market

- Financial markets play an important role in the allocation of scarce resources in an economy by performing the following four important functions:
 - ▶ **Mobilization of Savings and Channelling them into the most Productive Uses**
 - A financial market facilitates the transfer of savings from savers to investors. It gives savers the choice of different investments and thus helps to channelize surplus funds into the most productive use.
 - ▶ **Facilitating Price Discovery**
 - In the financial market, the households are suppliers of funds

and business firms represent the demand. The interaction between them helps to establish a price for the financial asset which is being traded-in that particular market.

► **Providing Liquidity to Financial Assets**

- Financial markets facilitate the easy purchase and sale of financial assets. They provide liquidity to financial assets so that they can be easily converted into cash whenever required.

► **Reducing the Cost of Transactions**

- Financial markets provide valuable information about securities being traded in the market. It helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend to try and find each other.

17. Correct Option: (c)

Explanation:

Government Securities (G-Secs)

- G-Secs is a tradable instrument issued by the Central Government or the State Governments.
- Securities are issued for short term as well as long term. Short term securities with maturity less than 1 year are called Treasury Bills (T-Bills) while long term securities with a maturity of 1 year or more are called Government Bonds or dated securities.
- G-Sec Bonds features:
 - Long term maturity above 1 year and up to 40 years.
 - The interest rate paid on face value payable half-yearly
 - Effective yield return depends on the issue price.
- In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs).
- G-Secs carry practically no risk of default and, hence, are called risk-free gilt-edged instruments. **Gilt-edged securities are**

high-grade investment bonds offered by governments and large corporations as a means of borrowing funds.

18. Correct Option: (a)

Explanation:

Money Market Instruments

- **Treasury Bill:** It is basically an instrument of short-term borrowing by the Government of India maturing in less than one year. They are also known as **Zero-Coupon Bonds** issued by the Reserve Bank of India on behalf of the Central Government to meet its short-term requirement of funds.
- **Commercial Paper:** It is a short-term promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued by large and creditworthy companies to raise short-term funds at lower rates of interest than market rates. It usually has a maturity period of 15 days to one year.
- **Call Money:** It is short term finance repayable on demand, with a maturity period of one day (more than 1 day up to 14 days it is called as notice money.), used for inter-bank transactions. Call money is a method by which banks borrow from each other to be able to maintain the cash reserve ratio. The interest rate paid on call money loans is known as the call rate. It is a highly volatile rate that varies from day-to-day and sometimes even from hour-to-hour.
- **Certificate of Deposit:** It is negotiable, short-term instruments in bearer form, issued by commercial banks and development financial institutions. They can be issued to individuals, corporations, and companies during periods of tight liquidity when the deposit growth of banks is slow but the demand for credit is high.
- **Commercial Bill:** It is a bill of exchange used to finance the working capital requirements of business firms. It is a short-term, negotiable, self-liquidating instrument which is used to finance the credit sales of firms.

19. Correct Option: (a)

Explanation:

Bear market

- During bear market periods, **investing can be risky even for the most seasoned of**

investors. A bear market is a period marked with falling stock prices. In a bear market, investor confidence is extremely low.

- Many investors opt to sell off their stocks during a bear market for fear of further losses, thus fuelling a vicious cycle of negativity. Although the financial implications of bear markets can vary, typically, bear markets are marked by a 20% downturn or more in stock prices over at least a two-month timeframe.
- The causes of a bear market often vary, but in general, a weak or slowing or sluggish economy will bring with it a bear market. The signs of a weak or slowing economy are typically low employment, low disposable income and a drop in business profits.
- A bear market occurs when there are more sellers than buyers. In any free market system, when supply exceeds demand, prices fall. In a bear market, for example, the sellers are the supply, while the buyers are the demand. Hence, when the market is bearish, seller numbers are high, but buyer numbers are comparatively low.

20. Correct Option: (b)

Explanation:

Market Stabilisation Bonds (MSBs)

- These are special bonds floated on behalf of the government by the RBI for the specific purpose to absorb the excess liquidity in the system when regular government bonds prove inadequate.
- These are mostly shorter-tenure bonds, of less than six months' maturity. But the tenure differs depending on the requirement.
- MSBs are raised through an auction and are tradable in the secondary market.
- The regular government bonds are part of the government's borrowing programme and the interest payout on these has an impact on the fiscal position.
- The MSS bills and securities are matched by an equivalent cash balance held by the government with the Reserve Bank. Hence, they have only a marginal impact on the government's revenue and fiscal positions. The cost of such interest payment is shown separately in the Budget.

21. Correct Option: (c)

Explanation:

- **Statement 2 is incorrect:** Suranga Bawadi was built by Ali Adil Shah-I of Bijapur sultanate.
- **Statement 3 is incorrect:** World's Monument Watch is a biennial selection of at-risk cultural heritage sites by World Monuments Fund, a private nonprofit organization.

Supplementary notes:

SurangaBawadi

- SurangaBawadi, an integral part of the ancient Karez system of supplying water through subterranean tunnels built during Adil Shahi era in Vijayapura or Bijapur (Karnataka), is now set to get funding for restoration.
- According to historians, the Adil Shahis built the magnificent underground system to supply water to the city, which had a population of nearly 12 lakh then.
- Though the Karez system was built in the 16th century by Ali Adil Shah-I, his successor, Ibrahim Adil Shah-II, brought in several changes by adding more structures to strengthen it.
- A New York-based non-governmental organization has included it in the World Monument Watch list for 2020 along with 24 other monuments from across the world.
- The monument has been selected under the 'Ancient Water System of the Deccan Plateau' by World Monuments Fund [the NGO], which monitors restoration of ancient monuments across the globe.
- Karez System is a water harnessing technology that originated in Iran/Persia. The Karez technology basically taps into the ground water sources (or natural springs) and transports it through an underground tunnel to the settlement, ending in surface canal and/or pools in the village for various uses like drinking, washing, ablution, watering livestock, and also further used for irrigating fields, orchards and gardens.

World Monuments Fund

- World Monuments Fund is a private nonprofit organization founded in 1965 by individuals concerned about the accelerating destruction of important

artistic treasures throughout the world.

- World Monuments Fund works in collaboration with the local stakeholders, including the district administration, the Archaeological Survey of India, and local explorers of ancient monuments, in highlighting the need for the restoration of ancient monuments.
- The World Monuments Watch is a global program launched in 1995 on the occasion of the 30th anniversary of World Monuments Fund, aims to identify imperiled cultural heritage sites and direct financial and technical support for their preservation.
- **The World Monuments Watch is a biennial selection of at-risk cultural heritage sites that combine great historical significance with contemporary social impact.**

22. Correct Option: (c)

Explanation:

- Both statements are correct

Supplementary notes:

Karez System

- Karez System is a water harnessing technology that originated in Iran/Persia.
- The Karez technology basically taps into the ground water sources (or natural springs) and transports it through an underground tunnel to the settlement, ending in surface canal and/or pools in the village for various uses like drinking, washing, ablution, watering livestock, and also further used for irrigating fields, orchards and gardens.
- Recently SurangaBawadi, an integral part of the ancient Karez system of supplying water through subterranean tunnels built during Adil Shahi era in Vijayapura or Bijapur (Karnataka), was included it in the World Monument Watch list for 2020 along with 24 other monuments from across the world.

23. Correct Option: (c)

Explanation:

- **Option (c) is correct:Algoza belongs to aerophone category;a double flute that is a popular folk instrument of North West India, especially Punjab.**

Supplementary notes:

Folk Musical Instruments

• Chordophones

- ▶ Tumbi: It is played during Bhangra in Punjab.
- ▶ Ektara or Tun Tuna: It is a one-stringed instrument played by wandering monks.
- ▶ Dotara: two-stringed instrument used by Bauls
- ▶ Chikara: bowed instrument used in Rajasthan, Uttar Pradesh and Madhya Pradesh.
- ▶ Dilruba or Esraj: accompanying instrument used in Punjab and during Rabindra sangeet in eastern India.
- ▶ Onavillu: Kerala. Made of bamboo.
- ▶ Sarinda: Important tribal instrument and is used by Santhals in Eastern India and also used in Rajasthan and Assam. It is like Sarangi.

• Aerophones

- ▶ Pungi or Been: It is used by snake charmers. It is made up of dried bottle gourd and two bamboo sticks.
- ▶ **Algoza: It is a double flute and is a popular folk instrument of North West India, especially Punjab.**
- ▶ Tangmuri: It is folk instrument of Khasi hill people of Meghalaya.
- ▶ Titti: It is like bagpiper, made of goat skin. It is made in south India especially Kerala and Andhra Pradesh.
- ▶ Mashak: An important folk instrument of Garhwal region in Uttarakhand. in Rajasthan and Uttar Pradesh.
- ▶ Gogona: It is made up of bamboo, used in Bihu festival in Assam.

• Membranophones

- ▶ **Ghumot: It is like a drum and is played during Ganesh festival in Goa. It was in news recently as it will be notified as a heritage instrument of Goa.**
- ▶ Idakka: It is like Damru and is from Kerala.
- ▶ Udukai: It is a hour-glass shaped instrument like damru from Tamil Nadu.

- ▶ **Sambal:** It is like drum. It is played with sticks in Konkan region of Maharashtra.
- ▶ **Tamak:** It is an important instrument of Santhal tribe and is a two headed drum. It is beaten with drum sticks.
- ▶ **Diggi:** It is a folk drum from Ghariya village of Uttar Pradesh.
- **Idiophones**
 - ▶ **Chimpta:** evolved from fire tongs, used in Punjab.
 - ▶ **Gharha:** These are earthen pots, used in folk music of Punjab
 - ▶ **Andelu:** It is used in Burra-Katha. It is a pair of hollow metal rings

24. Correct Option: (d)

Explanation:

- **Statement 1 is incorrect:** He was born in a village, Talwandi Rai Bhoie, near Lahore which was renamed later as Nankana Sahib. Sultanpur Lodhi is the land where he attained enlightenment.
- **Statement 2 is incorrect:** Adi Granth was compiled by Guru Arjan (5th Guru) in which Guru Nanak's compositions were included.

Supplementary notes:

Guru Nanak Dev Ji

- Guru Nanak (1469-1539), whose 550th birth anniversary was celebrated recently, is the greatest thinker, philosopher, poet, traveler, political rebel, social leveler, mass communicator and spiritual master the land of Punjab has produced. He was born in a village, Talwandi Rai Bhoie, near Lahore which was renamed later as Nankana Sahib. The room in which he was born constitutes the inner sanctum of the Gurdwara Nankana Sahib.
- In his youth, he used the medium of music, poetry, song and speech to preach the love of God and to attack the politically oppressive policies of the Mughal regime and the socially oppressive practices of casteism of the orthodox Brahmanical Hindu religion. He also attacked the wealthy and spoke in favor of an equitable social status for women.

- He moved to the town of Sultanpur Lodhi - the land where Sri Guru Nanak Dev Ji attained enlightenment, where he took the job of an accountant in charge of the stores of the local Governor.
- He used the language of the masses, Punjabi, to preach his ideas.
- He transcended the limitations of geographical space and historical time in delivering a message that had universal relevance. The fact that in his own lifetime, communities of his followers had emerged in what are today India, Pakistan, Bangladesh, Afghanistan, Nepal, Tibet and Sri Lanka — and even in Iraq and Iran — illustrates that his message had transcended the geographical boundaries of Punjab.
- His written compositions were included in the Adi Granth compiled by Guru Arjan (1563-1606), the fifth Sikh guru. This came to be known as Guru Granth Sahib after the additions made by the 10th guru Guru Gobind Singh (1666-1708).
- In the last phase of his life that Guru Nanak spent at Kartarpur Sahib, he provided a practical demonstration of building a community based on strong egalitarian values of cooperative agricultural work and innovative social institutions of langar (collective cooking and sharing of food), pangat (partaking food without distinctions of high and low) and sangat (collective decision making).
- Guru Nanak and Sikhism were influenced by the nirguni (formless God) tradition of Bhakti movement in medieval India.

25. Correct Option: (b)

Explanation:

- **Statement 1 is incorrect:** This project will focus on conservation efforts of Asiatic Lions over whole Gir Range.

Supplementary notes:

Asiatic Lion Conservation Project

- Asiatic Lion Conservation Project has been launched by the Union Ministry of Environment, Forests and Climate Change (MoEFCC).

- The Asiatic Lion, endemic to Gir landscape of Gujarat, is one of the 21 critically endangered species identified by the Ministry for taking up recovery programmes.
- **The project envisages scientific management with the involvement of communities in coordination with multi-sectoral agencies for disease control and veterinary care for overall conservation of Asiatic lion.**
- Modern Information and Communication Technology (ICT) is proposed in the conservation, protection and development efforts of the Greater Gir Region.
- Additional ICT will include the following:
 - ▶ GPS Based Tracking like Surveillance Tracking Animal Tracking and Vehicle Tracking
 - ▶ Automated Sensor Grid like Magnetic Sensors, Movement Sensors, and Infra-red heat sensors
- ▶ Night vision capability enhancement
- ▶ GIS-based real-time monitoring, analysis and report generation.
- This project has “Species Conservation over a large landscape” approach.
- Large Landscape Conservation:
 - ▶ Large landscape conservation is an approach to conservation and management that focuses on actions that are taken across large areas, such as entire watersheds. Large landscape conservation generally involves many forest divisions, government agencies, and conservation organizations.
 - ▶ As Asiatic Lions are found only in the Gir Landscape, this project will focus on conservation efforts of Asiatic Lions over whole Gir Range.



TEST

DAY - 54

Time Allowed: 30 mins

Maximum Marks: 50

1. Which of the following statements regarding the Net International Investment Position Scheme are *incorrect*?

1. It is the value of foreign assets owned by the private and public sectors of a country minus the value of domestic assets owned by foreigners.
2. A negative NIIP figure means the country is a debtor nation.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

2. Which of the following statements are **correct**?

1. India's largest export destination country continues to be the United Arab Emirates.
2. Between 2011-12 and 2019-20, India's exports to the USA grew the highest.
3. China is the largest exporter to India.

Select the correct option using the codes given below:

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

3. Which of the following statements is/are **correct**?

1. Indian rupee is a fully convertible currency on the current account.
2. Capital account convertibility allows freedom to convert local financial

assets into foreign financial assets at the market rate.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

4. Consider the following statements regarding the import elasticity of exports:

1. It is the ratio of the percent increase in exports of finished goods to the percent increase in imports of raw materials and intermediate goods.
2. The import elasticities of export for capital goods is less than 1.

Which of the following statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

5. With reference to the International Monetary Fund, consider the following statements:

1. It tracks global economic development and lends to countries that experience the Balance of Payment crisis.
2. Quotas in IMF are based on a country's international trade and other factors
3. The value of SDR (created by IMF) is based on the basket of currencies of all P5 (UNSC members).

Which of the above statements is/are **incorrect**?

- (a) 2 and 3 only
- (b) 3 only
- (c) 1, 2 and 3
- (d) None of the above

6. Which of the following are the components of Capital Account?

- 1. External Commercial Borrowings
- 2. Foreign Direct Investment
- 3. Remittances
- 4. Invisibles

Select the correct option using the codes given below:

- (a) 1 and 2 only
- (b) 1, 2, and 4 only
- (c) 2 and 3 only
- (d) 1, 2, and 3 only

7. Which of the following statements regarding the Trade Infrastructure for Export Scheme is/are incorrect?

- 1. It has been launched to create appropriate infrastructure for the development of exports.
- 2. Only the Central agencies are eligible for financial support under this scheme.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

8. Which of the following statements regarding the Export Promotion Capital Goods (EPCG) Scheme are correct?

- 1. This Scheme allows exporters to import capital goods at zero customs duty.
- 2. To avail the benefits of the scheme, the exporters are required to fulfill the export obligation to the tune of six times the import duties, taxes and cess saved amount on capital goods

- 3. To qualify as Export Promotion Capital Goods, the commodity manufactured in India must be exported outside India.
- 4. Capital goods imported under EPCG authorizations for physical exports are not exempt from Integrated Goods and Services Tax.

Select the correct option using the codes given below:

- (a) 1 and 4 only
- (b) 1, 2, and 4 only
- (c) 1, 2, and 3 only
- (d) 2, 3, and 4 only

9. Which of the following statements regarding the Advance Authorization Scheme is/are correct?

- 1. The scheme allows free import of inputs for the exporters only if they are used in the exported products.
- 2. The scheme includes only the Basic Customs Duty and not any cess.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

10. Which of the following statements regarding trade facilitation are correct?

- 1. Trade facilitation removes the bureaucratic delays and “red tape in trading across the borders.
- 2. The Trade Facilitation Agreement was concluded in the 2013 Bali Ministerial Conference of WTO.
- 3. India is yet to ratify the agreement.
- 4. India has been gaining continuously in “Trading across Borders” indicator of the Ease of Doing Business.

Select the correct option using the codes given below:

- (a) 1 and 4 only
- (b) 1, 3, and 4 only
- (c) 1, 2, and 4 only
- (d) 1, 2, 3, and 4

11. An increase in merchandise exports to GDP ratio has a net positive impact on the BOP position. What are the reasons that the merchandise exports to GDP ratio has been declining in India?

1. Slowdown of world output
2. Decline in the share of India's manufactured exports in total merchandise exports
3. The appreciation in the real exchange rate

Select the correct option using the codes given below:

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

12. Which of the following top trading partners, India has a trade surplus?

1. Saudi Arabia
2. United Arab Emirates
3. The USA
4. Indonesia

Select the correct option using the codes given below:

- (a) 2 and 3 only
- (b) 1, 2, and 3 only
- (c) 1, 2, and 4 only
- (d) 1, 3 and 4 only

13. Consider the following statements regarding the trade barriers:

1. It refers to the tax imposed on the import of goods by a country to protect domestic goods.
2. Tariff barriers are imposed on the quantity and quality of goods, whereas non-tariff barriers are imposed on the value of goods.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

14. What is the likely consequence of introducing a subsidy paid to domestic producers to protect against foreign producers?

- (a) An increase in the price in the market
- (b) It provides an incentive for producers to be efficient
- (c) It subsidizes inefficient domestic production
- (d) It will raise revenue for the government

15. Consider the following statements:

1. Bretton Woods System re-established a system of Fixed Exchange Rate.
2. Under the Fixed Exchange Rate system, when a government increases the exchange rate making the domestic currency cheaper, it is called devaluation.

Which of the above statements is/are *incorrect*?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

16. Which of the following pairs is/are correctly matched?

1. **Floating Exchange Rate:** Interventions by the Government
2. **Managed Exchange Rate:** Market Driven
3. **Fixed Exchange Rate:** Currency Pegged

Select the correct answer using the code given below:

- (a) 1 and 2 only
- (b) 2 only
- (c) 3 only
- (d) None of the above

17. Which of the following actors participate in the Foreign Exchange market?

1. Central Bank
2. Government
3. Commercial Organization.

Select the correct answer using the code given below:

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

18. What of the following statements is/are correct in the context of Special Economic Zone (SEZ)?

1. A geographical region which has similar economic laws to that of a country in which it is located.
2. The objective of SEZ is to enhance foreign investment.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

19. Which of the following statements regarding Nominal Effective Exchange Rates (NEER) is/are correct?

1. NEER is a measure of the value of a currency against a weighted average of several foreign currencies.
2. An increase in NEER indicates an appreciation of the local currency against the weighted basket of currencies of its trading partners.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

20. Consider the following statements:

1. A high Real Exchange Rate (RER) implies that domestic goods are relatively more expensive than foreign goods.
2. When RER is low, net exports tend to rise.

Which of the above statements is /are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2

- (d) Neither 1 nor 2

21. Consider the following statements regarding Delimitation in India

1. Under Article 82, the Parliament enacts a Delimitation Act after every Census.
2. The Delimitation Commission is appointed by the Parliament and works in collaboration with the Election Commission of India.
3. Orders of commission are final and cannot be questioned before any court.

Which of the above statement(s) are correct?

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

22. With reference to World Mother Language Day consider the following statements

1. UNESCO declared International Mother Language Day in 1999, to commemorate a 1952 protest against West Pakistan's imposition of Urdu as the official language of East Pakistan.
2. Globally, Mandarin remains the most widely spoken language.

Which of the above statement(s) are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

23. Mongla Port which was seen recently in news is located in which of the following country?

- (a) Bangladesh
- (b) Nepal
- (c) Bhutan
- (d) China

24. Consider the following statements regarding RBI's fiscal year?

1. When it was commenced in 1935, it followed January-December accounting year.

2. Currently it has July-June accounting year.
3. The Bimal Jalan Committee on Economic Capital Framework (ECF) of the RBI had proposed change in its accounting year to April-March from the financial year 2020-21.

Which of the above statement(s) are correct?

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

25. Consider the following statements regarding Kawal Tiger Reserve

1. It is located in Andhra Pradesh.
2. It is covered with evergreen forest.
3. The reserve is a catchment area for the rivers Godavari and Kadam.

Which of the above statement(s) are correct?

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



ANSWER HINTS

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1. Correct Option: (d)

Explanation:

Net International Investment Position (NIIP)

- The Net International Investment Position (NIIP) is the stock of external assets minus the stock of external liabilities. In other words, it is the value of foreign assets owned by the private and public sectors of a country minus the value of domestic assets owned by foreigners. NIIP is usually expressed in relation to an economy's size – NIIP to GDP ratio.
- The net International Investment Position (NIIP) is analogous to net foreign assets (NFA), which determines whether a country is a creditor or debtor nation by measuring the difference in its external assets and liabilities.
- It can be viewed as a nation's balance sheet with the rest of the world at a specific point in time, in that it measures the gap between a nation's stock of foreign assets and foreigner's stock of that nation's assets.
- The NIIP, coupled with the balance of payments transactions, reflects the domestic economy's set of international accounts.
- **A negative NIIP figure indicates that foreign nations own more of the domestic nation's assets than the domestic nation does of foreign assets, thus making it a debtor nation.** Conversely, a positive NIIP figure indicates that the domestic nation's ownership of foreign assets is greater than the foreign nation's ownership of that domestic nation's assets, thus making it a creditor nation.
- Changes in the NIIP/GDP ratio nets out the impact of investment made by the country abroad from the external liabilities borne by the country thereby measuring the net changes in the debt and equity servicing burden in relation to GDP.

- The surge in net FDI inflows has worsened the absolute NIIP level from 2009-14 to 2014-19. However, in relation to GDP, the burden has reduced and so has the debt and equity servicing obligations.

2. Correct Option: (b)

Explanation:

Trades

- India's largest export destination country continues to be the United States of America (USA) in 2019-20 (April- November), followed by the United Arab Emirates (UAE), China and Hong Kong. **Between 2011-12 and 2019-20, India's exports to the USA grew the highest.**
- China continues to be the largest exporter to India followed by the USA, UAE and Saudi Arabia. In recent times, Hong Kong, Korea and Singapore have also emerged as significant exporters to India.

3. Correct Option: (c)

Explanation:

Rupee convertibility

- Convertibility is the ease with which a country's currency can be converted into gold or another currency through global exchanges. It indicates the extent to which the regulations allow inflow and outflow of capital to and from the country. Currencies that aren't fully convertible, on the other hand, are generally difficult to convert into other currencies.
- Any currency may be current account or capital account convertible, or both. Current account convertibility implies that the Indian rupee can be converted to any foreign currency at existing market rates for trade purposes for any amount.
- **During the mid-1990s, the rupee was fully made current account convertible for all trading activities, remittances, and indivisibles.**

- However, the rupee continues to remain capital account non-convertible. **Capital account convertibility or the floating exchange rate allows freedom to convert local financial assets into foreign financial assets and vice-versa at the market rate.** It includes easy and unrestricted flow of capital for all purposes which may include free movement of investment, capital, dividend payments, interest payments, foreign direct investments in domestic projects and businesses, trading of overseas equities by local citizens and domestic equities by foreigners, foreign remittances, and the sale/purchase of immovable property globally.
- The current account flows arise out of transactions in goods & services are permanent in nature whereas capital account flows are dynamic in nature and can be reversed at any time hence, the Indian rupee has not been made fully convertible.

4. Correct Option: (a)

Explanation:

Import elasticity of export

- In India, the import elasticity of exports is 1.1, i.e., a 1 percent increase in imports of raw materials and intermediate goods leads to a 1.1 percent increase in exports of finished goods from India.
- The import elasticities of export of consumer goods and capital goods as 1.1 and 0.9 respectively.
- This implies that exports of consumer goods are more sensitive to imports of raw materials and intermediate goods, as compared to capital goods.

5. Correct Option: (a)

Explanation:

International Monetary Fund (IMF)

- IMF (along with World Bank) was created in 1944 when representatives from 44 nations met at Bretton Woods, New Hampshire to draw up a plan for post-WWII economic order.
- The International Monetary Fund (headquartered in Washington DC) is an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international

trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

- **The IMF's primary purpose is to ensure the stability of the international monetary system by:**
 - ▶ Keeping track of the global economy and the economies of member countries
 - ▶ Lending to countries with balance of payments difficulties
 - ▶ Giving practical help to members
- Quota subscriptions are a central component of the IMF's financial resources. Each member country of the IMF is assigned a quota, based broadly on its relative position in the world economy.
- The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves.
- Gold remains an important asset in the reserve holdings of several countries, and the IMF is still one of the world's largest official holders of gold.
- **After the Bretton Woods system (system of fixed exchange rates) collapsed in 1971, the IMF has promoted the system of floating exchange rates. Countries are free to choose their exchange arrangement, meaning that market forces determine the value of currencies relative to one another.**
- Its flagship publications are:
 - ▶ World Economic Outlook
 - ▶ Global Financial Stability Report

Special Drawing Right (SDR)

- The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. So far SDR 204.2 billion (equivalent to about US\$291 billion) has been allocated to members, including SDR 182.6 billion allocated in 2009 in the wake of the global financial crisis. The value of the SDR is based on a basket of five currencies—**the U.S. dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling.**

6. Correct Option: (a)

Explanation:

Current and Capital Account

- **Current Account is the record of trade in goods and services and transfer payments. Invisibles include services, transfers (including Remittances), and flows of income that take place between different countries.**
- Capital Account records all international transactions of assets. An asset is any one of the forms in which wealth can be held, for example: money, stocks, bonds, Government debt, etc.
- **The components of Capital Account include investments (FDI, FPI, FII), External Borrowings (ECB, short term debt, etc), and external assistance(Grant in Aid, loans,etc).**

7. **Correct Option: (b)**

Explanation:

Trade Infrastructure for Export Scheme (TIES)

- The Government of India has launched a scheme namely, Trade Infrastructure for Export Scheme (TIES), from FY 2017-18 with the objective to assist Central and State Government Agencies for the creation of appropriate infrastructure for the growth of exports from the States.
- The Scheme provides financial assistance in the form of grant-in-aid to Central/State Government-owned agencies for setting up or for up-gradation of export infrastructure as per the guidelines of the Scheme.
- **The Central and State Agencies, including Export Promotion Councils, Commodities Boards, SEZ Authorities and Apex Trade Bodies recognized under the EXIM policy of Government of India; are eligible for financial support under this scheme.**
- Establishment of facility for the identification of origin and authenticity at Export Inspection Agency, Mumbai and Construction of office-cum-lab complex of EIA Chennai SO Visakhapatnam are two projects, approved under TIES.

8. **Correct Option: (c)**

Explanation:

Export Promotion Capital Goods (EPCG) Scheme

- **This Scheme allows exporters to import capital goods (except certain**

specified items under the Scheme) for pre-production, production and post-production at Zero customs duty.

- **In return, the exporters are required to fulfill the export obligation to the tune of six times the import duties, taxes and cess saved amount on capital goods, to be fulfilled in six years from the date of issue of the Authorization.**
- Export Promotion Capital Goods are capital goods used in the production of goods which are exported to other countries. It includes machinery as well as spares. Hence, **to qualify as Export Promotion Capital Goods, the commodity manufactured in India must be exported outside India.**
- **Capital goods imported under EPCG authorizations for physical exports are also exempt from Integrated Goods and Services Tax (IGST) and Compensation Cess, at present up to 31.03.2020.**

9. **Correct Option: (a)**

Explanation:

Advance Authorization Scheme

- It is always preferable to maintain a favorable balance of trade, i.e., the value of exports should be greater than the value of imports. The government has introduced various schemes to boost exports made by the country.
- All export and import-related activities are governed by the Foreign Trade Policy (FTP), which is aimed at enhancing the country's exports and use trade expansion as an effective instrument of economic growth and employment generation.
- The present Foreign Trade Policy (2015-2020) aims to keep in line with the 'Make in India' vision and support exports made by Special Economic Zones (SEZs), Export Oriented Units (EOUs), etc. It also contains various export promotion schemes that involve either the exemption or remission of customs duty.
- The Advance Authorization Scheme is one such export promotion scheme.
- **The Advance Authorization Scheme is a scheme where the import of inputs will be allowed to be made duty-free (after making normal allowance for wastage) if they are physically incorporated**

in a product that is going to be exported. An export obligation is usually set as a condition for issuing Advance Authorization.

- **The inputs imported are exempt from duties like Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping duty, Safeguard Duty and Transition Product-Specific Safeguard duty, Integrated tax, and Compensation Cess, wherever applicable, subject to certain conditions.**
- The following items can be imported without payment of duty under this scheme:
 - ▶ Inputs that are physically incorporated in the product to be exported after making normal allowance for wastage
 - ▶ Fuel, oil, catalysts which are consumed or utilized to obtain the export product.
 - ▶ Mandatory spares that are required to be exported along with the resultant export product – up to 10% of the CIF value (Cost, Insurance and Freight) of Authorization
 - ▶ Specified spices would be allowed to be imported duty-free only for activities like crushing, grinding, sterilization, manufacture of oil or oleoresin and not for simpler activities like cleaning, grading, re-packing, etc.
- The Advance Authorization Scheme is available to either a manufacturer exporter directly or a merchant exporter tied with a supporting manufacturer. The authorization is available for the following:
 - Physical exports
 - Intermediate supply
 - Supplies made to specified categories of deemed exports
 - Supply of 'stores' on board of a foreign going vessel/aircraft provided that there are specific Standard Input Output Norms (SION) in respect of items supplied.

10. Correct Option: (c)

Explanation:

Trade Facilitation Agreement

- Bureaucratic delays and “red tape” pose a burden for moving goods across borders for traders. Trade facilitation—the simplification, modernization and harmonization of export and import

processes—has therefore emerged as an important issue for the world trading system.

- **WTO members concluded negotiations at the 2013 Bali Ministerial Conference on the landmark Trade Facilitation Agreement (TFA), which entered into force on 22 February 2017 following its ratification by two-thirds of the WTO membership. The TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area.**
- **India ratified the WTO Agreement on Trade Facilitation (TFA) in April 2016 and subsequently constituted a National Committee on Trade Facilitation (NCTF) to commence the implementation. In order to optimize the gains of trade facilitation, National Trade Facilitation Action Plan (NTFAP 2017-20) containing specific activities to further ease out the bottlenecks to trade was released on 20th July, 2017 with an overall vision of the Government to see India as an active facilitator of trade.**
- Since then, the NCTF has played an important role in reducing the high cost of imports and exports so as to integrate the country's cross-border trade with the global value chain.
- **As a result of consistent trade facilitation efforts, India has improved its ranking from 143 in 2016 to 68 in 2019 under the indicator, “Trading across Borders”, which is monitored by the World Bank in determining the overall ranking of around 190 countries in its Ease of Doing Business Report.**

11. Correct Option: (b)

Explanation:

Merchandise exports to GDP ratio, India

- An increase in merchandise exports to GDP ratio has a net positive impact on the BOP position. Over the years the merchandise exports to GDP ratio has been declining, entailing a negative impact on the BoP position.

Merchandise Exports as a percent of GDP, India			
2009-14	2014-19	2018-19	2019-20 (H1)
15.7	12.7	12.1	11.3

Source: Department of Commerce & Central Statistics.

- The **slowdown of world output** has definitely had an impact on reducing the export to GDP ratio, particularly from 2018-19 to H1 of 2019-20.
- The **appreciation in the real exchange rate** has also contributed to the declining exports to GDP ratio.
- **Despite this, there has been an increase in the share of manufacturing exports in total merchandise exports.**

12. Correct Option: (a)

Explanation:

- With two top trading countries i.e. **USA and the United Arab Emirates**, India has consistently run a trade surplus since 2014-15.
- On the other hand, India has a trade deficit continuously since 2014-15 with respect to other major trading partners i.e. China PRP, Saudi Arabia, Iraq, Germany, Korea RP, Indonesia, and Switzerland.
- India had a trade surplus with Hong Kong and Singapore till 2017-18, before it changed to trade deficit in 2018-19.

13. Correct Option: (a)

Explanation:

Tariff and Non-tariff Barriers

Tariff Barriers:

- It refers to the **tax imposed on imports by the country to protect its domestic industries.**
- It includes custom duties, export-import duties etc.
- **It is imposed on physical units (like per tonne) or on the value of the goods imported.**
- They are imposed at reasonable prices by member countries of the World Trade Organization.
- **Tariff barriers are more explicit in nature as compared to Non-tariff barriers.**

Non-tariff Barriers:

- It refers to the restrictions other than taxes, imposed on imports by a country.
- It includes quotas and licenses.
- **It imposed on the quantity and quality of the goods imported.**
- They are completely abolished (import quotas and voluntary export restraints) by the World Trade Organization.

14. Correct Option: (b)

Explanation:

Subsidy

- Providing such a subsidy allows inefficient domestic firms to compete against large and well-established foreign firms. They have incentives to become more efficient as with protection they can sustain and grow their trade and generate economies of scale so that their cost actually comes down and even in the absence of subsidies they can hold on to their markets.

15. Correct Option: (d)

Explanation:

Bretton Woods System

- **The Bretton Woods Conference held in 1944 set up the International Monetary Fund (IMF) and the World Bank (WB) and re-established a system of fixed exchange rates.**
- This was different from the international gold standard in the choice of the asset in which national currencies would be convertible. A two-tier system of convertibility was established at the centre of which was the dollar.
- The US monetary authorities guaranteed the convertibility of the dollar into gold at the fixed price of \$35 per ounce of gold. The second-tier of the system was the commitment of the monetary authority of each IMF member participating in the system to convert their currency into dollars at a fixed price. The latter was called the official exchange rate.
- **Under the Fixed Exchange Rate system, when a government increases the exchange rate making the domestic currency cheaper, it is called devaluation.**

16. Correct Option: (c)

Explanation:**Exchange Rate**

- Exchange Rate is defined as the rate at which a country's currency can be exchanged with another country's currency. In other words, it is the value of one country's currency w.r.t. to another country's currency.

Types of Exchange Rates**Fixed Exchange Rate:**

- In this system, the government or central bank ties the country's currency official exchange rate to another country's currency (currency peg) or the price of gold (gold standard).
- Fixed rates provide greater certainty for exporters and importers and also helps the government maintain low inflation.
- The purpose of a fixed exchange rate system is to keep a currency's value within a narrow band.

Floating/Flexible Exchange Rate:

- Such exchange rates are also called as market-driven or based exchange rates, which are regulated by factors such as the demand and supply of domestic and foreign currencies in the concerned economy.
- In the floating exchange rate system, a domestic currency is left free to float against a number of foreign currencies in its foreign exchange market and determine its own value.
- Failure of the gold standard and the Bretton Woods Agreement led to the increased popularity of this system.

Managed Exchange Rate:

- A managed-exchange-rate system is a hybrid or mixture of the fixed and flexible exchange rate systems in which the government of the economy attempts to affect the exchange rate directly by buying or selling foreign currencies or indirectly, through monetary policy (by lowering/raising interest rates on foreign currency bank accounts, etc.)

17. Correct Option: (d)

Explanation:**Foreign Exchange Market**

- The foreign exchange market is the market in which national currencies are traded for one another.
- **The major participants in this market are Government, Central Banks, commercial banks; foreign exchange brokers and other authorized dealers and the monetary authorities.**
- **Companies take part in the foreign exchange market for the purpose of doing business.**
- Governments and central banks, such as the European Central Bank, the Bank of England, and the Federal Reserve, are regularly involved in the Forex market too.
- Just like companies, national governments participate in the Forex market for their operations, international trade payments, and handling their foreign exchange reserves.
- Central banks affect the Forex market when they adjust interest rates to control inflation. By doing this, they can affect currency valuation.
- There are also instances when central banks intervene, either directly or verbally, in the Forex market when they want to realign exchange rates.

18. Correct Option: (b)

Explanation:**Special Economic Zone (SEZ)**

- It 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 is a geographical region that has economic laws different from a country's typical economic laws. Usually, the goal is to increase foreign investments. SEZs have been established in several countries, including China, India, Jordan, Poland, Kazakhstan, the Philippines, and Russia. North Korea has also attempted this to a degree.**
- Any private/public/joint sector or state government or its agencies can set up an SEZ.
- In all SEZs, the statutory functions are controlled by the government. The

government also controls the operation and maintenance function in the seven central government-controlled SEZs. The rest of the operations and maintenance are privatized.

- The SEZ Amendment Bill allows any entity to set up a unit in these zones to boost exports.
- **Modern SEZs appeared from the late 1950s in industrial countries. The first was in Shannon Airport in Clare, Ireland.** From the 1970s onward, zones providing labour-intensive manufacturing have been established, starting in Latin America and East Asia. The first in China following the opening of China in 1979 by Deng Xiaoping was the Shenzhen Special Economic Zone, which encouraged foreign investment and simultaneously accelerated industrialization in this region. These zones attracted investment from a multinational corporation

19. Correct Option: (c)

Explanation:

NEER (Nominal Effective Exchange Rate)

- **The Nominal Effective Exchange Rate (NEER) of the rupee is an unadjusted weighted average of exchange rates before the currencies of India's major trading partners.**
- Since the NEER is not determined for each currency separately, a single number at once expresses how a domestic currency's value compares against multiple foreign currencies.
- **An increase in NEER indicates an appreciation of the local currency against the weighted basket of currencies of its trading partners.**
- The basket of foreign currencies basket is chosen based on the domestic country's most important trading partners as well as other major currencies.
- The values of foreign currencies in a basket are weighted according to the value of trade with the domestic country (like export or import value).
- **There is no international standard for selecting a basket of currencies. However, many different institutions rely on International Financial Statistics (IFS) published by the IMF.**

20. Correct Option: (c)

Explanation:

Nominal and Real Exchange Rates

- If the effect of inflation is not considered, it is called the Nominal Exchange Rate (NER). Nominal Exchange Rate minus inflation is called Real Exchange Rate (RER).
- The NER tells how much foreign currency can be exchanged for a unit of the domestic currency, the RER tells how much the goods and services in the domestic country can be exchanged for the goods and services in a foreign country.
- **A high RER implies that foreign goods are relatively cheap and domestic goods are relatively expensive.**
- When the real exchange rate is high, the relative price of goods at home is higher than the relative price of goods abroad. In this case, the import is likely because foreign goods are cheaper, in real terms than domestic goods. Thus, when the real exchange rate is high, net exports decrease as imports rise.
- **Alternatively, when the real exchange rate is low, net exports increase as imports fall because domestic residents will buy few imported goods.**

21. Correct option: (c)

Explanation

- Statement 2 is incorrect: The Delimitation Commission is appointed by the President of India and works in collaboration with the Election Commission of India.

Supplementary notes

Centre begins process of delimitation of assembly seats in J&K

- Under Article 82, the Parliament enacts a Delimitation Act after every Census.
- Once the Act is in force, the Union government sets up a Delimitation Commission.
- In 1976, the 42nd Constitutional Amendment was used to stop the delimitation process until 2001.
- In 2002, based on the 2001 Census delimitation commission was setup to readjust the boundaries of existing Lok Sabha and Assembly seats and reworking the number of reserved seats.

- Further, In 2002, the 84th Constitutional Amendment was used to freeze the delimitation process till at least 2026.
- The Delimitation Commission is appointed by the President of India and works in collaboration with the Election Commission of India.
- The commission is made up of a retired Supreme Court judge, the Chief Election Commissioner and the respective State Election Commissioners.
- The commission is mandated to:
 - ▶ Determine the number and boundaries of constituencies to make the population of all constituencies nearly equal and
 - ▶ Identify seats reserved for Scheduled Castes and Scheduled Tribes, wherever their population is relatively large.
- The constitution mandates that the orders of commission are final and cannot be questioned before any court as it would hold up an election indefinitely.

22. Correct option: (a)

Explanation

- Statement 2 is incorrect: Globally, English remains the most widely spoken language with 1.13 billion speakers in 2019, followed by Mandarin with 1.17 billion.

Supplementary notes

World Mother Language Day: which are most widely spoken?

- February 21 is International Mother Language Day. It has been observed since 1999 to promote “linguistic and cultural diversity and multilingualism”, according to the UN.
- UNESCO declared International Mother Language Day in 1999, to commemorate a 1952 protest against West Pakistan’s imposition of Urdu as the official language of East Pakistan (present-day Bangladesh).
- Of the world’s 6,000 languages, 43% are estimated as endangered, according to the UN.
- On the other hand, just 10 languages account for as many as 4.8 billion speakers — over 60% of the world population.
- Globally, English remains the most widely spoken language with 1.13 billion speakers in 2019, followed by Mandarin with 1.17 billion.

- Hindi is third with 615 million speakers while Bengali is seventh with 265 million.
- In India, Hindi is the most spoken language with over 528 million speakers in 2011, as per the Census.
- Bengali had 97.2 million speakers in 2011, followed by Marathi (83 million), while other languages with over 50 million speakers are Telugu (81 million), Tamil (69 million), Gujarati (55.5 million) and Urdu (50.8 million).
- Percentage trends from 1991 to 2011 underline the growth of the most widely spoken language, Hindi, which was spoken by 39.29% of the Indian population in 1991, and whose share grew to 43.63% in 2011.
- For other languages in India’s top 12, the 2011 percentage share has fallen when compared to that in 1991.

23. Correct option: (a)

Explanation

- Mongla Port is the second largest port of Bangladesh. It lies 62 km north of the Bay of Bengal coastline.

Supplementary notes

Mongla Port

- The Bangladesh government has approved the proposal to enhance the capacity of the Mongla port.
- India and Bangladesh had signed a MoU on the use of Chattogram and Mongla ports in 2015.
- The MoU envisages transit of goods from Mongla port to north eastern states of India through waterways, roads and railways.
- Mongla Port is the second largest port of Bangladesh. It lies 62 km north of the Bay of Bengal coastline.
- The port is situated at the confluence of the Pasur River and the Mongla River. It is surrounded and protected by the Sundarban mangrove forest.

24. Correct option: (d)

Explanation

All the above statements are correct

Supplementary notes

Why is RBI aligning accounting year with fiscal year?

- The Reserve Bank of India (RBI) is aligning its July-June accounting year with the government's April-March fiscal year in order to ensure more effective management of the country's finances.
- When it commenced operations on April 1, 1935, with Sir Osborne Smith as its first Governor, the RBI followed a January-December accounting year.
- On March 11, 1940, however, the bank changed its accounting year to July-June.
- Now, after nearly eight decades, the RBI is making another switch: the next accounting year will be a nine-month period from July 2020 to March 31, 2021 and thereafter, all financial years will start from April, as it happens with the central and state governments.
- The Bimal Jalan Committee on Economic Capital Framework (ECF) of the RBI had proposed a more transparent presentation of the RBI's annual accounts, and a change in its accounting year to April-March from the financial year 2020-21.
- It said the RBI would be able to provide better estimates of projected surplus transfers to the government for the financial year for budgeting purposes.
- It is also expected to result in better management of transfer of dividend or surplus to the government.
- Moreover, as governments, companies, and other institutions follow the April-March year, it will help with effective management of accounting.
- The change in the fiscal year could reduce the need for interim dividend being paid by the RBI, and such payments may then be restricted to extraordinary circumstances.
- It will obviate any timing considerations that may enter into the selection of open market operations or Market Stabilization Scheme as monetary policy tools.
- It will also bring greater cohesiveness in monetary policy projections and reports published by the RBI, which mostly use the fiscal year as the base.
- In RBI's balance sheet, while capital and reserve fund are explicitly shown, other sources of financial resilience are grouped under 'Other Liabilities and Provisions' and enumerated via Schedules, making it difficult to arrive at total risk provisions.

25. Correct option: (c)

Explanation

- Statement 1 is incorrect: Kawal Tiger Reserve is located in Adilabad district in Telangana state.
- Statement 2 is incorrect: It is a dry deciduous teak forest mixed with bamboo, terminalia, Pterocarpus and cassias constitute the predominant flora of the region.

Supplementary notes

Kawal Tiger Reserve

- The man-animal conflict in the Kawal Tiger Reserve (KTR) is on the decline as there was no incident of wild animals straying into human habitations for water in 2019.
- Kawal Tiger Reserve is located in Adilabad district in Telangana state.
- It was declared as a Tiger Reserve in 2012. The reserve is a catchment area for the rivers Godavari and Kadam.
- It is a dry deciduous teak forest mixed with bamboo, terminalia, Pterocarpus and cassias constitute the predominant flora of the region.
- The reserve has several species of animals including Cheetal, Sambar, Barking Deer, Nilgai, Sloth Bear, Indian Bison, Panther and Tiger.



TEST**DAY - 55**

Time Allowed: 30 mins

Maximum Marks: 50

1. Which of the following statements are correct?

1. The total liabilities of the Central Government, as a ratio of GDP, has been consistently declining since 2014.
2. This is an outcome of relatively high GDP growth.
3. External Debt is the largest proportion of the overall public debt of the Government of India

Select the correct option using the codes given below:

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

2. Which of the following are the demerits of the Essential Commodities Act, 1955?

1. It does not include petroleum and its products.
2. It inhibits the development of vibrant commodity derivative markets.
3. The powers to implement the provisions of the Act are restricted to the Centre.
4. It reduces consumers' welfare.

Select the correct option using the codes given below:

- (a) 1, 2, 3, and 4
- (b) 1 and 3 only
- (c) 2 and 4 only
- (d) 1, 2, and 3 only

3. What are the rationale behind the recent cut in the corporate income tax by the minister of Finance of India?

1. Several Asian developing countries have reduced the tax.
2. It will have a boost in employment as well as investments.
3. The tax collections are likely to rise in the long run.

Select the correct option using the codes given below:

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

4. Regarding revenue receipts consider the following list:

1. Profits and dividends which the government gets from its public sector undertakings.
2. External grants.
3. Interests received by the government from a firm situated in India.
4. Interests received by the government from a firm situated in the USA.

Which of the list are included in the non-tax revenue receipt?

- (a) 2 and 3 only
- (b) 1, 2 and 3 only
- (c) 1, 2 and 4 only
- (d) 1, 2, 3 and 4

5. The Public Debt of India is comprised of__

1. External Debt
2. Marketable Securities
3. Provident fund
4. National Small Savings Fund

Select the correct option using the codes given below:

- (a) 1, 2, and 3 only
- (b) 1, 2, 3, and 4
- (c) 1 and 2 only
- (d) 2 and 4 only

6. Consider the following statements:

1. Fiscal Deficit is the sum of all the borrowings in a year.
2. If the interest received is more than the interest paid, then the Primary deficit is more than the Fiscal deficit.
3. Monetized Deficit is dealt with market borrowings by the Government.

Which of the following pairs is/are **incorrect**?

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

7. Consider the following statements:

1. Effective Revenue Deficit is the Revenue Deficit that excludes those revenue expenditures of the Government of India which were done in the form of GoCA (grants for creation of capital assets).
2. The grants forwarded to the states & UTs for the implementation of the centrally sponsored programmes such as PradhanMantri Gram SadakYojana comes under Capital Expenditures.

Which of the above statement is/are **incorrect**?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

8. Which of the following are the means of the Deficit Financing?

1. External Grants is the best resort of the deficit financing.
2. Internal borrowing can lead to lower investment due to crowding effect in the economy.
3. External Borrowings is the last resort.

Which of the above statements are correct?

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

9. Consider the following statements regarding Zero-based budgeting:

1. In this type of budgeting, the fiscal deficit is set to be zero.
2. It was first adopted in the USA.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

10. Arrange the following subsidies into the decreasing order of their share:

1. Food Subsidy
2. Nutrient Based Fertilizers Subsidy
3. Urea Subsidy
4. Petroleum

Select the correct option using the codes given below:

- (a) 1-3-2-4
- (b) 1-3-4-2
- (c) 2-3-1-4
- (d) 4-1-2-3

11. Which of the following is/are the function (s) of the 'Climate Change Finance Unit'?

1. To implement programs/schemes directly related to climate change.
2. To prepare the chapter on Climate for the Economic Survey.
3. To participate in the discourse on climate finance issues in the multilateral climate change regimes

Select the correct option using the codes given below:

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

12. Consider the following pairs regarding Capital and Revenue Budget:

1. Borrowing from the RBI: Capital receipt
2. Surplus transfer from RBI: Revenue receipt
3. Expenditure for Central Sector Scheme: Capital expenditure
4. Loan interest repayment: Revenue expenditure

Which of the pairs are correctly matched?

- (a) 1 and 4 only
- (b) 2 and 3 only
- (c) 1, 2 and 4 only
- (d) 1, 2, 3 and 4

13. Fiscal Responsibility and Budget Management Act (FRBMA) was passed to keep a check on:

- (a) Fiscal deficit only
- (b) Revenue deficit only
- (c) Both fiscal deficit and revenue deficit
- (d) Neither fiscal deficit nor revenue deficit

14. Match the following:

<i>Policy Statement</i>	<i>Aim</i>
1. Medium-term Fiscal Policy Statement	A. It sets the priorities of the government in the fiscal area.
2. Fiscal Policy Strategy Statement	B. It assesses the prospects of the economy with respect to the fiscal balance of the central government
3. Macroeconomic	C. It sets a three-year rolling target for specific fiscal indicators

Select the correct answer using the code given below:

- | | A | B | C |
|-----|---|---|---|
| (a) | 1 | 2 | 3 |
| (b) | 2 | 1 | 3 |
| (c) | 1 | 3 | 2 |
| (d) | 3 | 1 | 2 |

15. With reference to the revenue deficit, consider the following statements:

1. It refers to an excess of revenue expenditure over revenue receipts during the given fiscal year.
2. It indicates the inability of the government to meet its regular and recurring expenditure in the proposed budget.

Which of the above statement is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

16. Which of the following elements are contained in the Budget?

1. Estimates of revenue and capital receipt.
2. Ways and Means to raise revenue
3. Estimates of expenditure
4. Details of the actual receipt and expenditure of the closing financial year.

Select the correct answer using the code given below:

- (a) 1 and 2 only
- (b) 1 and 4 only
- (c) 2, 3 and 4 only
- (d) 1, 2, 3 and 4

17. Which of the following statements is/are correct related to Fiscal Deficit?

1. High Fiscal Deficit crowds out the private investment in normal times.
2. The Fiscal Deficit is financed through borrowing from the Central Bank.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

18. Which of the following statements is/are correct with respect to Monetized Deficit?

1. It denotes the increment in the net Central Bank credit to the Government.
2. It leads to an increment in the net holdings of treasury bills by the Central Bank.
3. It leads to an increment in the money supply in the economy.

Select the correct answer using the code given below:

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

19. Which of the following is/are the typical consequences of the Revenue Deficit?

1. Dissaving by the government.
2. The government borrows to finance its investment and consumption requirements.
3. A higher revenue deficit creates a higher repayment burden on the government.

Select the correct answer using the code given below:

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

20. What are the components of Revenue Expenditure of the Central Government?

1. Interest paid to the states
2. Grants given to the states
3. Pension
4. Loan given to the states by the centre

Select the correct answer using the code given below:

- (a) 3 and 4 only
- (b) 1 and 4 only
- (c) 2, 3 and 4 only
- (d) 1, 2 and 3 only

21. Mongla Port which was seen recently in news is located in which of the following country?

- (a) Bangladesh
- (b) Nepal
- (c) Bhutan
- (d) China

22. Consider the following statements regarding Kawal Tiger Reserve

1. It is located in Andhra Pradesh.
2. It is covered with evergreen forest.
3. The reserve is a catchment area for the rivers Godavari and Kadam.

Which of the above statement(s) are correct?

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

23. Consider the following statements regarding Deep fake Technology

1. The technology uses artificial intelligence to manipulate videos or other digital representations that yield fabricated images and sounds that appear to be real.
2. Deep learning is a subset of Artificial intelligence.

Which of the above statement(s) are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

24. With reference to Herath Festival consider the following statements

1. It is one of the biggest festivals of Asur tribe.
2. The festival is marked by a night of praying followed by a day of feasting.

Which of the above statement(s) are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

25. Nature Ranking Index 2020 is been released by which of the following organization?

(a) Greenpeace

(b) World Wide Fund for Nature

(c) United Nations Environment Programme

(d) Nature Index



ANSWER HINT

DAY - 55

1. Correct Option: (b)

Explanation:

Liabilities of the Central Government

- The total liabilities of the Central Government, as a ratio of GDP, has been consistently declining, particularly after the enactment of the FRBM Act, 2003.
- This is an outcome of both fiscal consolidation efforts as well as relatively high GDP growth.

External Debt

- External Debt is a small proportion of the overall public debt of the Government of India. It is largely used for financing specific projects at the Central and State levels. States are not permitted to contract external debt directly and therefore in the existing system all external debt (even those not used for financing Central Govt. projects) are first contracted in the Consolidated Fund of India and then on-lent to States.

2. Correct Option: (c)

Explanation:

Essential Commodities Act, 1955

- The Essential Commodities Act (ECA), 1955 controls the production, supply and distribution of, and trade and commerce in, certain goods such as vegetables, pulses, edible oils, sugar, etc., which are treated as essential commodities.
- **Under the Act, the powers to implement the provisions of the Act are delegated to the States.**
- When the price of any of these essential commodities rises, the regulator can impose stockholding limits on the commodity, restrict the movement of goods, and

mandate compulsory purchases under the system of levy.

- Consequently, all wholesalers, distributors, and retailers dealing in the product must reduce their inventories to comply with the holding limit.
- The purported aim of this Act is to ensure the affordability of essential commodities for the poor by restricting hoarding. It is an overarching legislation regulating agricultural marketing and production.
- **However, it affects the efficient development of agricultural markets by creating market distortions by reducing producer profit, reducing the incentive to invest in storage, inhibiting the development of vibrant commodity derivative markets, weakening the development of Agricultural value-chain, and increasing price volatility.**
- **Hence, it reduces both the consumer and producers' welfare.**
- The major commodity groups included in the Act are:
 - ▶ **Petroleum and its products**, including petrol, diesel, kerosene, Naphtha, solvents, etc
 - ▶ Foodstuff, including edible oil and seeds, vanaspati, pulses, sugarcane and its products like sugar, and rice paddy
 - ▶ Raw Jute and jute textiles
 - ▶ Drugs- prices of essential drugs are still controlled by the DPCO
 - ▶ Fertilizers- the Fertiliser Control Order prescribes restrictions on transfer and stock of fertilizers apart from prices
 - ▶ Onion and Potato

- ▶ Seeds of food crops, fruits and vegetables, cattle fodder, Jute seeds, and cotton seeds.

3. Correct Option: (d)

Explanation:

Cut in the corporate income tax

- On Sept 20, 2019, the Government announced a major cut in the corporate income tax (CIT) rate applicable to the domestic companies. This was followed by the 'Taxation Laws (Amendment) Act, 2019 dated Dec 12, 2019, which introduced two new sections viz. 115BAA and 115BAB in the Income Tax Act. The existing companies have been given an option to forego certain deductions and exemptions availed under the Act and choose a new CIT rate structure with a maximum marginal rate (MMR), inclusive of surcharge and cess, of 25.17 percent as against the existing MMR of 34.61 percent. In order to give a boost to the manufacturing sector, the new manufacturing companies registered on or after 1.10.2019 have been given an option to choose a CIT rate with MMR of 17.16 percent. The new CIT rate structure is available with effect from the current financial year i.e. 2019-20.
- However, the CIT rate applicable to the foreign companies remained unchanged.

Rationale behind the reform

- All over the world, many countries had reduced the CIT rate to attract investment and create employment opportunities.
- The act of reduction of CIT rate by other countries, in particular **Asian developing countries**, which compete with India to attract investments, provided an impetus to lower the CIT rates in India.
- It is expected that this would spur investment, stimulate growth and create job opportunities in India. A comparison of the CIT rates in ASEAN countries, with the reduced CIT rate in India (for new manufacturing companies in particular), shows that the CIT rate in India is now lower than most ASEAN countries.
- The stimulus provided by the corporate tax cut is also expected to have a multiplier effect on the economy.
- **Fresh investments in the coming future are expected to not only result in the creation of new jobs but also lead to increased income levels.**

- As a result, tax collections are also likely to rise in the medium to long run.

4. Correct Option: (d)

Explanation:

Revenue

- Every form of money generation in the nature of income, earnings are revenue for a firm or a government which do not increase financial liabilities of the government, i.e., the tax incomes, non-tax incomes along with foreign grants.

Revenue Receipts

- Central government receipts can broadly be divided into Non-debt (Revenue receipts) and debt receipts. Their sum is called total receipts.

Non-debt (Revenue receipts)

- They are of two kinds viz. Tax Revenue Receipts and Non-tax Revenue Receipts consisting of the following income receipts in India:

Tax Revenue Receipts

- This includes all money earned by the government via the different taxes the government collects, i.e., all direct and indirect tax collections.

Non-Tax Revenue Receipts

- This includes all money earned by the government from sources other than taxes. They are:
- **Profits and dividends** which the government gets from its public sector undertakings (PSUs) including a surplus of Reserve Bank of India transferred to GOI;
- **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;
- **Fiscal services** such as **currency printing, stamp printing, coinage and medals minting**, etc.;
- **General Services** such as **power distribution, irrigation, banking, insurance, community services**, etc.;
- **Fees, Penalties and Fines received by the government;**
- Grants which the governments receive which is external in the case of the Central Government and internal in the case of state governments.

5. Correct Option: (c)

Explanation:

Public Debt

- Public Debt consists of both internal and external debts of the government, and not the Public Account Liabilities.

Internal Debt

- Internal Debt for Government of India largely consists of fixed tenure and fixed coupon borrowings (dated securities and treasury bills) which are issued through auction.

External Debt

- External Debt is a small proportion of the overall public debt of the Government of India. It is largely used for financing specific projects at the Central and State levels.

Public Account Liabilities

- Liabilities in Public Account can be classified into two broad categories: viz. Interest and Noninterest bearing liabilities. These liabilities consist of **National Small Saving Fund (NSSF), Provident fund, Deposit and Reserve funds and other liabilities.**

6. Correct Option: (d)

Explanation:

Fiscal deficit

- The fiscal deficit is **the difference between the government's total expenditure and its total receipts excluding borrowing.**
- Or,** Gross fiscal deficit = Total expenditure – (Revenue receipts + Non-debt creating capital receipts) or, **Fiscal Deficit = Revenue Deficit + Capital Expenditure - non-debt creating capital receipts**
- Non-debt creating capital receipts are those receipts which are not borrowings and, therefore, **do not give rise to the debt.** Examples are recovery of loans and the proceeds from the sale of PSUs.
- The fiscal deficit will have to be financed through borrowing from all sources. i.e. Gross fiscal deficit = Net borrowing at home + Borrowing from RBI + Borrowing from abroad**
- The situation of fiscal deficit indicates that the government is spending beyond its means/income

- Basically, receipts are all forms of money accruing to the government, be it income or borrowings).
- India has been a country of not only regular but higher fiscal deficits.

Primary Deficit

- The fiscal deficit excluding the interest liabilities for a year is the primary deficit i.e. Gross Primary deficit = Gross fiscal deficit – Net interest liabilities.
- Net interest liabilities consist of interest payments minus interest receipts by the government.**
- If net interest liabilities is negative, then the Primary deficit will be more than the Fiscal deficit.

Monetized Deficit

- The part of the fiscal deficit which is provided by the RBI to the government in a particular year is Monetised Deficit.
- It is an innovation in the fiscal management which brings in more transparency in the government's expenditure behavior and also in its capabilities concerning its dependence on market borrowings by the RBI.
- Basically, every year both central and state governments in India had been depending heavily on market borrowings (internal) for its long-term capital requirements.
- Market borrowings of the government are done and managed by the RBI.
- Besides, the RBI is also the primary customer for government securities, yet another means of the government to raise long-term capital.

7. Correct Option: (b)

Explanation:

Effective revenue deficit (ERD)

- It is a term introduced in the Union Budget 2011–12.
- The conventional revenue expenditures include all the grants which the Union Government gives to the state governments and the UTs some of which create assets (though these assets are not owned by the Government of India but the concerned state governments and the UTs).
- Such revenue expenditures contribute to the growth in the economy and therefore, should not be treated as unproductive in nature like other items in the revenue expenditures.

- By this rationale, a new methodology was introduced to capture the 'effective revenue deficit', which is the Revenue Deficit 'excluding' those revenue expenditures of the Government of India which were done in the form of GoCA (grants for creation of capital assets).
- The GoCA includes the Government of India grants forwarded to the states & UTs for the implementation of the centrally sponsored programmes such as PradhanMantri Gram SadakYojana, Accelerated Irrigation Benefit Programme, Jawaharlal Nehru National Urban Renewal Mission, etc.

8. Correct Option: (a)

Explanation:

Deficit Financing

- It is a phrase used as the process of filling the gap of Expenditure and receipt of an economy in a fiscal year.
- It was the idea of John Maynard Keynes, a renowned macroeconomist.
- It was by the early 1930s that the US first tried its hand at deficit financing soon to be followed by the whole world to come out of the menace of the Great Depression (1929).
- India tried its hand at deficit financing in 1969 and since the 1970s it became a routine phenomenon, till it became wild and illogical, demanding immediate redressal.
- The fiscal deficits in India did not the only peak to unsustainable levels but its composition was also not justified and not based on sound fundamentals of economics. Finally, India headed for a slow but confident process of fiscal reforms that are also known as the process of fiscal consolidation.

Means of deficit financing

- **External Aids:** These are the best money as a means to fulfill a government's deficit requirements even if it is coming with soft interest. If they are coming without interest as in **External Grants**, nothing could be better.
- **External Borrowings:** These are the next best way to manage fiscal deficit with the condition that the external loans are comparatively cheaper and long-term.
- These are better than internal borrowings because they bring in foreign currency/hard

currency and **also no crowding effect in the borrowing sector for investments.**

- **Internal Borrowings:** Due to this, economy heads for a double negative impact viz. **lower investment** (leading to lower production, lower GDPs and lower per capita income, etc.) and **lower demands** (by the general public as well as by the corporate world) in the economy and finally, the economy moves either for stagnation or for a slowdown.
- **Printing Currency:** It is the **last resort** but has many disadvantages such as **high inflation, regular pressure and obligation on the government for an upward revision in wages and salaries, high Exchange rates, etc.**
- India until the 1970s used Printing Currency as a means of deficit financing. Now, a combination of all the above means are used by India but primarily, from Borrowing.
- Currently, India maintains the Fiscal deficit as per the FRBM Act and N. K. Singh Committee's recommendation.

9. Correct Option: (b)

Explanation:

- **Zero-based budgeting starts with the assumption that all department budgets are zero and must be rebuilt from scratch.**
- It starts from a "zero base" at the beginning of every budget period, analyzing needs and costs of every function within an organization and allocating funds accordingly, regardless of how much money has previously been budgeted.
- **It was first adopted in the USA in the 1970s.**

10. Correct Option: (b)

Explanation:

Items	Budget Estimate (Inlakh crore rupees) 2019-20
Total Major Subsidies	3.02
Food Subsidy	1.84

Nutrient Based Fertilizers Subsidy	0.26
Urea Subsidy	0.54
Petroleum	0.37

11. Correct Option: (c)

Explanation:

Climate Change Finance Unit

- The Climate Change Finance Unit has been set up by the Department of Economic Affairs to advise and guide on global climate finance issues.
- Its functions are to-
 - ▶ Prepare the chapter on Climate Change and Sustainable Development for the Economic Survey;
 - ▶ Serve as the nodal point on all Climate Change Finance matters in the Ministry of Finance and participate in the discourse on climate finance issues in the multilateral climate change regime and other international fora such as G20;
 - ▶ Provide analytical inputs for the National Climate Policy Framework.
- **But, it does not implement programs/schemes directly.**

12. Correct Option: (d)

Explanation:

Capital Receipts

- All non-revenue receipts of a government are known as capital receipts.
- Such receipts are for investment purposes and supposed to be spent on development by a government.
- But the receipts might need their diversion to meet other needs to take care of the rising revenue expenditure which happens in India.

Type of Capital Receipts

- The capital receipts in India include the following types:

Loan Recovery

- The money the government had lent out in the past in India (states, UTs, PSUs, etc.) and abroad, their capital comes back to the government when the borrowers repay them as **capital receipts**.

- The interests which come to the government on such loans are part of the **revenue receipts**.

Borrowings by the Government

- This includes all long-term loans raised by the government inside the country (i.e., internal borrowings) and outside the country (i.e., external borrowings).
- **Internal borrowings might include the borrowings from the RBI, Indian banks, financial institutions, etc.**
- **But the surplus transfer from the RBI to the Government(as happened recently) is a Revenue receipt.**
- Similarly, external borrowings might include the loans from the World Bank, the IMF, foreign banks, foreign governments, foreign financial institutions, etc

Other Receipts by the Government

- This includes many **long-term capital accruals** to the government through the Provident Fund, Postal Deposits, various small saving schemes and the government bonds sold to the public (as Indira VikasPatra, KisanVikasPatra, Market Stabilisation Bond, etc.).
- Such receipts are nothing but a kind of **loan** on which the government needs to pay interests on their maturities.
- But they play a role in capital raising process by the government.

Capital Expenditure

- All the areas which get capital from the government are part of the capital expenditure. It includes:

Loan Disbursals by the Government

- The loans forwarded by the government might be internal (i.e., to the states, UTs, PSUs, FIs, etc.) or external (i.e., to foreign countries, foreign banks, purchase of foreign bonds, loans to IMF and WB, etc.).

Loan Repayments by the Government

- This consists of only the capital part of the loan repayment as the element of interest on loans are shown as a part of the revenue expenditure.

Plan Expenditure of the Government

- This consists of all the expenditures incurred by the government to finance the planned development of India as well as

the central government's financial supports to the states for their plan requirements. These include

Capital Expenditures on Defence by the Government

- This consists of all kinds of capital expenses to maintain the defence forces, the equipment purchased for them as well as the modernization expenditures.

General Services

- It includes capital expenditure by the government on the railways, postal department, water supply, education, rural extension, etc.

Other Liabilities of the Government

- This includes all the repayment liabilities of the government on the items of the Other Receipts such as PF liabilities.

13. Correct Option: (c)

Explanation:

Fiscal Responsibility and Budget Management Act (FRBMA)

- The FRBM Act 2003 in its amended form was passed by the government to bring fiscal discipline and to implement a prudent fiscal policy. High fiscal deficit was the one major macroeconomic problem faced by the Indian economy around 2000. It was argued that high deficits lead to inflation, reduces consumption, result in a crowding out of the private sector investment, rising unemployment and falling living standards of the people. Thus arose a need to institutionalize a new fiscal discipline framework.

14. Correct Option: (d)

Explanation:

Policies of Government

- The budget is not merely a statement of receipts and expenditures. Since Independence, with the launching of the Five-Year Plans, it has also become a significant national policy statement.
- The budget reflects and shapes, and is, in turn, shaped by the country's economic life. Along with the budget, three policy statements are mandated by the Fiscal Responsibility and Budget Management Act, 2003 (FRBMA).

- The Medium-term Fiscal Policy Statement sets a three-year rolling target for specific fiscal indicators and examines whether revenue expenditure can be financed through revenue receipts on a sustainable basis and how productively capital receipts including market borrowings are being utilized.
- The Fiscal Policy Strategy Statement sets the priorities of the government in the fiscal area, examining current policies and justifying any deviation in important fiscal measures.
- The Macroeconomic Framework Statement assesses the prospects of the economy with respect to the GDP growth rate, fiscal balance of the central government and external balance.

15. Correct Option: (c)

Explanation:

Revenue deficit

- Revenue deficit is concerned with the revenue expenditures and revenue receipts of the government. It refers to an excess of revenue expenditure over revenue receipts during the given fiscal year.
- Revenue Deficit = Revenue Expenditure – Revenue Receipts
- Revenue deficit signifies that the government's own revenue is insufficient to meet the expenditures on the normal functioning of government departments and provisions for various services.

Implications of Revenue Deficit

- It indicates the inability of the government to meet its regular and recurring expenditure in the proposed budget.
- It implies that the government is dissaving, i.e. the government is using up savings of other sectors of the economy to finance its consumption expenditure.
- It also implies that the government has to make up this deficit from capital receipts, i.e. through borrowings or disinvestments. It means, revenue deficit either leads to an increase in liability in the form of borrowings or reduces the assets through disinvestment.
- Use of capital receipts for meeting the extra consumption expenditure leads to an inflationary situation in the economy. Higher borrowings increase the future burden in terms of loan amount and interest payments.

- A high revenue deficit gives a **warning signal to the government** to either curtail its expenditure or increase its revenue.
- According to a far-sighted approach, **revenue receipts should always be more than revenue expenditures** so that surplus can be used for development projects. However, the Indian Budget is facing a revenue deficit for the past several years.

16. Correct Option: (d)

Explanation:

Government Budget

- There is a constitutional requirement in India (Article 112) to present before the Parliament a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document of the government.
- Although the budget document relates to the receipts and expenditure of the government for a particular financial year, the impact of it will be there in subsequent years.
- There is a need therefore to have two accounts- those that relate to the current financial year only are included in the revenue account (also called revenue budget) and those that concern the assets and liabilities of the government into the capital account (also called a capital budget).
- The Budget contains the following elements:
 - ▶ Estimates of revenue and capital receipt.
 - ▶ Ways and Means to raise revenue.
 - ▶ Estimates of expenditure
 - ▶ Details of the actual receipt and expenditure of the closing financial year.

17. Correct Option: (a)

Explanation:

Fiscal Deficit

- The fiscal deficit is defined as the excess of total budget expenditure over total budget receipts excluding borrowings during a fiscal year. In simple words, it is the amount of borrowing the government has to resort to meet its expenses. A large deficit means a large amount of borrowing.

The fiscal deficit is a measure of how much the government needs to borrow from the market to meet its expenditure when its resources are inadequate.

- **Fiscal deficit = Total expenditure – Total receipts excluding borrowings**
- If we add borrowing in total receipts, the fiscal deficit is zero. Clearly, fiscal deficit gives the borrowing requirements of the government.
- High fiscal deficit results in high government borrowing which leads to lowering the amount of available money to be borrowed by private investors, increasing the interest rates and lowering the private investments.
- The central bank no longer finances the deficits of Government. It is a facilitator of borrowings from the market.

18. Correct option: (d)

Explanation:

Monetised Deficit

- Deficit financing is when a govt spends more than what it earns. Monetized deficit refers (quantum of deficit financing) where the government (here RBI) prints more money in order to pay its deficits. This is not in proportion to wealth or capital formation in the economy. Since the enactment of the FRBM Act 2003, deficit financing is not practiced in India. In other words, a monetized deficit means the increase in the net RBI credit to the central government, such that the monetary needs of the government could be met easily.
- The monetized deficit results in the increase in the net holdings of treasury bills by the RBI (which is raised through Open Market Operations) and also the RBI contribution towards the government's market borrowings increases.
- With the issue of more money to the government (not being backed by assets), the money supply in the economy increases, as a result of which the inflationary pressure prevails.

19. Correct Option: (b)

Explanation:

Revenue Deficit

- The revenue deficit refers to the excess of the government's revenue expenditure over revenue receipts. Revenue deficit = Revenue expenditure – Revenue receipts.

- The revenue deficit includes only such transactions that affect the current income and expenditure of the government.
- **When the government incurs a revenue deficit, it implies that the government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure.**
- This will lead to a build-up of stock of debt and interest liabilities and force the government, eventually, to cut expenditure. Since a major part of revenue, expenditure is committed to expenditure, it cannot be reduced.
- The revenue deficit is to be met from the capital receipt, which is through the borrowing and sale of assets. Given the same level of fiscal deficit, a higher revenue deficit is worse than the lower one because it implies a **higher repayment burden in the future not matched by the benefits via investment.**

20. Correct Option: (d)

Explanation:

Revenue expenditure

- Revenue Expenditure is that part of government expenditure that does not result in the creation of assets. Payment of salaries, wages, **pensions, subsidies and interest** fall in this category.
- Revenue expenses are incurred by the government for its operational needs.
- The Union government's revenue expenditure comprises money spent on revenue account — the amount spent on running its elaborate machinery.
- **All grants given to state governments and Union territories are also treated as revenue expenditure**, even if some of these grants may be used for the creation of capital assets.
- In India, the payment of subsidies is also included in revenue expenditure. The central government pays subsidy under three major heads – food subsidy, fertiliser subsidy, and fuel subsidy.

21. Correct option: (a)

Explanation

- Mongla Port is the second largest port of Bangladesh. It lies 62 km north of the Bay of Bengal coastline.

Supplementary notes

Mongla Port

- The Bangladesh government has approved the proposal to enhance the capacity of the Mongla port.
- India and Bangladesh had signed a MoU on the use of Chattogram and Mongla ports in 2015.
- The MoU envisages transit of goods from Mongla port to north eastern states of India through waterways, roads and railways.
- Mongla Port is the second largest port of Bangladesh. It lies 62 km north of the Bay of Bengal coastline.
- The port is situated at the confluence of the Pasur River and the Mongla River. It is surrounded and protected by the Sundarban mangrove forest.

22. Correct option: (c)

Explanation

- Statement 1 is incorrect: Kawal Tiger Reserve is located in Adilabad district in Telangana state.
- Statement 2 is incorrect: It is a dry deciduous teak forest mixed with bamboo, terminalia, Pterocarpus and cassias constitute the predominant flora of the region.

Supplementary notes

Kawal Tiger Reserve

- The man-animal conflict in the Kawal Tiger Reserve (KTR) is on the decline as there was no incident of wild animals straying into human habitations for water in 2019.
- Kawal Tiger Reserve is located in Adilabad district in Telangana state.
- It was declared as a Tiger Reserve in 2012. The reserve is a catchment area for the rivers Godavari and Kadam.
- It is a dry deciduous teak forest mixed with bamboo, terminalia, Pterocarpus and cassias constitute the predominant flora of the region.
- The reserve has several species of animals including Cheetal, Sambar, Barking Deer, Nilgai, Sloth Bear, Indian Bison, Panther and Tiger.

23. Correct option: (c)

Explanation

Both the above statements are correct

Supplementary notes**Deepfake Technology**

- Recently, Deepfake technology was used during the Delhi assembly elections by a political party for campaigning purposes.
- The word deepfake combines the terms deep learning and fake.
- The technology uses artificial intelligence to manipulate videos or other digital representations that yield fabricated images and sounds that appear to be real.
- Deep learning is a subset of Artificial intelligence. It refers to the arrangements of algorithms that can learn and make intelligent decisions on their own.

24. Correct option: (b)**Explanation**

- Statement 1 is incorrect: It is one of the biggest festivals of Kashmiri Pandits.

Supplementary notes**Herath Festival**

- The Prime Minister has greeted the people on the occasion of the Herath festival.
- The word Herath comes from the Sanskrit word Hararatri or the Night or Hara (another name of Lord Shiva).

- It is one of the biggest festivals of Kashmiri Pandits.
- The festival is marked by a night of praying followed by a day of feasting.

25. Correct option: (d)**Explanation**

- Nature Ranking Index 2020 has been released by the Nature Index.

Supplementary notes**Nature Ranking Index-2020**

- Nature Ranking Index 2020 has been released by the Nature Index.
- The rankings are based on the total research output which the institutions have carried out from December, 2018 to November, 2019.
- The research output means the total citations in numbers and sharing percentage per article.
- The Council of Scientific and Industrial Research (CSIR) has topped the index.
- The Indian Institute of Science (IISc), Bangalore has been ranked second.
- The third place has been secured by the Tata Institute of Fundamental Research (TIFR-Mumbai).



TEST

DAY - 56

1. The government has recently announced the National Technical Textiles Mission for supporting the production of technical textiles in Budget, 2020. Which of the following statements regarding technical textiles is/are correct?

1. India is a net exporter of these textiles.
2. Packtech forms the largest segment and holds 42% of the total market share by the technical textiles.
3. Protex is used to make bulletproof jackets.

Select the correct option using the codes given below:

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

2. Which of the following statements regarding the NIRVIK scheme is/are correct?

1. It is the Export Credit Insurance Scheme.
2. Ministry of Commerce & Industry is the implementing agency.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

3. Consider the following statements regarding macroeconomic targets set by budget 2020:

1. The government has set a fiscal deficit target at 3.5% of GDP in the current financial year.
2. The real GDP growth rate has been forecasted at 7% of GDP for 2020-21 by the government.
3. The budget expects nominal GDP growth of 12.6 percent and 12.8 percent in FY 2022 and 2023

Which of the above statements is/are correct?

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

4. The Krishi Udaan Scheme will be implemented by__

- (a) Ministry of Agriculture
- (b) Ministry of Civil Aviation
- (c) Ministry of Road Transport
- (d) Ministry of Commerce and Industry

5. Which of the following statements regarding the NIRVIK scheme is/are correct?

1. It is an extension of the Namami Gange Mission.
2. Inland Waterways is one of the most important pillars of the plan.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

6. Which of the following statements regarding 'Vivad Se Vishwas Scheme' is/are correct?

1. The Scheme is related to the resolution of pending indirect taxes.
2. Under the Scheme, a taxpayer will get a complete waiver of interest and penalty if he pays dues in a fixed time.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

7. Consider the following statements regarding the Sabka Vishwas Scheme:

1. The Scheme was introduced to resolve all disputes relating to the only those Service and Central Excise Taxes, which are now subsumed under GST.
2. There was complete amnesty from prosecution proceedings.

Which of the above statements is/are incorrect?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 or 2

8. Consider the following statements regarding the Dividend Distribution Tax (DDT):

1. It is a tax deducted at the time of the company distributes dividends to its creditors.
2. The budget has proposed to introduce the rate of DDT at 2%.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 or 2

9. Consider the following statements regarding the Deposit Insurance and Credit Guarantee Corporation:

1. It is an organization that ensures deposits in a bank against bank failure.
2. Depositors are now entitled to receive a maximum insurance amount of Rs. 5 lakh per individual.
3. Every insured bank pays premium amounting to 1% of its deposits to DICGC every year.

Which of the above statements is/are incorrect?

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

10. India's first maritime museum will be established at ____

- (a) Dholavira
- (b) Lothal
- (c) Kochi
- (d) Kolkata

11. Which of the following organizations jointly publish the Global Hunger Index?

1. Concern Worldwide
2. UN FAO
3. International Food Policy Research Institute
4. Welthungerhilfe

Select the correct option using the codes given below:

- (a) 1 and 3 only
- (b) 1, 2, 3, and 4
- (c) 2, 3, and 4 only
- (d) 1, 3, and 4 only

12. India's first 'International Bullion Exchange' will be established at ____

- (a) GIFT City
- (b) Mumbai
- (c) New Delhi
- (d) Bengaluru

13. Consider the following statements regarding the proposed 'Kisan Rail Scheme':

1. It will be supervised by the Ministry of Agriculture.
2. By this, farmers will get free travel pass during the onset of the sowing seasons.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

14. Consider the following statements regarding the proposed 'KUSUM Scheme':

1. It will provide for the solarisation of existing grid-connected agriculture pumps only.
2. It will be supervised by the Ministry of New and Renewable Energy.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

15. What is the new target for the agricultural credit by NABARD as set up by the government?

1. Rs. 5 lakh crore
2. Rs. 10 lakh crore
3. Rs. 15 lakh crore
4. Rs. 20 lakh crore

16. Which of the following are the potential applications of the proposed National Mission on Quantum Technologies?

1. Health
2. Weather prediction
3. Financial transactions
4. Agriculture

Select the correct option using the codes given below:

- (a) 1 and 3 only
- (b) 1, 2, 3, and 4
- (c) 2, 3, and 4 only
- (d) 1, 3, and 4 only

17. Which of the following statements regarding the 'IND-SAT' is/are incorrect?

1. It is a proposed satellite for tele-education services.
2. It will provide access to South Asian students only.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

18. Consider the following statements regarding the Coalition for Disaster Resilient workers Infrastructure:

1. It has been launched at the Madrid during Conference of the Parties to the UNFCCC.
2. Its secretariat will be in Delhi.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

19. Which of the following statements regarding the 'new economy' is/are correct?

1. It disrupts the established business models.
2. It is based on the innovations.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

20. What is the proposed target of investing in the infrastructure sector in the next 5 years?

- (a) 10 lakh crore dollars
- (b) 1 lakh crore rupees
- (c) 10 lakh crore rupees
- (d) 100 lakh crore rupees

21. Consider the following statements regarding 11th National Krishi Vigyan Kendra(KVK) Conference 2020

1. It has been organized by the Ministry of Earth Sciences.
2. The main aim of the conference is to highlight technology-led farming and youth entrepreneurship through agriculture.
3. The KVK scheme is 100% financed by the Government of India.

Which of the above statement(s) are correct?

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

22. Consider the following statements regarding Masala Bonds

1. Masala Bonds are rupee denominated bonds
2. The first Masala bond was issued by Asian Infrastructure Investment Bank
3. Risk is bearded by the investor

Which of the above statement(s) are correct?

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

23. Consider the following statements regarding Rural Infrastructure Development Fund (RIDF)

1. The Fund is maintained by the National Bank for Agriculture and Rural Development (NABARD).
2. The main objective of the Fund is to provide loans to State Governments

and State-owned corporations to enable them to complete on-going rural infrastructure projects.

Which of the above statement(s) are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

24. Consider the following statements regarding G20:

1. G20 was founded in 1999 after the Asian financial crisis.
2. It has no permanent staff of its.
3. Saudi Arabia will be the second Arab nation to hold the G20 presidency after Turkey.

Which of the above statement(s) are correct?

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

25. Consider the following statements about National Technical Textiles Mission:

1. Recently, the Cabinet Committee on Economic Affairs (CCEA) has approved the setting up of a National Technical Textiles Mission.
2. It aims to position the country as a global leader in technical textiles and increase the use of technical textiles in the domestic market.

Which of the statement(s) given above is/ are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) None



ANSWER HINT

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1. Correct Option: (b)

Explanation:

Technical Textile

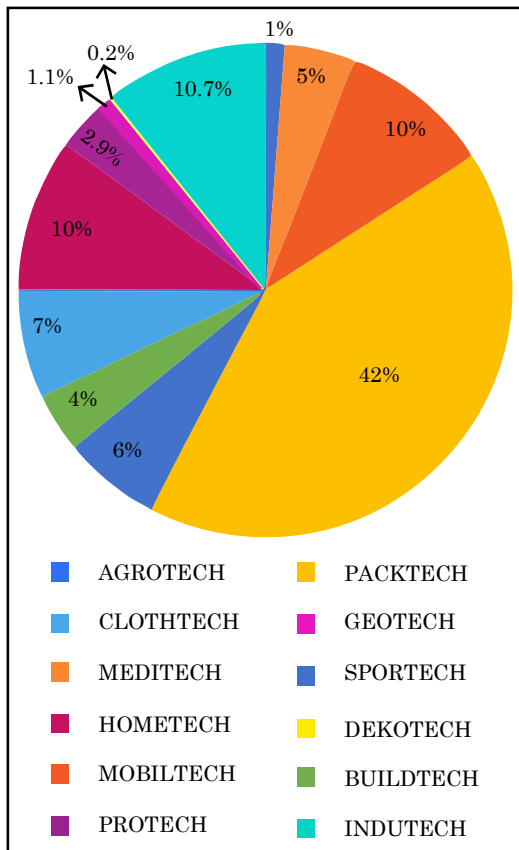
- Technical or engineered textiles are defined as products that are used for functional purposes. These textiles have applications

in multiple areas of economic activity, such as aerospace, shipping, sports, agriculture, defense, and health care.

- A technical textile is a textile product manufactured for non-aesthetic purposes, where function is the primary criterion.

AGROTEX <ul style="list-style-type: none"> • Shade-nets • Mulch-matsCrop-covers • Anti-hail nets and bird protection nets • Fishing nets 	BUILOTEX <ul style="list-style-type: none"> • Architectural Membranes • Awnings & Canopies • Hoardings and Signages • Floor and Wall coverings • Scaffolding nets • Cotton canvas tarpaulins 	CLOTHTEX <ul style="list-style-type: none"> • Shoe lacesInterlinings • Zip fasteners • Elastic narrow fabrics (Tapes) • Garments • Umbrella cloth 	GEOTEX <ul style="list-style-type: none"> • Geogrids • Geonets • Geocomposites
HOMETEX <ul style="list-style-type: none"> • Fiberfil • Mattress and pillow components • Carpet backing cloth (Jute & Synthetic) • Stuff toys • Blinds 	INOUTEX <ul style="list-style-type: none"> • Filtration Products • Conveyor belts • Drive belts • Bolting cloth • Computer printer ribbon • Paper making fabrics 	MDITEX <ul style="list-style-type: none"> • Diapers • Sanitary napkins • Contact lenses • Surgical products and • artificial implants • Surgical gowns 	MOBILTEX <ul style="list-style-type: none"> • Seat belt webbings • Airbags • Helmets • Seat Upholstery • Airline Disposables • Nylon tyre cords
OEKOTEX <ul style="list-style-type: none"> • Environmental Engineering • Environmental Protection • Recycling • Waste Disposal 	PACKTEX <ul style="list-style-type: none"> • Polyolefin woven sacks • FIBC • Leno bags • Wrapping fabrics • Jute hessian and sacks 	PROTEX <ul style="list-style-type: none"> • Bullet Proof Jackets • Fire Retardant apparels • Fire retardant furnishing fabrics • Chemical Protection clothing • High visibility clothing • Industrial gloves 	SPORTEX <ul style="list-style-type: none"> • Sports composites and nets • Artificial turf • Parachute Fabrics • Sport shoes components • Tents • Swimwear

- Technical textiles are segregated into 12 major segments:
- Agro-text, Build-tex, Cloth-tex, Geo-tex, Pro-tex, Home-tex, Indu-tex, Medi-tex, Mobil-tex, Deko-tex, Pack-tex, and Spor-tex.
- Pro-tex is used to make bulletproof jackets, fire retardants, industrial gloves, etc.
- **Among all categories, Packtech forms the largest segment and holds 42% of the market share.** This is followed by Indutech, Mobilitech, and Hometech. With regard to growth, Geotech is predicted to grow the fastest at a CAGR of 30%. Some of the examples of high-growth potential technical textiles include shade nets, crop covers, baby diapers, sanitary napkins, and surgical disposables, among others.



- **India imports a significant quantity of technical textiles worth US\$ 16 billion every year.**
- To reverse this trend and to position India as a global leader in Technical Textiles, a National Technical Textiles Mission is proposed with a four-year implementation period from 2020-21 to 2023-24 at an estimated outlay of Rs. 1480 crore.

2. Correct Option: (c)

Explanation:

NIRVIK scheme

- **Ministry of Commerce & Industry through Export Credit Guarantee Corporation (ECGC) has introduced a new Export Credit Insurance Scheme (ECIS) called NIRVIK to enhance loan availability and ease the lending process.**
- NIRVIK (Niryat Rin Vikas Yojana) aims to achieve higher export credit disbursement to small exporters.
- This includes higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlements.

3. Correct Option: (d)

Explanation:

Fiscal Deficit and GDP Growth Projections

- **Central Government in Budget 2020 proposed reducing fiscal deficit by 30 basis points to 3.5% of GDP in 2020-21.**
- **The budget expects nominal GDP growth of 10 percent in 2020-21, followed by 12.6 percent and 12.8 percent in FY2022 and 2023.**
- **For the next fiscal, it estimated real GDP growth of 5.5 percent, lower than 6-6.5 percent projected by the government's Economic Survey.**
- The budget has assumed a nominal GDP growth of 10% for 2020-21.
- The Economic Survey had said the economy would grow at 6-6.5% in 2020-21 from the estimated 5% in the financial year ending 31 March.
- The International Monetary Fund has predicted it at 4.8%.

4. Correct Option: (b)

Explanation:

Krishi Udaan Scheme

- This will be launched by the **Ministry of Civil Aviation** on international and national routes to transport agricultural products especially fish, meat and dairy products across the globe.
- This will immensely help improve value realization (on agricultural products), especially in the north-east and tribal districts.

5. Correct Option: (c)

Explanation:

'Arth Ganga' plan

- Arth Ganga plan is a further extension of the Namami Gange Mission which envisages for sustainable development of the Gangetic riverbank by promoting economic activities.
- This includes multidisciplinary development activities such as multimodal terminals, inland ports, etc.
- As part of this process, farmers will be encouraged to engage in sustainable agriculture practices, including zero budget farming, planting of fruit trees and building plant nurseries on the banks of Ganga.
- Above practices, along with the creation of infrastructure for water sports and development of campsites, cycling and walking tracks, etc., would help to tap the 'hybrid' tourism potential of the river basin area- for purposes of religious as well as adventure tourism.
- Almost half of the Indian population lives around the Ganges River belt. Moreover, of India's total freight, about 1/5th originates and 1/3rd terminates in the states around Ganges Belt. **Thus, the inland waterway is one of the most important pillars of the "Arth Ganga" project.**

6. Correct Option: (b)

Explanation:

Vivad Se Vishwas

- The budget has proposed 'Vivad Se Vishwas' scheme under which will cover disputes related to **Direct Taxes**.
- The scheme provides waivers from interest and penalty.
- **Under this scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get a complete waiver of interest and penalty provided he pays by 31st March, 2020.**

7. Correct Option: (a)

Explanation:

Sabka Vishwas Scheme

- **The Sabka Vishwas Scheme, 2019 is a scheme proposed in the Union Budget,**

2019, and introduced to resolve all disputes relating to the erstwhile Service Tax and Central Excise Acts, which are now subsumed under GST, as well as 26 other Indirect Tax enactments.

- The scheme will be for taxpayers who wish to close their pending disputes, with a substantial relief provided by the government.
- The scheme was notified by the CBIC to come into force on the 1st of September, 2019, and was operational until the 31st of December, 2019.
- Taxpayers were able to pay the outstanding tax amounts due and be free from any other consequences under the Law and got substantial relief in the form of full waivers of interest, penalties, and fines.
- **There was complete amnesty from prosecution proceedings.**

8. Correct Option: (a)

Explanation:

Dividend Distribution Tax (DDT)

- The dividend is the part of the profits that the company shares with its shareholders. The law provides for the Dividend Distribution Tax to be levied from the company, receiving shareholder. However, the tax may be levied by companies from them.
- An additional tax is imposed on the shareholder, who receives over Rs. 10 lakh in dividend income in a financial year.
- **The budget has proposed to abolish the Dividend Distribution Tax (DDT) and instead proposed and adopt the classical system of dividend taxation under which the companies would not be required to pay DDT.**
- The dividend shall be taxed only in the hands of the recipients at their applicable rate.

9. Correct Option: (d)

Explanation:

Deposit Insurance and Credit Guarantee Corporation:

- Amid the failure of many banks in the country, the latest being Punjab and Maharashtra Cooperative Bank, the role of DICGC has become important.

- The government in the budget has announced increment of the insured amount from 1 lakh to 5 lakh.
- Deposit insurance is providing insurance protection to the depositor's money by receiving a premium. The government has set up Deposit Insurance and Credit Guarantee Corporation (DICGC) under RBI to protect depositors if a bank fails.
- **Every insured bank pays premium amounting to 0.001% of its deposits to DICGC every year.**
- When a bank is liquidated, depositors are entitled to receive an insurance amount of ₹1 lakh per individual from the Deposit Insurance and Credit Guarantee Corporation of India (DICGC) which has now been revised to Rs. 5 lakh per individuals.
- The RBI on directing that a bank be liquidated, appoints an official liquidator to oversee the winding-up process. Under the DICGC Act, the liquidator is supposed to hand over a list of all the insured depositors (with their dues) to the DICGC within three months of taking charge.
- The DICGC is supposed to pay these dues within two months of receiving this list.

10. Correct Option: (b)

Explanation:

India's first maritime museum

- India's maritime heritage goes back nearly 5000 years, with the oldest known port being Lothal.
- **The 2020-21 budget proposed to set up India's first maritime museum at Lothal**, the Harrapan age maritime site near Ahmedabad, by the Ministry of Shipping.
- The budget also proposed to develop five archaeological sites as iconic sites with onsite Museums. They are: Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shivsagar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu).

11. Correct Option: (d)

Explanation:

Global Hunger Index

- India currently holds 102nd position among 117 nations of the world in the Global Hunger Index.

- **The index is jointly published by the International Food Policy Research Institute (IFPRI), Concern Worldwide, and Welthungerhilfe (WHH).**

12. Correct Option: (a)

Explanation:

International Bullion Exchange

- The government in this year budget proposed to set up an international bullion exchange at IFSC in GIFT City.
- The exchange will enable India to enhance its position worldwide, create jobs in India and will lead to better price discovery of gold.

13. Correct Option: (d)

Explanation:

Kisan Rail Scheme

- The budget proposes that "To build a seamless national cold supply chain for perishables, inclusive of milk, meat and fish, the Indian Railways will set up a "Kisan Rail"- through PPP arrangements. There shall be refrigerated coaches in Express and Freight trains as well."
- It will be supervised by the Indian Railways.

14. Correct Option: (b)

Explanation:

KUSUM Scheme

- **The Ministry of New and Renewable Energy** has formulated a Scheme 'Kisan Urja Suraksha evam Utthaan Mahabhiyan (KUSUM)'.
- The Scheme is currently under the process of seeking approval.
- The proposal on KUSUM Scheme provides for:
 - ▶ **installation of grid-connected solar power plants each of capacity up to 2 MW in the rural areas;**
 - ▶ **installation of standalone off-grid solar water pumps to fulfill irrigation needs of farmers not connected to the grid; and**
 - ▶ **solarisation of existing grid-connected agriculture pumps to make farmers independent of grid**

supply and also enable them to sell surplus solar power generated to DISCOM and get extra income.

15. Correct Option: (c)

Explanation:

Agricultural Credit:

- The budget proposes to strengthen agricultural credit by expanding refinance by NABARD and has set a target of **Rs. 15 lakh crore** for agricultural credit.
- It has further intended to cover all eligible beneficiaries of PM-KISAN under the KCC scheme.

16. Correct Option: (d)

Explanation:

National Mission on Quantum Technologies

- The government in its budget 2020 has announced a National Mission on Quantum Technologies & Applications (NM-QTA) with a total budget outlay of Rs 8000 Crore for a period of five years to be implemented by the Department of Science & Technology (DST).
- Quantum Technologies & Applications is one of the 9 missions of national importance, being driven by the Prime Minister's Science and Technology Innovation Advisory Council (PM-STIAC) through the (Principal Scientific Advisor) PSA's office to leverage cutting edge scientific research for India's sustainable development.
- The areas of focus would both be in fundamental science and towards developing technology platforms in the Four (4) identified verticals viz., (i) Quantum Computing & Simulations; (ii) Quantum Materials & Devices; (iii) Quantum Communications; & (iv) Quantum Sensor & Metrology.
- **Their applications which will receive boost include those in aerospace engineering, numerical weather prediction, simulations, securing the communications & financial transactions, cybersecurity, advanced manufacturing, health, agriculture, education and other important sectors with focus on creation of high skilled jobs, human resources development, start-ups & entrepreneurship leading to technology lead economic growth.**

UNION BUDGET 2020

Budget 2020 announced Rs 8,000 crore over the next 5-yrs in the National Mission on Quantum technology and its applications

- The areas of focus for the NM-QTA Mission will be in fundamental science, translation, technology development and towards addressing issues concerning national priorities.
- The mission can help prepare next generation skilled manpower. boost translational research and also encourage entrepreneurship and start-up ecosystem development.
- Quantum principles will be used for engineering solutions to extremely complex problems in computing. communications. sensing. chemistry. cryptography, imaging and mechanics.
- Their applications which will be boosted include those in aero-space engineering, numerical weather predictions, simulations. securing the communications & financial transactions, cyber security. advanced manufacturing. health, agriculture. education.
- It can bring India in the list of few countries with an edge in this emerging field will have a greater advantage In garnering multifold economic growth and dominant leadership role.
- Indian and the us concluded agreements for the purchase

17. Correct Option: (c)

Explanation:

IND-SAT

- According to the budget, India should be a preferred destination for higher education.
- Hence, under its "Study in India" programme, Ind-SAT is proposed to be held in **Asian and African countries.**
- It shall be used for benchmarking foreign candidates who receive **scholarships for studying in Indian higher education centres.**

18. Correct Option: (b)

Explanation:

- **The Prime Minister of India launched the Coalition for Disaster-Resilient Infrastructure (CDRI) at the UN Secretary-General's Climate Action Summit in New York, US.**

- **The fledgling partnership has a secretariat in Delhi**, supported by the UN Office for Disaster Risk Reduction (UNDRR), to enable knowledge exchange, technical support, and capacity building.
- CDRI's mission is to rapidly expand the development of resilient infrastructure and retrofit existing infrastructure for resilience, and to enable a measurable reduction in infrastructure losses.
- Its mission statement notes that, in recent weather and climate-related disasters, up to 66% of public sector losses were related to infrastructure damage. The partnership will be working in the areas of governance and policy, emerging technology, risk identification and estimation, recovery and reconstruction, resilience standards and certification, finance, and capacity development.
- The formation of the Coalition is the result of efforts by India and UNDRR, responding to India's Prime Minister's call at the Asian Ministerial Conference on DRR for action to reduce damage to critical infrastructure.

19. Correct Option: (c)

Explanation:

The new economy

- **The new economy is based on innovations that disrupt established business models.**
- Artificial intelligence, Internet-of-Things (IoT), 3D printing, drones, DNA data storage, quantum computing, etc., are re-writing the world economic order.
- India has already embraced new paradigms such as the sharing economy with aggregator platforms displacing conventional businesses.
- The government has harnessed new technologies to enable direct benefit transfers and financial inclusion on a scale never imagined before.

20. Correct Option: (d)

Explanation:

National Infrastructure Pipeline

- India has launched the National Infrastructure Pipeline on 31st December 2019 of **Rs. 103 lakh crore**.
- It consists of more than 6500 projects across sectors and are classified as per their size and stage of development.

- These new projects will include housing, safe drinking water, access to clean and affordable energy, healthcare for all, world-class educational institutes, modern railway stations, airports, bus terminals, metro and railway transportation, logistics and warehousing, irrigation projects, etc.
- The National Infrastructure Pipeline envisions improving the ease of living for each individual citizen in the country.
- It's also will bring in generic and sectoral reforms in the development, operation, and maintenance of these infrastructure projects.

21. Correct option: (b)

Explanation

- Statement 1 is incorrect: It has been organized by the Indian Council of Agricultural Research (ICAR).

Supplementary notes

11th National Krishi Vigyan Kendra(KVK) Conference 2020

- It has been organized by the Indian Council of Agricultural Research (ICAR).
- The main aim of the conference is to highlight technology-led farming and youth entrepreneurship through agriculture.
- Theme: Empowering Youth for Technology Led Farming.
- Krsihi Vigyan Kendra (KVK) is agricultural extension centres created by ICAR (Indian Council for Agricultural Research) and its affiliated institutions at district level.
- The mandate of KVK is technology assessment, refinement and demonstration by providing critical inputs to the farmers which enable them to sustain their productivity.
- The KVK scheme is 100% financed by the Government of India.
- The first KVK was established during 1974 (Pondicherry) and currently around 645 KVKs have been established.

22. Correct option: (c)

Explanation

- Statement 2 is incorrect: The first Masala bond was issued in 2014 by IFC for the infrastructure projects in India.

Supplementary notes

Masala Bonds

- Masala Bonds are rupee-denominated borrowings issued by Indian entities in overseas markets.
- The objective of Masala Bonds is to fund infrastructure projects in India, fuel internal growth via borrowings and internationalise the Indian currency.
- The bond can be issued in a country and subscribed by a resident of such a country that is a member of the Financial Action Task Force and whose securities market regulator is a member of the International Organisation of Securities Commission.
- It can also be subscribed by multilateral and regional financial institutions where India is a member country.
- The first Masala bond was issued in 2014 by IFC for the infrastructure projects in India.
- As Masala bonds are issued directly in Indian rupees, the investor needs to bear the exchange rate risks.
- Rupee rate falls will not affect the issuer of Masala Bonds. In simpler words, as Masala Bonds are rupee-denominated bonds, the risk goes directly to the investor.

23. Correct option: (c)

Explanation

Both the above statements are correct

Supplementary notes

Rural Infrastructure Development Fund (RIDF)

- The Rural Infrastructure Development Fund (RIDF) was set up by the Government of India in 1995-96 for financing on-going rural Infrastructure projects.
- The Fund is maintained by the National Bank for Agriculture and Rural Development (NABARD).
- The main objective of the Fund is to provide loans to State Governments and State-owned corporations to enable them to complete on-going rural infrastructure projects.
- The activities to be financed under RIDF as classified under three broad categories namely a) Agriculture and related sector b) Social sector and c) Rural connectivity.

24. Correct option: (a)

Explanation

- Statement 3 is incorrect: Saudi Arabia will be the first Arab nation to hold the G20 presidency in its capital, Riyadh.
- Supplementary notes

Saudi Arabia hosts G20 financial leaders meet

- The Group of Twenty (G20) is the premier forum for its members' international economic cooperation and decision-making.
- Its membership comprises 19 countries plus the European Union.
- Each G20 president invites several guest countries each year.
- G20 leaders meet annually.
- In addition, Finance Ministers and Central Bank Governors meet regularly during the year to discuss ways to strengthen the global economy, reform international financial institutions, improve financial regulation and implement the key economic reforms that are needed in each member economy.
- The G20 started in 1999 as a meeting of Finance Ministers and Central Bank Governors in the aftermath of the Asian financial crisis.
- In 2008, the first G20 Leaders' Summit was held, and the group played a key role in responding to the global financial crisis.
- The G20 is supported by international organisations, including the Financial Stability Board, the International Labour Organisation, the International Monetary Fund, the Organisation for Economic Co-operation and Development, the United Nations, the World Bank and the World Trade Organization.
- Saudi Arabia will be the first Arab nation to hold the G20 presidency in its capital, Riyadh.
- The theme of Summit- "Realising Opportunities of the 21st Century for All".

25. Correct Answer (c)

Explanation:

Supplementary Notes

- Recently, the Cabinet Committee on Economic Affairs (CCEA) has approved the setting up of a National Technical Textiles Mission.

Aims:

- to position the country as a global leader in technical textiles and increase the use of technical textiles in the domestic market.

- taking domestic market size to \$40 billion to \$50 billion by 2024.
- A Mission Directorate will be operational in the Ministry of Textiles.
- It will be implemented for four years starting from 2020-2022.
- It will have **four components**:
- **First component:**

Technical Textiles

- Technical textiles are functional fabrics that have **applications across various industries including automobiles, civil engineering and construction, agriculture, healthcare, industrial safety, personal protection etc.**
- Based on usage, there are 12 technical textile segments; **Agrotech, Meditech, Buildtech, Mobiltech, Clothtech, Oekotech, Geotech, Packtech, Homotech, Protech, Indutech and Sportech.**
- For example, ‘mobiltech’ refers to products in vehicles such as seat belts and airbags, airplane seats; geotech, which is incidentally the fastest growing sub-segment, used to hold back soil, etc.
 - ▶ It will focus on research, development and innovation with an outlay of Rs 1,000 crores.
 - ▶ The research will be at both fibre level and application-based in geo, agro, medical, sports and mobile textiles and development of bio-degradable technical textiles.
- ▶ Research activities will also focus on the development of indigenous machinery and process equipment.

Second component:

- It will be for the promotion and development of the market for technical textiles.

Third component:

- It will focus on export promotion so that technical textile exports from the country reach from the Rs 14,000 crores to Rs 20,000 crores by 2021-2022 and ensure 10% average growth every year till the Mission ends.
- An export promotion council for technical textiles will be set up.

Fourth component:

- It will focus on education, training and skill development.
- The Mission will promote technical education at higher engineering and technology levels related to technical textiles and its application areas.

Data on the Indian Technical Textiles Segment:

- It is estimated at \$16 billion which is approximately 6% of the \$250 billion global technical textiles market.
- The penetration level of technical textiles in India varies between 5% and 10% against the level of 30% to 70% in developed countries.



TEST

DAY - 57

1. Consider the following statements:

1. India ranks first in the number of new firms created last year.
2. New firm creation in manufacturing is significantly higher than that in services.

Which of the above statement is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

2. Consider the following statements:

1. The share of financials and information technology sectors in the total market capitalization has increased over the years.
2. The rising share in market capitalization has been accomplished by a rise in the size of incumbents.

Which of the above statement is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

3. The rapid increase in the economic development of a specific sector causes a decline in other sectors is called Dutch disease. Regarding this consider the following statements:

1. It is due to the new discovery of a valuable natural resource.
2. It causes the depreciation of the national currency.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

4. India's aspiration of becoming a \$5 trillion economy depends critically on__

1. Weaning away from 'pro-crony' policy
2. Promoting a 'pro-business' policy
3. Protecting powerful incumbents

Select the correct answer from the code given below:

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

5. Which of the following influence the creation of a new firm?

1. Literacy
2. Ease of Doing Business
3. Rigid labor regulation

Select the correct answer from the code given below:

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

6. With reference trends in social sector expenditure in India consider the following statements:

1. The expenditure on social services by Centre and States as a proportion of Gross Domestic Product (GDP) increased by 1.5 percentage, during the period 2014-15 to 2019-20.

2. An increase was witnessed across all social sectors during the period 2014-15 to 2019-20 except education.
3. The share of expenditure on social services out of total budgetary expenditure increased to 26 % in 2019-20 (BE) from 23.4 % in 2014-15.

Which of the above statements are correct?

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

7. **During the 2019-20 monetary policy stance changed from neutral to accommodative. Regarding this, which of the following statements is/are correct?**

1. It occurs when a central bank attempts to expand the overall money supply to boost the economy when growth rate continues increasing
2. It is also known as a tight credit policy.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

8. **Which of the following schemes are covered under the Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA)?**

1. Price Deficiency Payment Scheme
2. Pilot of Private Procurement & Stockist Scheme
3. Antyodaya Anna Yojana

Select the correct answer using the code given below:

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

9. **Which of the following statements regarding 'deadweight loss' in an economy is/are correct?**

1. It can be occurred due to a monopoly in pricing and negative externalities.
2. It can be caused by government intervention in the market.
3. In this, producers' welfare is increased at the cost of consumers' welfare.

Select the correct option using the codes given below:

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

10. **Which of the following statements regarding the Indian foodgrain markets is/are correct?**

1. The production pattern of cereals in India is synchronized with its demand patterns.
2. The government is virtually a monopsonist in the domestic grain market.
3. Food Corporation of India is neither constitutional nor statutory organization.

Select the correct option using the codes given below:

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

11. **Consider the following statements regarding the "Maximum Allowable Post-manufacturing Expenses" (MAPE), frequently seen in the news:**

1. It is a fixed element used in the calculation of the MRP of the scheduled drugs.
2. It is the sum total of all costs incurred by a manufacturer up to retailing.
3. It excludes trade margin and margin for the manufacturer.
4. It should not exceed one hundred percent for indigenous scheduled formulations.

Which of the above statements are correct?

- (a) 1 and 2 only
- (b) 1 and 4 only
- (c) 2 and 4 only
- (d) 1, 2, and 3 only

12. According to the recent Economic Survey, which of the following statements is/are correct?

1. NBFCs are overly-dependent on short-term wholesale funding from Liquid Debt Mutual Funds (LDMF).
2. Due to economic stress, NBFCs are facing rollover risks.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

13. An unconditional and blanket debt waiver is a bad idea. Which of the following are the probable reasons for this?

1. Debt waivers disrupt the credit culture.
2. Both full and partial waiver beneficiaries are less productive.
3. The waiver increases loan defaults on future loans and no improvement in wages, productivity, or consumption of marginal farmers.

Select the correct option using the codes given below:

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

14. In which of the following parameter of ease of doing business index, India is trailing its overall rank?

1. Starting Business
2. Paying Taxes
3. Enforcing Contracts
4. Getting electricity
5. Protecting Minority Investors

Select the correct option using the codes given below:

- (a) 1, 2, and 3 only
- (b) 1, 2, 3, and 4 only
- (c) 1, 2, and 5 only
- (d) 2, 3, and 4 only

15. Which of the following statements with reference to Non-Banking Financial Companies are correct?

1. They cannot issue cheques drawn on it.
2. They can be a part of the payment and settlement system.
3. Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFC.

Select the correct option using the codes given below:

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

16. If Reserve Bank of India (RBI) wants to inject liquidity in the economy, which of the following measures will it adopt?

1. Sell Government Securities
2. Net forex purchases by the RBI
3. Reduce Statutory Liquidity Ratio (SLR)

Choose the correct answer:

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

17. Investment is crucial for economic development. Which of the following measures can foster investment in the economy?

1. Tightening FDI norms
2. Containing inflation
3. Cutting corporate tax rates

Choose the correct answer:

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

18. Consider the following statements regarding the applications of crop-residue:

1. Bio-char briquettes
2. Brick kiln
3. Alternate fuel
4. Soil mulching

Which of the above statements are correct?

- (a) 1, 3 and 4 only
- (b) 2 and 3 only
- (c) 1 and 4 only
- (d) 1, 2, 3 and 4

19. Shannon-Weiner Index is related to which of the following?

- (a) It is used to measure visibility in smog in polluted regions
- (b) It is used for measuring species richness and abundance.
- (c) It is used to measure the rate of biomass transfer in the food chain.
- (d) None of the above

20. Investment catalyses the economy into a virtuous cycle. Which of the following statements is correct in this regard?

1. Investment increases labour productivity
2. Investment improves productive capacity of capital
3. Investment generates employment

Choose the correct answer:

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

21. With reference to Classification of Biofuels consider the following statements

1. First generation biofuels are produced from non-food crops, such as cellulosic biofuels and waste biomass.
2. Third generation biofuels are produced from specially engineered energy crops such as algae.

Which of the above statement(s) are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

22. With reference to India Myanmar Relations consider the following statements

1. Myanmar shares border with states namely Mizoram, Assam, Nagaland and Arunachal Pradesh in Northeast India.
2. Myanmar is a member of ASEAN, BIMSTEC and Mekong Ganga Cooperation.

Which of the above statement(s) are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

23. Consider the following statements regarding "ICoSDiTAUS-2020"

1. The conference was jointly organized by the Ministry of Health and Family Welfare and the World Health Organization(WHO)
2. The conference adopted the New Delhi Declaration on Collection and Classification of Traditional Medicine.

Which of the above statement(s) are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

24. With reference to Kala Azar consider the following statements

1. Kala-azar also known as visceral leishmaniasis (VL).
2. It is spread to humans through bites from female Aedes aegypti mosquito.

Which of the above statement(s) are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

25. "VAJRA" seen recently in news is:

- (a) Military exercise between Indian and France
- (b) It is a naval submarine under project 75
- (c) It is an offshore Patrol Vessel of Coast Guard
- (d) It is the name given to indigenously developed helicopters by DRDO



ANSWER HINT

DAY - 57

1. Correct Option: (d)

Explanation:

Entrepreneurship and Wealth Creation at the Grassroots

- The “Startup India” campaign of the Government of India recognizes entrepreneurship as an increasingly important strategy to fuel productivity growth and wealth creation in India.
- This chapter examines the context and drivers of entrepreneurial activity at the bottom of the administrative pyramid – over 500 districts in India.
- **India ranks third in the number of new firms created.**
- Data shows that new firm creation has gone up dramatically in India since 2014.
- **New firm creation in services is significantly higher than that in manufacturing, infrastructure or agriculture.**
- Entrepreneurship at the bottom of the administrative pyramid – a district – has a significant impact on wealth creation at the grass-root level.

2. Correct Option: (a)

Explanation

Creative destruction

- **The forces of creative destruction following liberalization in the Indian economy have led to the rise of new sectors such as financials and information technology. Virtually non-existent in the Sensex of the early 1990s, the share of these sectors in the total market capitalization has increased over the years, so much so that these sectors dominate the Sensex today.**

3. Correct Option: (a)

Explanation

Dutch disease in economics

- In economics, the Dutch disease is the apparent causal relationship between the increase in the economic development of a specific sector (for example natural resources) and a decline in other sectors (like the manufacturing sector or agriculture).
- **It is primarily associated with the new discovery or exploitation of a valuable natural resource and the unexpected repercussions that such a discovery can have on the overall economy of a nation.**
- According to the thesis, when resource-rich countries export their resources to the rest of the world, **it causes the exchange rate of their currency to appreciate significantly**; this, in turn, affects other sectors in the country by discouraging their exports while encouraging the import of cheaper alternatives.
- The term was coined by The Economist in 1977 to describe the decline of the manufacturing industry in the Netherlands.
- The idea, however, was first proposed by economists Peter Neary and Max Corden in a paper published in 1982.

4. **Correct Option: (b)**

Explanation:

\$5 trillion economy

- Survey says that India's aspiration of becoming a \$5 trillion economy depends critically on:
 - ▶ **Promoting a 'pro-business' policy that unleashes the power of competitive markets to generate wealth.**
 - ▶ **Weaning away from 'pro-crony' policy that may favor specific private interests, especially powerful incumbents.**

5. **Correct Option: (a)**

Explanation:

Highlights of the survey

- Birth of new firms is very heterogeneous across Indian districts and across sectors.
- **Literacy and education** in the district foster local entrepreneurship significantly.
- The eastern part of India has the lowest literacy rate of about 59.6 percent according to the census of 2011. This is also the region in which new firm formation is the lowest.

- Physical infrastructure quality in the district influences new firm creation significantly.
- **Ease of Doing Business and flexible labor regulation** enable new firm creation, especially in the manufacturing sector.
- Survey suggests enhancing the ease of doing business and implementing flexible labor laws can create maximum jobs in districts and thereby in the states.

6. **Correct Option: (c)**

Explanation:

Trends in social sector expenditure

- The increase in expenditure on the social services sector affirms the commitment of the government towards social well-being.
- The expenditure on social services by Centre and States as a proportion of Gross Domestic Product (GDP) **increased by 1.5 percentage** points from **6.2 to 7.7 %**, during the period 2014-15 to 2019-20 (Budget Estimates-BE).
- An increase was witnessed **across all social sectors** during this period. For education, it increased from **2.8 % in 2014-15 to 3.1 % in 2019-20** and for health **from 1.2 to 1.6 %**.
- The share of expenditure on social services out of total budgetary expenditure increased to **26 % in 2019-20 (BE) from 23.4 % in 2014-15**.

7. **Correct Option: (d)**

Explanation:

Accommodative monetary policy

- A Neutral Monetary policy refers to the central bank (read RBI) keeping such rate or range of rates, which are consistent with full employment, trend growth, and stable prices. An economy in this state doesn't need to be stimulated or slowed by a monetary policy.
- **Accommodative monetary policy occurs when a central bank (such as the RBI) attempts to expand the overall money supply to boost the economy when growth is slowing** (as measured by GDP).
- The policy is implemented to allow the money supply to rise in line with national

income and the demand for money.

- **Accommodative monetary policy is also known as "easy monetary policy" or "loose credit policy."**
- Recently, MPC cut the repo rate four times by 110 basis points. The decision to cut the policy repo rate reflects the changing stance of monetary policy from neutral to accommodative.
- A lower repo rate will reduce the cost of borrowing for commercial banks. A low cost of borrowing will incentivize commercial banks to lend money to investors/businesses at a lower interest rate. At a lower rate of interest, businesses will borrow more and undertake more investment activity. This contributes to an increase in the GDP of the economy. This mechanism is reflective of an Accommodative monetary policy stance.

8. **Correct Option: (a)**

Explanation

Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA)

- Giving a major boost to the pro-farmer initiatives of the Government and in keeping with its commitment and dedication for the Annadata, the Union Cabinet chaired by Prime Minister Shri Narendra Modi has approved a new Umbrella Scheme 'Pradhan Mantri Annadata Aay Sanrakshan Abhiyan' (PM-AASHA).
- The Scheme is aimed at ensuring remunerative prices to the farmers for their produce
- PM-AASHA, launched in 2018, covers three sub-scheme i.e. **Price Support Scheme (PSS), Price Deficiency Payment Scheme (PDPS) and Pilot of Private Procurement & Stockist Scheme (PDPS).**

9. **Correct Option: (c)**

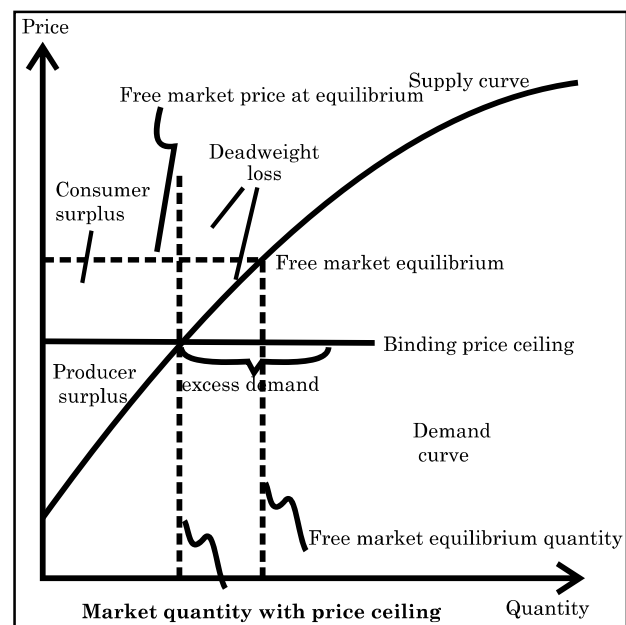
Explanation:

Deadweight loss

- Deadweight loss, also known as excess burden, is a measure of lost economic efficiency when the socially optimal quantity of a good or a service is not produced. Non-optimal production can be caused by **monopoly pricing in the case of artificial scarcity, a positive or**

negative externality, a tax or subsidy, or a binding price ceiling or price floor such as a minimum wage. Government intervention in the market also causes this.

- Government intervention affects the dynamic interaction of supply and demand in markets and thereby determination of 'equilibrium' market prices.
- When the price is too high, there is an excessive amount of the product for sale compared to what people want. When the price is too low, it causes consumers to want more of the product than producers have available. In both cases, **serious welfare loss results because not enough of the good is sold. The wasted chance to create both producer and consumer welfare from such sales leads to 'deadweight loss' - income that is lost forever.**
- In this, **the producer surplus always decreases**, but the consumer surplus may or may not increase; however, the decrease in producer surplus must be greater than the increase, if any, in consumer surplus.



10. **Correct Option: (b)**

Explanation:

Indian foodgrain markets

- **Food Corporation of India (FCI) was set up in 1965 under the Food Corporations Act, 1964** with the primary duty to purchase, store, move/transport, distribute and sell food grains and other foodstuffs.

- The main objectives of FCI are:
 - ▶ procurement of foodgrains from farmers at Minimum Support Prices (MSP) announced by the Government;
 - ▶ distribution of foodgrains to consumers through PDS, particularly the vulnerable sections of society at affordable prices; and
 - ▶ maintenance of buffer stock of foodgrains for food security and price stability.
- According to NSS 73rd round on consumer expenditure shows that the share of cereals in Monthly Per Capita Expenditure (MPCE) has fallen by about 33 percent in rural India and about 28 percent in urban India from 2004-05 to 2011-12.
- The trend of decreasing demand for cereals and increasing supply of cereals shows that the **production pattern is not synchronized with the demand patterns.**
- The Government has emerged as the single largest procurer and hoarder of foodgrains. The government procures around 40-50 percent of the total market surplus of rice and wheat emerging as the dominant buyer of these grains. A record procurement of 44.4 million tonnes of rice and 34 million tonnes of wheat was done in 2018-19.
- Thus the government, as the single largest buyer of rice and wheat, is **virtually a monopsonist in the domestic grain market** and is a dominant player crowding out private trade.

11. Correct Option: (c)

Explanation:

Maximum Allowable Post-manufacturing Expenses (MAPE)

- Drugs Prices Control Order (DPCO) is an order issued under Sec. 3 of the Essential Commodities Act (ECA), 1955 that seeks to regulate the prices of pharmaceutical drugs.
- The Drugs (Prices Control) Order, 1995 provides that the Government may fix the MRP for a bulk drug in the first schedule.
- The MRP is calculated using a formula prescribed in the DPCO. **The formula contains a variable element 'MAPE' (Maximum Allowable Post-**

manufacturing Expenses) which is the sum total of all costs incurred by a manufacturer up to retailing and includes trade margin and margin for the manufacturer.

- **DPCO prescribes that MAPE shall not exceed one hundred percent for indigenous scheduled formulations.**

12. Correct Option: (c)

Explanation:

NBFCs

- **Non-Banking Financial Companies (NBFC) are overly-dependent on short-term wholesale funding from Liquid Debt Mutual Funds (LDMF).** While at good times, this funding arrangement is smooth but during periods of economic stress, their reliance on short-term funding puts them on a significant risk.
- **This happens because during times of economic stress, they are unable to roll over short term funding, which they had generated via LDMF.**
- All those who invested in LDMF panic during times of economic stress and ask NBFC to pay back the money they had invested in them.
- This is similar to 'Bank run' wherein the depositors rush to claim their deposits when they hear that the bank may fail.

13. Correct Option: (d)

Explanation:

Debt waivers to farmers

- An unconditional and blanket debt waiver is a bad idea.
- It does not achieve any meaningful real outcomes for the intended beneficiaries while the costs to the exchequer are significant.
- **Full waiver beneficiaries consume less, save less, invest less and are less productive after the waiver, compared to the partial beneficiaries.**
- **Debt waivers disrupt the credit culture.**
- **They reduce formal credit flow to the very same farmers, thereby defeating the purpose**
- The waiver increases loan defaults on future loans and no improvement in wages,

productivity, or consumption of marginal farmers.

- The Survey suggests that:
 - ▶ o The government must systematically examine areas of needless intervention and undermining of markets, but it does not argue that there should be no Government intervention.
 - ▶ o Instead, it suggests that the interventions that were apt in a different economic setting may have lost their relevance in a transformed economy.
 - ▶ o Eliminating such instances will enable competitive markets spurring investments and economic growth.

14. Correct Option: (a)

Explanation:

Ease of doing business index

- The Ease of Doing Business (EoDB) index is a ranking system established by the World Bank Group.
- The research presents data for 190 economies and aggregates information from 10 areas of business regulation:
 - ▶ Starting a Business
 - ▶ Dealing with Construction Permits
 - ▶ Getting Electricity
 - ▶ Registering Property
 - ▶ Getting Credit
 - ▶ Protecting Minority Investors
 - ▶ Paying Taxes
 - ▶ Trading across Borders
 - ▶ Enforcing Contracts
 - ▶ Resolving Insolvency
- Among the chosen 190 countries, India ranked 63rd in Doing Business 2020: World Bank Report.
- In 2014, the Government of India launched an ambitious program of regulatory reforms aimed at making it easier to do business in India. The program represents a great deal of effort to create a more business-friendly environment.
- India's ranking on the construction permit parameter has improved from 184 in 2014 to 52 in 2018. India's ranking on getting electricity parameter has improved from 137 in 2014 to 24 in 2018. India ranks 7th

in Protecting Minority Investors and 22nd in Getting Credit

- **India continues to trail in parameters such as Ease of Starting Business (rank 136), Registering Property (rank 154), Paying Taxes (rank 115), and Enforcing Contracts (rank 163).**

15. Correct Option: (c)

Explanation:

Non-banking financial companies (NBFCs)

- Non-banking financial companies (NBFCs) are financial institutions that offer various banking services but do not have a banking license.
- They are primarily responsible for making investments, but do not have the authority to accept deposits.
- NBFCs cannot form part of the payment and settlement system. This means that cannot issue cheques drawn on itself.
- Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in the case of banks.

16. Correct Option (b)

Explanation:

- **Statements 2 and 3 are correct Statement 1 is incorrect:** Purchase of G-Sec by RBI increases liquidity, as it releases money in return.

Supplementary Notes

- **Liquidity condition in the economy:** Systemic liquidity in 2019-20 has been largely **in surplus since June 2019**. Liquidity was injected in the economy through following measures:
 - ▶ Four Open Market Operations (OMOs)
 - ▶ One US\$ 5 billion buy/sell swap auction for three year term
 - ▶ RBI's forex operations, augmenting domestic rupee liquidity
 - ▶ Reducing Statutory Liquidity Ratio (SLR)
 - ▶ Moderation in currency demand after two years of high demand following demonetisation.

- **OMO** is the sale and purchase of government securities (G-Sec) and treasury bills by RBI. **Purchase of G-Sec by RBI increases liquidity**, as it releases money in return.
 - ▶ OMO raise G-Sec bond prices. As bond prices go up, the yields go down.
 - ▶ RBI also conducted a '**Special OMO**' where there was simultaneous sale (of short term securities) and purchase (of long term securities).
 - ▶ This was done to reduce the difference between short and long term yields.
- A **foreign exchange Buy/Sell swap** comes under RBI's Liquidity Management Framework (LMF).
 - ▶ **Banks sell dollars to the RBI at a dollar-rupee exchange rate** fixed by the central bank. **In turn the RBI will pay rupees** to the participating banks at the current spot rate (thereby increasing liquidity in the system).
 - ▶ Three years later, the banks would buy back the dollars, in rupee terms, at an exchange rate that includes the cut-off premium.
- A **net forex purchases by the RBI** causes **return of currency to the banking system**.
- **SLR** is the portion of net demand and time liabilities (NDTL) which banks are required to park in treasury bills and other instruments. By **reducing the level of SLR**, RBI can **increase funds available with commercial banks**, resulting in increased investment. This can fuel growth and demand.

17. Correct Option (c)

Explanation:

- **Statements 2 and 3 are correct**
Statement 1 is incorrect:Relaxing FDI norms

Supplementary Notes

- **Recent initiatives taken to foster investment in economy:**
 - ▶ Relaxing FDI norms
 - ▶ Cutting corporate tax rates
 - ▶ Containing inflation
 - ▶ Accelerating infrastructure creation
 - ▶ Improving ease of doing business
 - ▶ Reforming taxation.

18. Correct Option: (d)

Explanation:

Applications of Crop Residues

- Crop residues are primarily used as bedding material for animals, livestock feed, **soil mulching**, bio-gas generation, bio-manure/compost, thatching for rural homes, mushroom cultivation, biomass energy production, fuel for domestic and industrial use, crop residue-based biochar briquettes in local industries, brick kiln and hotel/Dhaba as an alternate fuel etc.
- Green bonds are debt securities issued by financial, non-financial or public entities where the proceeds are used to finance 100 percent green projects and assets.
- Climate Bonds remain focused on green bonds, which are specifically linked to climate change mitigation, adaptation and resilience. **India has the second-largest Emerging green bond market after China.**

19. Correct Option: (b)

Explanation:

Shannon-Weiner Index

- India is one of the 17 megadiverse countries in the world. **This is evident in the Shannon-Weiner Index for Diversity which is used for measuring species richness and abundance.** The index also compares the diversity of species among various habitats. India State of the Forest Report 2019 assessed Shannon-Weiner Index for 16 bio-diverse areas. The Index shows that:
 - ▶ Tropical Evergreen forest is high in Karnataka followed by Kerala.
 - ▶ Tropical moist deciduous forests cover is high in Arunachal Pradesh, Karnataka, and Maharashtra.
 - ▶ Tropical dry deciduous forest is high in Arunachal Pradesh and semi-evergreen forests are high in Karnataka.
 - ▶ Tropical Littoral and swamp forests are high in UP
 - ▶ Tropical thorn forests are seen widely in Andhra Pradesh.
- The Shannon index increases as both the richness and the evenness of the community increase. The fact that the

index incorporates both components of biodiversity can be seen as both strength and a weakness. It is a strength because it provides a simple, synthetic summary, but it is a weakness because it makes it difficult to compare communities that differ greatly in richness.

20. Correct Option (d)

Explanation: All statements are correct

Supplementary Notes

- **Investment catalyses the economy into a virtuous cycle:** The Economic Survey of 2018-19 laid out the role of investment, especially private investment, in driving demand, creating capacity, increasing labour productivity, introducing new technology, allowing creative destruction, and generating employment.

21. Correct option: (b)

Explanation

- Statement 1 is incorrect: First generation biofuels refers to the fuels that have been derived from sources like starch, sugar, animal fats and vegetable oil.

Supplementary notes

Classification of Biofuels

- **First generation biofuels:** It refers to the fuels that have been derived from sources like starch, sugar, animal fats and vegetable oil.
- **Second generation biofuels:** These are produced from non-food crops, such as cellulosic biofuels and waste biomass (stalks of wheat and corn, and wood). Examples include advanced biofuels like biohydrogen, biomethanol.
- **Third generation biofuels:** These are produced from specially engineered energy crops such as algae.
- **Fourth-Generation Biofuels:** It uses genetically modified (GM) algae to enhance biofuel production.

22. Correct option: (b)

Explanation

- Statement 1 is incorrect: Myanmar shares a long 1,643 km border with 4 Indian states namely Mizoram, Manipur, Nagaland and Arunachal Pradesh in Northeast India.

Supplementary notes

India-Myanmar Relations

- India and Myanmar relationship officially started after the Treaty of Friendship was signed in 1951.
- Myanmar shares a long 1,643 km border with 4 Indian states namely Mizoram, Manipur, Nagaland and Arunachal Pradesh in Northeast India.
- India is the fifth largest trading partner of Myanmar – its fifth largest destination for exports and sixth largest source of imports.
- Myanmar is also the beneficiary of a duty-free tariff preference scheme for least developed countries (LDCs).
- Myanmar's membership of ASEAN, BIMSTEC and Mekong Ganga Cooperation has introduced a sub-regional dimension to bilateral relations with India.
- The exercises between India and Myanmar are a) IMBAX- It is a bilateral army exercise between India and Myanmar and b) IMNEX- It is a bilateral annual naval exercise between India and Myanmar.

23. Correct option: (b)

Explanation

Statement 1 is incorrect: The conference was jointly organized by the Ministry of AYUSH and the World Health Organization(WHO) in New Delhi.

Supplementary notes

ICoSDiTAUS-2020

- Recently, ICoSDiTAUS-2020, the International Conference on Standardisation of Diagnosis and Terminologies in Ayurveda, Unani and Siddha Systems of Medicine concluded in New Delhi.
- The conference was jointly organized by the Ministry of AYUSH and the World Health Organization (WHO) in New Delhi.
- The conference adopted the New Delhi Declaration on Collection and Classification of Traditional Medicine(TM) Diagnostic Data.
- The New Delhi declaration emphasised the commitment of the countries to Traditional Medicine (TM) as a significant area of health care.

- It also sought for inclusion of traditional systems of medicine like Ayurveda, Unani and Siddha in the International Classification of Diseases(ICD) of WHO which is the standard diagnostic tool for health management across the world.

24. Correct option: (a)

Explanation

- Statement 2 is incorrect: It is spread to humans through bites from female phlebotominesandflies – the vector(or transmitter) of the leishmania parasite.

Supplementary notes

Kala Azar

- Kala-azar also known as Visceraleishmaniasis(VL) is caused by the protozoan parasite of genus Leishmania.
- It is spread to humans through bites from female phlebotominesandflies – the vector(or transmitter) of the leishmania parasite.
- The signs and symptoms include fever, weight loss, fatigue, anemia and substantial swelling of the liver and spleen.
- The disease primarily infects internal organs such as the liver,spleen (hence “visceral”) and bone marrow.It has been associated with high fatality without any proper diagnosis and treatment.
- The Government of India(GOI) launched a centrally sponsored Kala-azar Control Programme in the endemic states in 1990-91.

- Aim was to improve the health status of vulnerable groups and at-risk population living in Kala-azar endemic areas by the elimination of Kala-azar so that it no longer remains a public health problem.

25. Correct option: (c)

Explanation:

- VAJRA is the 6th vessel in the series of seven Offshore Patrol Vessel (OPV) projects.

Supplementary notes

6th Coast Guard Offshore Patrol Vessel “VAJRA” launched

- VAJRA is the 6th vessel in the series of seven Offshore Patrol Vessel (OPV) projects.
- It has been built by L&T Shipbuilding under the ‘Make in India’ policy.
- The vessel would be utilised for day and night surveillance along with anti-terrorist, anti-smuggling operations in the exclusive economic zone.
- It is empowered with two Navigation Radars along with ultra-modern technology, sophisticated navigational and latest communication systems.
- Offshore patrol vessels(OPVs) are patrolling vehicles which are deployed by Indian coast guards to patrol the maritime boundary of India.



TEST

DAY - 58

1. The reasons for the decrease in the female labor force participation rate are__

1. More women in rural areas are now pursuing higher education
2. The relatively higher responsibilities of unpaid work and unpaid care work are on women
3. Significant gender wage gap
4. Decline in animal husbandry

Select the correct option using the codes given below:

- (a) 1 and 3 only
- (b) 2 and 4 only
- (c) 2, 3, and 4 only
- (d) 1, 2, 3, and 4

2. Which of the following statements is/are *incorrect*?

1. Primary healthcare accounts for two-thirds of India's current public expenditure on health.
2. The out of pocket expenditure (OoPE) as a percentage of total health expenditure has been continuously increasing in India.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

3. The data on Subnational Human Development Index for Indian States for the period 1990 to 2017 has been published recently by__

- (a) UNDP
- (b) NITI Ayog
- (c) SBI
- (d) RBI

4. Consider the following statements regarding the SDG India Index:

1. No state has been declared as an achiever.
2. Only Kerala has been declared as the front runner.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

5. Consider the following statements:

1. The HDI is the arithmetic mean of normalized indices for each of the three indicators of education, health, and standard of living.
2. The metric chosen to represent the standard of living is GNI per capita based on purchasing power parity (PPP).

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

6. Consider the following statements regarding PradhanMantriShram Yogi Maan-DhanYojana:

1. It is a pension scheme for unorganized workers.
2. This Central Sector Scheme is administered by the Ministry of Micro, Small & Medium Enterprises.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

7. the following statements:

1. The time lag between switching of the jobs is called Seasonal unemployment.
2. Unemployment trap is a situation when unemployment benefits discourage the unemployed to go to work.
3. Cyclical Unemployment is the result of the business cycle.

Which of the above statements are correct?

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

8. Which of the following statements regarding the Gini coefficient is/are correct?

1. Mathematically, it the slope of the Laffer Curve.
2. The coefficient with 0 representing perfect inequality and 1 representing perfect equality.
3. The Gini index may overstate income inequality by underestimating the shadow economies and informal economic activities.

Select the correct option using the codes given below:

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

9. Force Participation Rate (LFPR) is the section of the working population in the age group of_____

- (a) 15-65
- (b) 16-64
- (c) 15-39
- (d) 18-40

10. Which of the following pairs of surveys and their agencies is/are correctly matched?

1. Employment–Unemployment Surveys: NSSO
2. Labor Force Survey: Labor Bureau
3. Periodic Labor Force Survey: NSSO

Select the correct option using the codes given below:

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

11. Which of the following communities has the highest Unemployment Rate as per the first-ever Periodic Labor Force Survey (PLFS)?

- (a) Hindu
- (b) Muslims
- (c) Christians
- (d) Sikhs

12. There are many ways of measuring Poverty, one way is to determine it by the monetary value of minimum calorie intake. Consider the following statements regarding the problems identified with this approach:

1. It does not differentiate between the very poor and the other poor.
2. It does not take into consideration social factors that trigger poverty such as education and health.
3. In this mechanism, it is difficult to identify who among the poor need help the most.

Which of the above statements are correct?

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

13. Consider the following statements regarding the Global Multidimensional Poverty Index (MPI):

1. It was started by the oxford university with the UN Development Programme.
2. If an individual is deprived in a third or more of ten indicators, the global index identifies her as 'MPI poor'.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

14. What are the domains of the School Education Quality Index (SEQI) brought by the NITI Ayog?

1. Access outcomes
2. Equity Outcomes
3. Infrastructure & Facilities

Which of the above statements is/are correct?

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

15. The approach of the Aspirational Districts' Programme are__

1. Convergence
2. Collaboration
3. Competition

Which of the above statements is/are correct?

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

16. Which of the following statements correctly defines the "Labor Force Participation Rate"?

- (a) It measures the labor force participation of people working under both paid employment and self-employment.

- (b) It is the sum of all employed workers divided by the working-age population.
- (c) It consists of those unemployed persons who are available for work.
- (d) All of the above

17. Disguised unemployment generally means

- (a) Total productivity of labour is zero
- (b) Average productivity of labour is zero
- (c) Marginal productivity of labour is zero
- (d) None of the above

18. Who was the first to discuss the concept of the 'Poverty Line' in India?

- (a) Dadabhai Naoroji
- (b) R. C. Dutt
- (c) D. R. Gadgil
- (d) Motilal Nehru

19. Consider the following statements about Sarvodaya Plan:

1. The plan drew its major inspirations from the Gandhian techniques of constructive works by the community and trusteeship.
2. It emphasised almost no dependence on foreign capital and technology.

Which of the above statements is/are incorrect?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

20. There are many ways of measuring Poverty, one way is to determine it by the monetary value of minimum calorie intake. Consider the following statements regarding the problems identified with this approach:

1. It does not differentiate between the very poor and the other poor.
2. It does not take into consideration social factors that trigger poverty such as education and health.
3. In this mechanism, it is difficult to identify who among the poor need help the most.

Which of the above statements are correct?

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

21. “Kudumbashree” is the poverty eradication and women empowerment programme implemented by which state of India?

- (a) Tamil Nadu
- (b) Karnataka
- (c) Andhra Pradesh
- (d) Kerala

22. Consider the following statements regarding National Science Day

1. The Raman Effect won scientist Sir CV Raman the Nobel Prize for physics in 1930.
2. The theme of this year’s science day is “Science and Technology for a sustainable future”.
3. The Raman Effect is a change in the wavelength of light that occurs when a light beam is deflected by molecules.

Which of the above statement(s) are correct?

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

23. Consider the following statements regarding “Raider-X” which was seen recently in news

1. It is a bomb detection device.
2. It has been developed by Bhabha Atomic Research Centre.
3. Device that can spot explosives from 200 meters away.

Which of the above statement(s) are correct?

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

24. Consider the following statements about NASA’s Insight Mission:

1. It will be the first mission to peer deep beneath the Martian surface, studying the planet’s interior by measuring its heat output and listening for marsquakes, which are seismic events similar to earthquakes on Earth.
2. The findings of Mars’ formation will help better understand how other rocky planets, including Earth

Which of the statement(s) given above is/ are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) None

25. Which of the following statement(s) is/ are correct about Article 371?

1. It contains “special provisions” for 11 states, including 6 states of the Northeast.
2. After amending Article 370, a new provision was added to 371 to give protection to land and jobs in Jammu and Kashmir.

Choose the correct option:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) None



ANSWER HINT

DAY - 58

1. Correct Option: (d)

Explanation:

Decrease in the female LFPR

- According to NSO-EUS and PLFS estimates, the female labor force participation rate (LFPR) for productive age-group (15-59 years) as per the usual status (ps+ss) shows a declining trend. Female labor force participation declined by 7.8 percentage points from 33.1 percent in 2011-12 to 25.3 percent in 2017-18.
- A considerable amount of research work has been done to identify the reasons behind low and declining female labor force participation rates for India. These are:

On the supply side

- **it was argued that as more women in rural areas are now pursuing higher education has delayed their entry into the labor market (Rangarajan et. al., 2011).**
- The female LFPR could be lower also due to cultural factors, social constraints and patriarchal norms restricting mobility and freedom of women (Das, 2006, Banu, 2016).
- **The relatively higher responsibilities of unpaid work and unpaid care work could also be constraining women participation in the labor market (World Economic Forum, 2018).**

On the demand side

- The absence of job opportunities and quality jobs and the **significant gender wage gap** are restraining factors (World Bank, 2010).
- NSSO-EUS data concluded that besides income effect, education effect and the problem of underestimation, what is left unnoticed is the structural transformation of the economy and its resultant impact on the female labor market.

- Decline in animal husbandry, and in urban areas, a fall in international demand for products of labor-intensive industries have led to the lowering of female LFPR in India.
- Low female wages in the agriculture sector were driving out females engaged as unpaid labor.
- The fall in employment in agriculture has not shown a concomitant increase in opportunities for women in the manufacturing sector where most women with middle to secondary levels of education and from middle-income groups are likely to look for employment (Chandrasekhar and Ghosh, 2011).

2. Correct Option: (c)

Explanation:

Healthcare in India

- **As per the latest National Health Accounts (NHA) 2016-17, the out of pocket expenditure (OoPE) as a percentage of total health expenditure has declined from 64.2 percent in 2013-14 to 58.7 percent in 2016-17.**
- **Primary healthcare accounts for 52.1 percent of India's current public expenditure on health as per the National Health Estimates, 2016-17. The National Health Policy, 2017 recommended spending at least two-thirds of the Government's health expenditure on primary healthcare.**

3. Correct Option: (c)

Explanation:

Subnational Human Development Index

- **SBI has recently released data on Subnational Human Development**

Index (SHDI) for Indian States for the period 1990 to 2017.

- This index, which follows the UNDP method, is an average of the subnational values of three dimensions, mainly Education, Health and Standard of Living.
- The region-wise trend of HDI scores suggest mostly Southern States and the Northern States have performed much better as compared to their respective peers. Eastern States have a poor performance in HDI.

4. Correct Option: (a)

Explanation:

- Launched by NITI Aayog, the SDG India Index has been developed in collaboration with the Ministry of Statistics & Programme Implementation (MoSPI), Global Green Growth Institute and United Nations in India.
- It comprehensively documents the progress made by India's States and Union Territories towards implementing the 2030 SDG targets.
- Based on the score, the States and UTs were classified into four categories, namely Achiever, Front Runner, Performer, and Aspirant. This criteria of classification is as follows:
 - ▶ Achiever – when SDG India Index score is equal to 100
 - ▶ Front Runner – when SDG India Index score is less than 100 but greater than or equal to 65
 - ▶ Performer – when SDG India Index score is less than 65 but greater than or equal to 50
 - ▶ Aspirant – when SDG India Index score is less than 50
- India's composite score has improved from 57 in 2018 to 60 in 2019, thereby showing noticeable progress. The maximum gains have been made in Goals 6 (clean water and sanitation), 9 (industry, innovation, and infrastructure) and 7 (affordable and clean energy). All three states that were in the 'Aspirant' category (with score/s in the range of 0–49)—Uttar Pradesh, Bihar and Assam—have graduated to the 'Performer' category (50–64).
- Five states—Andhra Pradesh, Telangana, Karnataka, Goa, and Sikkim—moved up from the 'Performer' category to the 'Front Runner' category (65–99).

- Kerala achieved the first rank in the composite SDG Index with a score of 70, followed by Himachal Pradesh at 69. Andhra Pradesh, Telangana, and Tamil Nadu ranked at the third position with a score of 67.
- The biggest improvers since 2018 are UP (which has moved from the 29th position to the 23rd), Orissa (23rd to 15th), and Sikkim (15th to 7th). While Bihar improved its score from 48 in 2018 to 50 in 2019, it still has a long way to go in achieving the targets.
- No state has been declared as achiever yet as the maximum score is 70 (Kerala).

5. Correct Option: (b)

Explanation:

HDI

- The Human Development Index (HDI) is a composite index of **life expectancy, education, and per capita income indicators** which is published by UNDP.
- The metric chosen to represent the standard of living is GNI per capita based on purchasing power parity (PPP), a common metric used to reflect average income. The standard of living is normalized so that it is equal to 1 when GNI per capita is \$75,000 and equal to 0 when GNI per capita is \$100.
- It is the geometric mean of normalized indices for each of the three indicators.
- India's HDI rank for 2017 is 129 out of 189 countries.

6. Correct Option: (a)

Explanation:

- It is a central sector scheme being implemented by the Ministry of Labor and Employment.
- Unorganized workers whose monthly income is Rs 15,000/ per month or less and belong to the entry age group of 18-40 years are eligible for the scheme.
- Each subscriber under the PM-SYM shall receive a minimum assured pension of Rs 3000/- per month after attaining the age of 60 years.
- The subscriber's contributions to PM-SYM shall be made through the 'auto-debit' facility from his/ her savings bank account/ Jan- Dhan account.

7. Correct Option: (b)

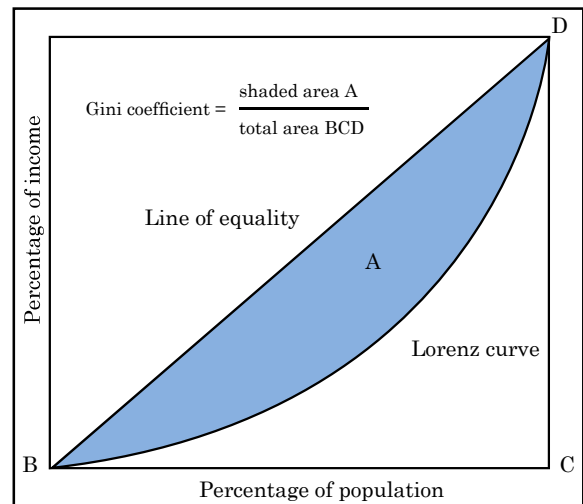
Explanation:**Unemployment**

- **The Frictional Unemployment or, Search Unemployment, refers to the time lag between the jobs when an individual is searching for a new job or is switching between the jobs.**
- **Cyclical Unemployment is the result of the business cycle**, where unemployment rises during recessions and declines with economic growth.
- Seasonal Unemployment occurs during certain seasons of the year.
- Structural unemployment is a longer-lasting form of unemployment caused by fundamental shifts in an economy and exacerbated by extraneous factors such as technology, competition, and government policy. Structural unemployment occurs because workers' lack the requisite job skills or workers live too far from regions where jobs are available and cannot move closer. Jobs are available, but there is a serious mismatch between what companies need and what workers can offer.
- **Unemployment trap is a situation when unemployment benefits discourage the unemployed to go to work.** People find the opportunity cost of going to work too high when one can simply enjoy the benefits by doing nothing.

8. Correct Option: (a)

Explanation:**Gini coefficient**

- The Gini index is a simple measure of the distribution of income across income percentiles in a population, developed by the Italian statistician Corrado Gini in 1912.
- **Mathematically, it is the ratio of the area between the line of perfect equality and the observed Lorenz curve to the area between the line of perfect equality and the line of perfect inequality.**



- The higher the coefficient, the more unequal the distribution is.
- Global inequality as measured by the Gini index increased over the 19th and 20th centuries, but has declined in more recent years.
- A country in which every resident has the same income would have an income Gini coefficient of 0. A country in which one resident earned all the income, while everyone else earned nothing, would have an income Gini coefficient of 1.

Shortcomings

- Though useful for analyzing economic inequality, the Gini coefficient has some shortcomings.
- The metric's accuracy is dependent on reliable GDP and income data. **Shadow economies and informal economic activity are present in every country.** Informal economic activity tends to represent a larger portion of true economic production in developing countries and at the lower end of the income distribution within countries. In both cases, this means that the Gini index of measured incomes will overstate true income inequality. Accurate wealth data is even more difficult to come by due to the popularity of tax havens.
- Another flaw is that very different income distributions can result in identical Gini coefficients. Because the Gini attempts to distill a two-dimensional area (the gap between the Lorenz curve and the equality line) down into a single number, it obscures information about the "shape" of inequality.

9. Correct Option: (b)

Explanation:

- LFPR is defined as the percentage of persons in the labor force (i.e. working or seeking or available for work) in the population of **age group 16-64**.
- People who are still undergoing studies, housewives, and persons above the age of 64 are not factored in the labor force.

10. Correct Option: (d)

Explanation:**Agencies**

- NSSO under the Ministry of Statistics and Programme Implementation collects data for the **Employment–Unemployment Survey** and **Periodic Labor Force Survey**.
- **Labor Bureau** collects data for the annual **Labor Force Survey**.

11. Correct Option: (c)

Explanation:**Periodic Labor Force Survey (PLFS)**

- **Among religious groups, Christians have the highest UR in both urban and rural areas.**
- In rural areas, Christians have a UR of 7.4 percent, Muslims have a UR of 6.5 percent, Sikhs 6.3 percent and Hindus 5.2 %.
- In urban areas, Christians have a UR of 11 %, Sikhs 9.1 %, followed by Muslims 8.5 % and Hindus 7.6 %.

12. Correct Option: (d)

Explanation:**The Poverty Line**

- There are many ways of measuring poverty. One way is to determine it by the monetary value (per capita expenditure) of the minimum calorie intake.
- It was estimated at 2,400 calories for a rural person and 2,100 for a person in the urban area. Based on this, in 2011-12, the poverty line was defined for rural areas as consumption worth Rs 816 per person a month and for urban areas it was Rs 1,000.
- Though the government uses Monthly Per Capita Expenditure (MPCE) as a proxy for the income of households to identify the poor, various economists state that there are some problems with this mechanism:

▶ One is that it groups all the poor and **does not differentiate between the very poor and the other poor.**

▶ This mechanism takes into account expenditure on food and only a few selected items as a proxy for income.

▶ This mechanism helps identify the poor as a group to be taken care of by the government, **but it would be difficult to identify who among the poor need help the most.**

▶ **The existing mechanism for determining the Poverty Line also does not take into consideration social factors that trigger and perpetuate poverty such as illiteracy, ill health, lack of access to resources, discrimination or lack of civil and political freedoms.**

- The aim of poverty alleviation schemes should be to improve human lives by expanding the range of things that a person could be and could do, such as to be healthy and well-nourished, to be knowledgeable and to participate in the life of a community.

13. Correct Option: (c)

Explanation:**Multidimensional Poverty Index**

- **The global MPI was started by Oxford Poverty and Human Development Initiative (within the Oxford Department of International Development at the University of Oxford) with the UN Development Programme (UNDP) for inclusion in UNDP's flagship Human Development Report in 2010. It has been published in the HDR and by OPHI ever since.**
- It is an international measure of acute multidimensional poverty covering 10 indicators for over 100 developing countries.
- **If someone is deprived in a third or more of ten (weighted) indicators, the global index identifies them as 'MPI poor'.**

14. Correct Option: (d)

Explanation:**School Education Quality Index (SEQI)**

- The School Education Quality Index (SEQI) was developed to evaluate the performance of States and Union Territories (UTs) in the school education sector. The index aims to bring an outcome focus to education policy by providing States and UTs with a platform to identify their strengths and weaknesses and undertake requisite course corrections or policy interventions. In line with NITI Aayog's mandate to foster the spirit of competitive and cooperative federalism, the index strives to facilitate the sharing of knowledge and best practices across States and UTs.
- It aims to drive policy reforms that will improve the quality of school education. The index seeks to institutionalize a focus on enhancing **education outcomes by driving improvements in learning levels, access, equity, infrastructure, and governance processes.**

15. Correct Option: (a)

Explanation:

The Aspirational Districts' Programme

- Living standards in India are affected by significant inter-state and inter-district variations. To remove this heterogeneity, the government has launched in January 2018, the 'Transformation of Aspirational Districts' program (ADP).
- **The broad contours of the program are Convergence (of Central & State Schemes), Collaboration (of Central, State level 'Prabhari' Officers & District Collectors), and Competition among districts driven by a mass Movement.**
- With States as the main drivers, this program will focus on the strength of each district, identify low-hanging fruits for immediate improvement, measure progress, and rank districts.

16. Correct Option: (d)

Explanation:

Labor Force Participation Rate

- The labor force participation rate measures an economy's active labor force and is the **sum of all employed workers divided by the working-age population.** It refers to the number of people who are either employed or are actively looking for work.

- **The measurement of the labor force participation rate requires the measurement of both employment and unemployment.**
- **Employment comprises all persons of working age who during a specified brief period, such as one week or one day, were in the following categories: paid employment (whether at work or with a job but not at work) and self-employment (whether at work or with an enterprise but not at work).**
- The unemployed comprise all persons of working age who were: a) without work during the reference period, i.e. were not in paid employment or self-employment; b) **currently available for work**, i.e. were available for paid employment or self-employment during the reference period; and c) seeking work, i.e. had taken specific steps in a specified recent period to seek paid employment or self-employment.

17. Correct Option: (c)

Explanation:

Disguised Unemployment

- Disguised unemployment exists where part of the labor force is either left without work or is working in a redundant manner where marginal productivity of labour is essentially zero.
- It is unemployment that does not affect aggregate output.
- An economy demonstrates disguised unemployment when productivity is low and too many workers are filling too few jobs.
- Disguised unemployment exists frequently in developing countries whose large populations create a surplus in the labor force. It can be characterized by low productivity and frequently accompanies informal labor markets and agricultural labor markets, which can absorb substantial quantities of labor.
- Disguised, or hidden, unemployment can refer to any segment of the population not employed at full capacity, but it is often not counted in official unemployment statistics within the national economy. This can include those working well below their capabilities, those whose positions provide little overall value in terms of productivity, or any group that is not currently looking

for work but is able to perform work of value.

18. Correct Option: (a)

Explanation:

The Poverty Line

- In pre-independent India, **Dadabhai Naoroji was the first to discuss the concept of a 'Poverty Line'**.
- He used the menu for a prisoner and used appropriate prevailing prices to arrive at what may be called 'jail cost of living'.
- However, only adults stay in jail whereas, in an actual society, there are children too. He, therefore, appropriately adjusted this cost of living to arrive at the poverty line.
- For this adjustment, he assumed that one-third population consisted of children and half of them consumed very little while the other half consumed half of the adult diet. This is how he arrived at the factor of three-fourths: **(1/6) (Nil) + (1/6) (Half) + (2/3) (Full) = (3/4) (Full)**.
- The weighted average of consumption of the three segments gives the average poverty line, which comes out to be three-fourth of the adult jail cost of living

19. Correct Option: (d)

Explanation:

Sarvodaya Plan

- In 1950 Sarvodaya Plan came out which was drafted by Jaiprakash Narayan inspired by Gandhian plan as well as Sarvodaya Idea of Vinoba Bhave.
- **The plan drew its major inspirations from the Gandhian techniques of constructive works by the community and trusteeship** as well as the Sarvodaya concept of Acharya Vinoba Bhave, the eminent Gandhian constructive worker.
- Major ideas of the plan were highly similar to the Gandhian Plan like emphasis on agriculture, Agribased small and cottage industries, self-reliance and **almost no dependence on foreign capital and technology**, land reforms, self-dependent villages and decentralised participatory form of planning and economic progress, to name the major ones.

- Some of the accepted ideas of the plan got their due importance when the Government of India promoted five-year plans.

20. Correct Option: (d)

Explanation:

The Poverty Line

- There are many ways of measuring poverty. One way is to determine it by the monetary value (per capita expenditure) of the minimum calorie intake.
- It was estimated at 2,400 calories for a rural person and 2,100 for a person in the urban area. Based on this, in 2011-12, the poverty line was defined for rural areas as consumption worth Rs 816 per person a month and for urban areas it was Rs 1,000.
- Though the government uses Monthly Per Capita Expenditure (MPCE) as a proxy for the income of households to identify the poor, various economists state that there are some problems with this mechanism:
 - ▶ One is that it groups all the poor together and **does not differentiate between the very poor and the other poor.**
 - ▶ This mechanism takes into account expenditure on food and only a few selected items as a proxy for income.
 - ▶ This mechanism is helpful in identifying the poor as a group to be taken care of by the government, **but it would be difficult to identify who among the poor need help the most.**
 - ▶ **The existing mechanism for determining the Poverty Line also does not take into consideration social factors that trigger and perpetuate poverty such as illiteracy, ill health, lack of access to resources, discrimination or lack of civil and political freedoms.**
- The aim of poverty alleviation schemes should be to improve human lives by expanding the range of things that a person could be and could do, such as to be healthy and well-nourished, to be knowledgeable and to participate in the life of a community.

21. Correct option: (d)**Explanation**

- Kudumbashree is the poverty eradication and women empowerment programme implemented by the State Poverty Eradication Mission (SPEM) of the Government of Kerala.

Supplementary notes**Kudumbashree**

- Kudumbashree is the poverty eradication and women empowerment programme implemented by the State Poverty Eradication Mission (SPEM) of the Government of Kerala in 1997.
- The name Kudumbashree in Malayalam language means 'prosperity of the family'.
- The mission aims at the empowerment of women through forming self-help groups and encouraging microcredit and entrepreneurship among women.
- It consists of a three tier structure with Neighbourhood Groups (NHGs) as primary level units, Area Development Societies (ADS) at the ward level and Community Development Societies (CDS) at the local government level.

22. Correct option: (c)**Explanation**

- Statement 2 is incorrect: Theme for 2020 is Women in Science.

Supplementary notes**National Science Day: What is the 'Raman effect'?**

- The Raman Effect won scientist Sir CV Raman the Nobel Prize for physics in 1930.
- It was also designated as an International Historic Chemical Landmark jointly by the American Chemical Society (ACS) and the Indian Association for the Cultivation of Science (IACS).
- The theme of this year's science day is "Women in Science".
- National Science Day is an occasion to salute the talent and tenacity of our scientists. Their innovative zeal and pioneering research has helped India and the world.

- In 1928, Raman discovered that when a stream of light passes through a liquid, a fraction of the light scattered by the liquid is of a different colour.
- Raman conducted his Nobel-prize winning research at IACS, Calcutta.
- While he was educated entirely in India, Raman travelled to London for the first time in 1921, where his reputation in the study of optics and acoustics was known to physicists such as JJ Thomson and Lord Rutherford.
- A commemorative booklet prepared jointly by IACS and ACS on Raman mentions that his speciality was the study of vibrations and sounds of stringed instruments such as the Indian veena and tambura, and Indian percussion instruments such as the tabla and mridangam.
- Significantly, it notes that the Raman Effect is "very weak" — this is because when the object in question is small (smaller than a few nanometres), the light will pass through it undisturbed.
- But a few times in a billion, light waves may interact with the particle. This could also explain why it was not discovered before.
- In general, when light interacts with an object, it can be reflected, refracted or transmitted.
- One of the things that scientists look at when light is scattered is if the particle it interacts with is able to change its energy.
- The Raman Effect is when the change in the energy of the light is affected by the vibrations of the molecule or material under observation, leading to a change in its wavelength.

23. Correct option: (a)**Explanation**

- Statement 2 is incorrect: It has been developed by DRDO
- Statement 3 is incorrect: It is a bomb detection device that can spot 20 homemade explosives from two meters away.

Supplementary notes**Raider-X**

- It has been developed by the High Energy Material Research Laboratory (HEMRL), an arm of the DRDO in Pune and the Indian Institute of Science in Bangalore.

- It is a bomb detection device that can spot 20 homemade explosives from two meters away.
- The data library can also be built in the system to expand its capability to detect a number of explosives in pure form as well as with the contaminants.

24. Correct Answer (c)

Explanation: Both the statements are correct.

Supplementary Notes

- NASA's Mars Lander InSight has recorded its first 'Marsquake.' It has recorded a quake of 2 or 2.5 magnitude which is hard to predict on Earth's surface.
- InSight is part of NASA's Discovery Program, managed by the agency's Marshall Space Flight Center in Huntsville, Alabama.
- It will be the first mission to peer deep beneath the Martian surface, studying the planet's interior by measuring its heat output and listening for marsquakes, which are seismic events similar to earthquakes on Earth.
- It will use the seismic waves generated by marsquakes to develop a map of the planet's deep interior.

Significance of the mission:

- The findings of Mars' formation will help better understand how other rocky planets, including Earth, were and are created. But InSight is more than a Mars mission – it is a terrestrial planet explorer that would address one of the most fundamental issues of planetary and solar system science – understanding the processes that shaped the rocky planets of the inner solar system (including Earth) more than four billion years ago.
- InSight would delve deep beneath the surface of Mars, detecting the fingerprints of the processes of terrestrial planet formation, as well as measuring the planet's "vital signs": Its "pulse" (seismology), "temperature" (heat flow probe), and "reflexes" (precision tracking).
- InSight seeks to answer one of science's most fundamental questions: How did the terrestrial planets form?
- Previous missions to Mars have investigated the surface history of the Red Planet by

examining features like canyons, volcanoes, rocks and soil. However, signatures of the planet's formation can only be found by sensing and studying its "vital signs" far below the surface.

- In comparison to the other terrestrial planets, Mars is neither too big nor too small. This means that it preserves the record of its formation and can give us insight into how the terrestrial planets formed. It is the perfect laboratory from which to study the formation and evolution of rocky planets. Scientists know that Mars has low levels of geological activity. But a lander like InSight can also reveal just how active Mars really is.

25. Correct Answer: (a)

Explanation:

- **2nd statement is incorrect. After scrapping of Article 370, no new provision has been added to 371 to give protection to land and jobs in Jammu and Kashmir.**

Supplementary Notes

Article 371

- Article 371 of the Constitution, contains "special provisions" for 11 states, including 6 states of the Northeast.
- Articles 370 and 371 were part of the Constitution at the time of its commencement on January 26, 1950.
- Articles 371A through 371J were incorporated subsequently.
- Article 371, Maharashtra and Gujarat –
- Governor has "special responsibility" to establish "separate development boards" for,
- Vidarbha, Marathwada, and the rest of Maharashtra, and
- Saurashtra and Kutch in Gujarat.
- It ensure equitable allocation of funds for developmental expenditure in those areas and
- Equitable arrangement providing adequate facilities for technical education, vocational training and for employment.

Article 371A (13th Amendment Act, 1962), Nagaland

- This provision was inserted after a 16-point agreement between the Centre and the Naga People's Convention in 1960
- It led to the creation of Nagaland in 1963.

- Parliament cannot legislate in matters of,
- Naga religion or social practices,
- Naga customary law and procedure,
- administration of civil and criminal justice involving decisions according to Naga customary law, and
- ownership and transfer of land without concurrence of the state Assembly.
- Article 371B (22nd Amendment Act, 1969), Assam
- The President may provide for the constitution and functions of a committee of the Assembly.
- It consists of members elected from the state's tribal areas.

Article 371C (27th Amendment Act, 1971), Manipur

- The President may provide for the constitution of a committee of elected members from the Hill areas in the Assembly and
- It entrust "special responsibility" to the Governor to ensure its proper functioning.

Article 371D (32nd Amendment Act, 1973); substituted by The Andhra Pradesh Reorganisation Act, 2014), Andhra Pradesh and Telangana

- President must ensure "equitable opportunities and facilities" in "public employment and education to people from different parts of the state".
- President may require the state government to organise "any classes of posts in a civil service, or any classes of civil posts under, the State into different local cadres for different parts of the State".

Article 371E

- Allows for the establishment of a university in Andhra Pradesh by a law of Parliament.
- But this is not a "special provision" in the sense of the others in this part.

Article 371F (36th Amendment Act, 1975), Sikkim

- The members of the Legislative Assembly of Sikkim shall elect the representative of Sikkim in the House of the People.

- To protect the rights and interests of various sections of the population of Sikkim, Parliament may provide for the number of seats in the Assembly,
- These seats may be filled only by candidates from those sections.

Article 371G (53rd Amendment Act, 1986), Mizoram

- Parliament cannot make laws unless the Assembly decides on
 - ▶ religious or social practices of the Mizos,
 - ▶ Mizo customary law and procedure,
 - ▶ administration of civil and criminal justice involving decisions according to Mizo customary law,
 - ▶ ownership and transfer of land.

Article 371H (55th Amendment Act, 1986), Arunachal Pradesh

- The Governor has a special responsibility with regard to law and order, and
- The Governor shall, after consulting the Council of Ministers, exercise his individual judgment as to the action to be taken.

Article 371J (98th Amendment Act, 2012), Karnataka

- There is a provision for a separate development board for the Hyderabad-Karnataka region.
- There shall be "equitable allocation of funds for developmental expenditure over the said region", and
- Equitable opportunities and facilities for people of this region in government jobs and education.
- A proportion of seats in educational institutions and state government jobs in Hyderabad-Karnataka can be reserved for individuals from that region.
- **Article 371-I** deals with Goa, but it does not include any provision that can be deemed 'special'.



TEST

DAY - 59

1. The Kautilya's Arthashastra mentioned various pillars for effective governance. Which of the following is the economic policy element in those various pillars?
 - (a) Dandaneti
 - (b) Varta
 - (c) Anvikshiki
 - (d) Trayi
2. The Sabka Vishwas scheme of the government is related to which of the following?
 - (a) Social empowerment at the grass root level
 - (b) Women empowerment
 - (c) Engagement of the Indian Diaspora to boost the economic progress through investments
 - (d) Tax pendency cases
3. Balance of payments of a country includes:
 - (a) Current account
 - (b) Balance of trade
 - (c) Capital account
 - (d) All of above
4. International Development Association (IDA) is called the 'soft' window of the World Bank (WB) because
 - (a) it lends for software and It development
 - (b) taking loans from it is very easy
 - (c) its loans are interest free
 - (d) none of the above
5. The current account of the balance of payments (BoP) includes:
 1. foreign aid.
 2. foreign institutional investments.
 3. remittances.
 4. Select the correct answer using the codes given below:
 - (a) 1 and 2 only
 - (b) 1 and 3 only
 - (c) 3 only
 - (d) 2 and 3 only
6. Consider the following statements:
 1. Trade in services denoted as invisible trade because they are not seen to cross national borders.
 2. Total foreign trade (exports + imports) as a proportion of GDP is a common measure of the degree of openness of an economy.
 3. Select the correct answer using the code given below.
 - (a) 1 only
 - (b) 2 only
 - (c) Both 1 and 2
 - (d) Neither 1 nor 2
7. Which of the following statements is incorrect regarding the exchange rate?
 - (a) If the real exchange rate is equal to zero, currencies are at purchasing power parity
 - (b) The real exchange rate is often taken as a measure of a country's international competitiveness.
 - (c) The price of one currency in terms of the other is known as the exchange rate.
 - (d) Real exchange rate – the ratio of foreign to domestic prices, measured in the same currency.

8. What can be inferred about Import Elasticity of Exports:

1. An analysis of the relation between exports of finished goods and imports of raw materials and intermediate goods for India is being undertaken.
2. The raw/ intermediate goods are being imported for production of goods that can be consumed domestically or exported.
3. For instance, trans-axles and its parts are imported for production of trucks; gold is imported for making jewellery; etc.
4. This analysis is done by using data available from e-way bills during the period October, 2018 to September, 2019.

Select the correct answer using the codes given below:

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 3 only
- (d) 1, 2, 3 and 4

9. Consider the statements:

1. The Pandemic bonds are issued by the World Bank through Pandemic Emergency Facility (PEF).
2. PEF has two windows cash window and insurance window.

Which of the following is/are correct about the Pandemic Bonds?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

10. The coronavirus spread in the world will result in the following?

1. Economic distress
2. Social and community distress
3. Political upheaval
4. Economic Integration and interdependence

Select the correct answer:

- (a) 1 and 4 only
- (b) 1,2 and 3 only
- (c) 1,2 and 4 only
- (d) 1, 2, 3 and 4

11. Which of these are not the features of industries that are oligopolistic in nature?

- (a) Firms in these industries may try to cooperate with each other.
- (b) The fact that there is more than one firm in an oligopoly means that there are no barriers to entry.
- (c) An oligopoly with two firms is called a duopoly.
- (d) Firms in these industries are interdependent.

12. When would the industry have a long-run supply curve that slopes downwards?

- (a) When the industry has decreasing returns to scale.
- (b) When the industry has constant returns to scale.
- (c) When the industry has increasing returns to scale.
- (d) Long-run cost curve can never be downward sloping, as inflation is always positive in the long-run.

13. Which of the following can be described as 'Factors of Production'?

1. Land
2. Tools & machines
3. Skilled professionals

Select the correct answer using the code given below:

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

14. Which of the following are the ingredients for a self-sustaining virtuous cycle in an economy?

1. Presenting data as a public good
2. Emphasizing legal reforms
3. Ensuring policy consistency

Select the correct answer using the code given below:

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

15. Consider the following pairs:

1. Capitalist Economy - Goods are distributed on the basis of the need of the people.
2. Socialist Economy - The government decides how goods are to be produced and how they should be distributed.
3. Mixed Economy - Goods are produced by both public and private entities.

Which of the above pairs is/are incorrectly matched?

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

16. Which of the following is/are correct about National Anti-Profiteering Authority (NAA)?

1. It has been constituted under the Income Tax Act.
2. It ensures that the reduction in the rate of tax is passed to the recipients.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

17. Consider the following statements:

1. Goods and Services Tax Network (GSTN) is a non-profit organisation formed to access information from a single source.
2. GST is levied at the final step in the consumption process.

Which of the above statement is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

18. Consider the following statements:

1. Bretton Woods System re-established a system of Fixed Exchange Rate.

2. Under the Fixed Exchange Rate system, when a government increases the exchange rate making the domestic currency cheaper, it is called devaluation.

Which of the above statements is/are incorrect?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

19. Which of the following pairs is/are correctly matched?

1. Floating Exchange Rate—Interventions by the Government
2. Managed Exchange Rate – Market Driven
3. Fixed Exchange Rate – Currency Peg

Select the correct answer using the code given below:

- (a) 1 and 2 only
- (b) 2 only
- (c) 3 only
- (d) None of the above

20. Which of the following does incorrectly differentiate between Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI)?

- (a) FDI typically aims to take control of the company in which investment is made whereas FPI aims to reap profits by investing in shares and bonds of the entity without controlling the company.
- (b) FDI is typically for the long-term whereas FPI is for short-term.
- (c) FDI is more stable whereas FPI is highly volatile and speculative.
- (d) FDI doesn't generate liability whereas FPI does.

21. Consider the following statements regarding Blissful Hygienic offering to God (BHOG):

1. The initiative aims to encourage all places of worship to adopt and maintain food safety and hygiene in preparation, serving and sale of food.

2. It was launched by the Food Safety and Standards Authority of India(FSSAI).
3. Food Safety and Standards Authority of India (FSSAI) is a statutory autonomous body under Ministry of Food Processing Industries.

Which of the above statements are correct?

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

22. ChapcharKut is an annual harvest festival that transcends gender and age boundaries, is celebrated in which of the following Indian State?

- (a) Nagaland
- (b) Meghalaya
- (c) Sikkim
- (d) Mizoram

23. With reference to Anguilla Island consider the following statements:

1. Anguilla is an island in the eastern Caribbean Sea.
2. It is an American overseas territory.
3. The Island was formed from coral and limestone and it has a tropical climate.

Which of the above statement(s) are correct?

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

24. Recently which of the following Organization released 'Freedom in the World 2020' Report?

- (a) Freedom House
- (b) Ceres
- (c) Heifer International
- (d) The Bill & Melinda Gates Foundation

25. Consider the following statements regarding the black redstart (Phoenicurusochruros):

1. It is found in Asia and Africa only.
2. It is listed as Vulnerable under IUCN Red list.
3. The bird sticks to Evergreen forest in India.

Which of the above statement(s) is/are correct?

- (a) 1 only
- (b) 2 only
- (c) 1 and 3 only
- (d) None of the above



ANSWER HINT

DAY - 59

1. Correct Option: (b)

Explanation:

Kautilya's Arthashastra

- Arthashastra literally means "The Treatise on Wealth" and it extensively discusses issues ranging from urban governance to tax administration and commerce. The book explicitly presents its intellectual framework right in the beginning by stating that good governance is based on the following branches of knowledge: **Varta** (economic policy), **Dandaneeti** (law and enforcement), **Anvikshiki** (philosophical and ethical framework) and **Trayi** (cultural context).

2. Correct Option: (d)

Explanation:

Government Scheme

- The Sabka Vishwas Scheme is a one-time measure for **liquidation of past disputes of Central Excise and Service Tax** as well as to ensure disclosure of unpaid taxes by a person eligible to make a declaration.

3. Correct answer: (d)

Explanation:

Balance of Payments

- The balance of payments (BOP) is a statement of all transactions made between entities in one country and the rest of the world over a defined period of time, such as a quarter or a year.
- The Balance of payments of a country includes Current account, Balance of trade, Capital account.

4. Correct answer: (c)

Explanation:

International Development Association (IDA)

- Its loans are interest free (only administrative cost is charged). Further, the repayment period is very long like 35-40 years and the repayment starts after 10 years of taking loans. This way, it helps the developing countries to focus on development without worrying about paying back of loan quickly.

5. Correct answer: (b)

Explanation:

Balance of Payments

- Foreign institutional investments (FII) are part of capital account. Remittances and foreign aid (under the heading of transfers) come under current account.

6. Correct Answer: (c)

Explanation:

- In Balance of Payment, the current account records exports and imports in goods and services and transfer payments. The first two items BoP record exports and imports of goods. The third item gives the trade balance which is obtained by subtracting imports of goods from the exports of goods. When exports exceed imports, there is a trade surplus and when imports exceed exports there is a trade deficit.
- Trade in services denoted as invisible trade (because they are not seen to cross national borders) includes both factor income (net income from compensation of employees and net investment income, the latter equals, the interest, profits and dividends on our assets abroad minus the income foreigners earn on assets they own in India) and net non-factor income (shipping, banking, insurance, tourism, software services, etc.).

7. Correct Answer: (a)**Explanation:****Exchange Rate**

- The price of one currency in terms of the other is known as the exchange rate. Since there is symmetry between the two currencies, the exchange rate may be defined in one of the two ways.
- First, as the amount of domestic currency required to buy one unit of foreign currency, i.e. a rupee-dollar exchange rate of Rs 50 means that it costs Rs 50 to buy one dollar, and second, as the cost in foreign currency of purchasing one unit of domestic currency. In the above case, we would say that it costs 2 cents to buy a rupee. The practice in economic literature, however, is to use the former definition – as the price of foreign currency in terms of domestic currency. This is the bilateral nominal exchange rate – bilateral in the sense that they are exchange rates for one currency against another and they are nominal because they quote the exchange rate in money terms, i.e. so many rupees per dollar or per pound.

8. Correct Answer: (d)**Explanation:****Import Elasticity of Exports**

- An analysis of the relation between exports of finished goods and imports of raw materials and intermediate goods for India is being undertaken.
- The raw/ intermediate goods are being imported for production of goods that can be consumed domestically or exported.
- For instance, trans-axles and its parts are imported for production of trucks; gold is imported for making jewellery; etc.
- This analysis is done by using data available from e-way bills during the period October, 2018 to September, 2019.

9. Correct Option: (c)**Explanation:****Pandemic Bonds**

- The Pandemic bonds are issued by the World Bank through Pandemic Emergency Facility (PEF) to cater to the financing needs that arises due to the epidemic exigencies. PEF has two windows cash window and insurance window.

10. Correct Answer: (c)**Explanation:****Impact of Coronavirus**

- Economic distress
- Social and community distress
- Economic Integration and interdependence

11. Correct Option: (b)**Explanation:****Oligopoly**

- Oligopoly is a market structure with a small number of firms, none of which can keep the others from having significant influence.
- A monopoly is one firm, the duopoly is two firms and oligopoly is two or more firms. There is no precise upper limit to the number of firms in an oligopoly, but the number must be low enough that the actions of one firm significantly influence the others.
- The economic and legal concern is that an oligopoly can block new entrants, slow innovation, and increase prices, all of which harm consumers.
- Firms in an oligopoly set prices, whether collectively – in a cartel – or under the leadership of one firm, rather than taking prices from the market.
- Cooperation happens during Cartel Behaviour.
- There are entry barriers; else there would be too many firms.

12. Correct Option: (c)**Explanation:**

- When an industry has IRS, it has a decreasing cost with an increase in size and scale and hence, the producer will be able to sell more even for a lower price.
- While the short-run supply curve of the industry always slopes upwards to the right, the long-run supply curve may be a horizontal straight line, sloping upwards or sloping downwards depending upon the fact whether the industry in question is a constant cost industry, increasing cost industry or decreasing cost industry. But the long-run upward sloping curve is more typical of the actual world.

13. Correct Option: (d)**Explanation:****Factors of Production**

- Factors of production describe the inputs that are used in the production of goods or services in order to make an economic profit. The factors of production include land, labor (Skilled Professionals), capital (Tools & Machines), and entrepreneurship.
- In the absence of indirect taxes or subsidies, the total value of the final goods output is distributed among different factors of production – wages to labor, interest to capital, rent to land, etc.

14. Correct Option: (d)**Explanation:****Virtuous Cycle**

- Economic Survey has highlighted the importance of the “Virtuous Cycle” of savings, investment, and exports. It is catalyzed and supported by a favorable demographic phase required for sustainable growth.
- It is said to be present when an improvement in one economic indicator pushes others in a positive manner leading to an overall economic boom.
- The survey departs from traditional Anglo-Saxon thinking by viewing the economy as being either in a virtuous or a vicious cycle and thus, never in equilibrium.
- Key ingredients for a self-sustaining virtuous cycle:
 - ▶ Presenting data as a public good
 - ▶ Emphasizing legal reforms
 - ▶ Ensuring policy consistency
 - ▶ Encouraging behavior change using principles of behavioral economics
 - ▶ Nourishing MSMEs to create more jobs and become more productive
 - ▶ Reducing the cost of capital
 - ▶ Rationalizing the risk-return trade-off for investments

15. Correct Option: (a)**Explanation:****Capitalist Economy**

- In a capitalist society, the goods produced are distributed among people not on the

basis of what people need but on the basis of Purchasing Power—the ability to buy goods and services. Hence, money is more important in this economy.

- Example: Low-cost housing for the poor is much needed but will not count as demand in the market sense because the poor do not have the purchasing power to back the demand.
- As a result, this commodity will not be produced and supplied as per market forces.
- This society did not appeal to Jawaharlal Nehru, our first Prime Minister, for it meant that the great majority of people of the country would be left behind without the chance to improve their quality of life.

Socialist Economy

- In a socialist society, the government decides what goods are to be produced in accordance with the needs of society. It is assumed that the government knows what is good for the people of the country and so the desires of individual consumers are not given much importance.
- The government decides how goods are to be produced and how they should be distributed. In principle, distribution under socialism is supposed to be based on what people need and not on what they can afford to purchase.
- Unlike capitalism, for example, a socialist nation provides free health care to all its citizens. Strictly, a socialist society has no private property since everything is owned by the state.

Mixed Economy

- In a mixed economy, the market will provide whatever goods and services it can produce well, and the government will provide essential goods and services which the market fails to do.
- There were many states of the world that opted for a mixed economy in the post-Second World War period after coming out of the colonial rule, such as India, Malaysia, Indonesia, etc., to name a few.
- After Independence, India opted for a mixed economy when the state-market dilemma was at its peak globally.

16. Correct Option: (b)**Explanation:**

National Anti-Profitteering Authority (NAA)

- The National Anti-Profitteering Authority (NAA) has been constituted under Section 171 of the Central Goods and Services Tax Act, 2017 to ensure that the reduction in the rate of tax or the benefit of the input tax credit is passed on to the recipient by way of commensurate reduction in prices.
- Further, the following steps have been taken by the NAA to ensure that customers get the full benefit of tax cuts:
 - ▶ Holding regular meetings with the Zonal Screening Committees and the Chief Commissioners of Central Tax to stress upon consumer awareness programmes;
 - ▶ Launching a helpline to resolve the queries of citizens regarding registration of complaints against profiteering.
 - ▶ Receiving complaints through email and the NAA portal.
 - ▶ Working with consumer welfare organizations in order to facilitate outreach activities.
- The Bretton Woods Conference held in 1944 set up the International Monetary Fund (IMF) and the World Bank (WB) and re-established a system of fixed exchange rates.
- This was different from the international gold standard in the choice of the asset in which national currencies would be convertible. A two-tier system of convertibility was established at the centre of which was the dollar.
- The US monetary authorities guaranteed the convertibility of the dollar into gold at the fixed price of \$35 per ounce of gold. The second-tier of the system was the commitment of the monetary authority of each IMF member participating in the system to convert their currency into dollars at a fixed price. The latter was called the official exchange rate.
- Under the Fixed Exchange Rate system, when a government increases the exchange rate making the domestic currency cheaper, it is called devaluation.

17. Correct Option: (a)

Explanation:

Goods and Services Tax Network (GSTN)

- The GSTN is developed by Infosys Technologies and the Information Technology network that provides the computing resources which is maintained by the NIC (National Information Centre)
- Goods and Services Tax Network (GSTN) is a non-profit organisation formed for creating a sophisticated network, accessible to stakeholders, government and taxpayers to access information from a single source (portal).
- The portal is accessible to the Tax authorities for tracking down every transaction, while taxpayers have the ability to connect for their tax returns.
- Goods and Services Tax (GST) is an indirect tax (or consumption tax) levied in India on the supply of goods and services.
- GST is levied at every step in the production process but is meant to be refunded to all parties in the various stages of production other than the final consumer.

18. Correct Option: (d)

Explanation:

Bretton Woods System

19. Correct Option: (c)

Explanation:

Exchange Rate

- Exchange Rate is defined as the rate at which a country's currency can be exchanged with another country's currency. In other words, it is the value of one country's currency w.r.t. to another country's currency.

Types of Exchange Rates

Fixed Exchange Rate:

- In this system, the government or central bank ties the country's currency official exchange rate to another country's currency (currency peg) or the price of gold (gold standard).
- Fixed rates provide greater certainty for exporters and importers and also helps the government maintain low inflation.
- The purpose of a fixed exchange rate system is to keep a currency's value within a narrow band.

Floating/Flexible Exchange Rate:

- Such exchange rates are also called as market-driven or based exchange rates, which are regulated by factors such as the demand and supply of domestic and foreign currencies in the concerned economy.

- In the floating exchange rate system, a domestic currency is left free to float against a number of foreign currencies in its foreign exchange market and determine its own value.
- Failure of the gold standard and the Bretton Woods Agreement led to the increased popularity of this system.

Managed Exchange Rate:

- A managed-exchange-rate system is a hybrid or mixture of the fixed and flexible exchange rate systems in which the government of the economy attempts to affect the exchange rate directly by buying or selling foreign currencies or indirectly, through monetary policy (by lowering/raising interest rates on foreign currency bank accounts, etc.)

20. Correct Option: (d)

Explanation:

Foreign Capital

- Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) are the two important forms of foreign capital.

Similarities

- An advantage of both FDI and FPI is that the receiving country need not repay the debt like in the case of External Commercial Borrowings (foreign loans).
- Both are thus described as non –debt creating, and hence involve no payment obligations.
- Their own servicing depends on the future growth of the economy. This is why most developing countries prefer FDI and FPI compared to other forms of foreign capital like ECBs.

Differences

- While FDI aims to take control of the company in which investment is made; FPI aims to reap profits by investing in shares and bonds of the invested entity without controlling the company.
- FDI means real investment; whereas FPI is a monetary or financial investment. FDI means the investor makes a direct investment in buildings and machinery. FPI is just a financial investment.
- FDI has a direct impact on employment, output, and export. FPI affects the foreign exchange rate, domestic money supply, value of rupee, call money rates, security market, etc. It is otherwise known as hot

money. It is highly volatile and involves exchange risks and may lead to capital flight and currency crises affecting real economic variables. It is destabilizing in the foreign exchange market.

- The portfolio investors stay his money in the capital market only for a short period of time. FDI is certain, long term and less fluctuating; FPI is speculative, highly volatile and un-predictive.

21. Correct option: (a)

Explanation

- **Statement 3 is incorrect:** Food Safety and Standards Authority of India (FSSAI) is a statutory autonomous body under Food Safety and Standards Act, 2006. It comes under the Ministry of Health & Family Welfare (NOT Ministry of Food Processing Industries).

Supplementary notes

BHOG(Blissful Hygienic Offering to God)

- BHOG (Blissful Hygienic Offering to God) is a part of the **Eat Right initiative** to encourage PoW(Places of Worship) to adopt and maintain food safety and hygiene while preparing prasad/food and includes training the food handlers and vendors in and around the premises of the PoW.
- Implementation of BHOG would help to ensure that safe and wholesome prasad is received by the devotees along with the blessings of God.
- Tamil Nadu Food Safety and Drug Administration Department has asked the administrations of temples to get BHOG certificates issued by Food Safety and Standards Authority of India(FSSAI).
- It was launched in 2018 by the Food Safety and Standards Authority of India (FSSAI).
- Under the initiative, places of worship where food is cooked/handled are identified, audit is conducted and basic training of food handlers is done.
- After the successful audit of the place of worship it becomes recognized and certified.

22. Correct option: (d)

Explanation

- ChapcharKut is an annual harvest festival of the Mizo Community which marks the beginning of Spring Season.

Supplementary notes**ChapcharKut Festival**

- ChapcharKut Festival is being celebrated in the State of Mizoram.
- ChapcharKut is an annual harvest festival of the Mizo Community which marks the beginning of Spring Season.
- It is celebrated during March every year where they cut bamboo trees and are left to dry so that they can be burnt for jhum Cultivation.
- During the festival, traditional bamboo dances such as Cheraw are also performed.

23. Correct option: (c)**Explanation**

- **Only statement 2 is incorrect:** Anguilla is an island in the eastern Caribbean Sea and a British overseas territory.

Supplementary notes**Anguilla Island**

- Anguilla is an island in the eastern Caribbean Sea and a British overseas territory.
- The Island was formed from coral and limestone and it has a tropical climate.
- The majority of the population of Anguilla is of African descent and most of the population is Christian.
- The main economic activities of the island revolve around tourism and financial services and agriculture is of minor importance.

24. Correct option: (a)**Explanation**

- The Freedom in the World 2020 report has been released by the Freedom House, a United States based NGO.

Supplementary notes**Freedom in the World 2020 Report**

- The Freedom in the World 2020 report has

been released by the Freedom House, a United States based NGO.

- The report assesses the political rights and civil liberties of 195 countries worldwide.
- It derives its methodology from the Universal Declaration of Human Rights adopted by the United Nations General Assembly in 1948.
- It ranks countries based on political rights indicators such as the electoral process, political pluralism, participation, government functioning, rule of law, civil liberties among others.
- Of the 195 countries assessed, 83 (43%) were rated Free, 63 (32%) were Partly Free and 49 (25%) were Not Free.
- The report kept India in the free category and ranked it at the 83rd position.

25. Correct option: (d)**Explanation**

- **Statement 1 is incorrect:** It is found almost throughout Europe, Asia and in the portions of Africa and breed in the high altitude areas of Kashmir, Ladakh, Tibet and the Central Himalayan Range.
- **Statement 2 is incorrect:** Listed as Least Concerned under IUCN Red list.
- **Statement 3 is incorrect:** In India, the bird sticks to areas near wetlands, open cultivation, scrubs, gardens and orchards.

Supplementary notes**Black Redstart**

- The black redstart (*Phoenicurusochruros*) is a small passerine bird in the redstart genus *Phoenicurus*.
- It is found almost throughout Europe, Asia and in the portions of Africa and breed in the high altitude areas of Kashmir, Ladakh, Tibet and the Central Himalayan Range.
- In India, the bird sticks to areas near wetlands, open cultivation, scrubs, gardens and orchards. Listed as Least Concerned under IUCN Red list.



TEST

DAY - 60

1. Which among the following taxes has been replaced by Goods and Services Tax (GST)?

1. Central Excise Duty
2. Additional Duty of Customs
3. State VAT
4. Purchase Tax
5. Corporate Tax

Select the correct answer using the code given below:

- (a) 1, 2 and 3 only
- (b) 2, 3 and 4 only
- (c) 1, 2, 3 and 4 only
- (d) 1, 2, 3, 4, and 5

2. Which of the following is/are correct about National Anti-Profiteering Authority (NAA)?

1. It has been constituted under the Income Tax Act.
2. It ensures that the reduction in the rate of tax is passed to the recipients.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

3. Consider the following statements concerning the taxation of local governments in India:

1. Property taxes are the only sources of direct tax revenue at the third tier of government.
2. The tax collections of local governments from potentially buoyant sources of

revenue are generally stacked at very low levels.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

4. Consider the following statements about the Micro ATMs:

1. These are card swipe machines through which banks can remotely connect to their core banking system.
2. It has connectivity through Global System for Mobile (GSM) communication; hence it can travel from village to village.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

5. Which of the following are included in the economic cost to the Food Corporation of India while exercising the food management in India?

1. Operational loss to the FCI
2. Distribution cost
3. Transport charges
4. Minimum Support Price

Select the correct option using the codes given below:

- (a) 1, 2, 3, and 4
- (b) 2, 3, and 4 only
- (c) 3 and 4 only
- (d) 1, 2, and 4 only

6. Which of the following statements regarding the logistics sector in India is/are correct?

1. The Logistics Sector has been granted infrastructure status in India.
2. Logistics Performance Index is published by the World Economic Forum.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

7. The World Economic Situation and Prospects is published by which of the following organizations?

1. UN Department of Economic and Social Affairs
2. UN Conference on Trade and Development
3. World Economic Forum
4. World Bank

Select the correct option using the codes given below:

- (a) 1, 2, and 4 only
- (b) 1 and 2 only
- (c) 3 only
- (d) 1, 2, 3, and 4

8. Credit Rating Agencies in India are regulated by__

1. Securities and Exchange Board of India
2. Reserve Bank of India
3. Insurance Regulatory and Development Authority

Select the correct option using the codes given below:

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

9. What happens when the rupee falls against dollars?

1. Increase in the trade deficit
2. Imported inflation
3. Fall in the current account deficit
4. Increase in overseas investors

Select the correct option using the codes given below:

- (a) 1 and 4 only
- (b) 2 and 4 only
- (c) 2 and 3 only
- (d) 1, 2, 3, and 4

10. Recently, the National Strategy for Financial Inclusion (NSFI) for the period 2019-2024 has been released by__

- (a) Reserve Bank of India
- (b) Department of Financial Services
- (c) Department of Economic Affairs
- (d) All of the above

11. Which of the following statements regarding the international poverty line is/are correct?

1. The international poverty line has been set at \$1.25 per day.
2. As per the latest estimates, 10 percent of the world's population lives at or below the poverty line.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

12. Which of the following statements regarding the Asian Infrastructure Investment Bank (AIIB) is/are correct?

1. The voting rights of the member countries are according to their GDPs in PPP terms.
2. India is the second-largest shareholder.

Select the correct option using the codes given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

13. Banks Board Bureau (BBB) is an autonomous body of the Government of India tasked to improve the governance of Public Sector Banks. In this context, consider the following statements:

1. It was set up under the government's Indradhanush program to reform public sector banks.
2. It recommends the selection of chiefs of government-owned banks and financial institutions and to help banks in developing strategies and capital raising plans.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

14. Regarding the National Committee on Trade Facilitation (NCTF), consider the following statements:

1. It is chaired by the Cabinet Secretary of India.
2. It has launched the E-Sanchit Project for paperless filing of import and export documents.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

15. Which of the following differentiate Foreign Direct Investment (FDI) from Foreign Portfolio Investment (FPI)?

1. FDI typically aims to take control of the company in which investment is made whereas FPI aims to reap profits by investing in shares and bonds of the entity without controlling the company.

2. FDI is typically for the long-term whereas FPI is for short-term.
3. FDI is more stable whereas FPI is highly volatile and speculative.
4. FDI doesn't generate liability whereas FPI does.

Select the correct option using the codes given below:

- (a) 1 and 2 only
- (b) 1, 2, and 3 only
- (c) 2 and 4 only
- (d) 1, 3, and 4 only

16. What are the possible consequences of increasing the tax rate in an economy?

1. It decreases the personal income of an individual.
2. It reduces the per-capita income and Gross Domestic Product (GDP).

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

17. Which among the following taxes has been replaced by Goods and Services Tax (GST)?

1. Central Excise Duty
2. Additional Duty of Customs
3. State VAT
4. Purchase Tax
5. Corporate Tax
6. Security Transactions Tax

Select the correct answer using the code given below:

- (a) 1, 5 and 6 only
- (b) 2, 3 and 4 only
- (c) 1, 3 and 4 only
- (d) 1, 2, 3 and 4 only

18. Which of the following is/are the part of First Generation Economic Reforms in India?

1. Promotion to Private Sector

2. Tax Reforms
3. Public Sector Reform
4. Legal Sector Reform

Select the correct answer using the code given below:

- (a) 1 only
- (b) 3 and 4 only
- (c) 1, 2 and 3 only
- (d) 1, 2, 3 and 4

19. Which of the following is/are correct about National Anti-Profiteering Authority (NAA)?

1. It has been constituted under the Income Tax Act.
2. It ensures that the reduction in the rate of tax is passed to the recipients.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

20. Consider the following statements with respect to the taxation of local governments in India:

1. Property taxes are the only sources of direct tax revenue at the third tier of government.
2. The tax collections of local governments from potentially buoyant sources of revenue are generally stacked at very low levels.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

21. With reference to Global Seed Vault consider the following statements

1. Svalbard Global Seed Vault is the world's largest secure seed bank located on the Norwegian island of Spitsbergen.
2. India has currently no established seed storage facility of its own.

Which of the above statement(s) are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

22. Consider the following statements regarding red snow in Antarctica

1. The red tint in the snow is caused by the microscopic *Chlamydomonas nivalis* algae.
2. As the snow becomes darker from the tinge from the algae, it releases more heat, as a result of which it melts faster.
3. These algae change the snow's albedo.
4. Which of the above statement(s) are correct?

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

23. With reference to Rajya Sabha Elections consider the following statements

1. The Vice-President is the ex-officio chairperson of the Rajya Sabha.
2. The members nominated by the President are persons having special knowledge in economics.
3. The Third Schedule to the Constitution provides for allocation of seats to the States and Union Territories in Rajya Sabha.

Which of the above statement(s) are correct?

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

24. Consider the following statements about 1000 Spring Initiatives:

1. Union Tribal Affairs Ministry has launched "1000 Spring Initiatives" and an online portal on GIS-based Spring Atlas with hydrological and chemical properties of the Springs on the occasion.

2. The '1000 Springs Initiative' aims at improving access to safe and adequate water for the tribal communities

Which of the statement(s) given above is/are **correct**?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) None

- 25. Consider the following statements about the recent Defense deal in February 2020 when President Trump visited India:**

- 1. USA and India have concluded the agreement for the purchase of 24 MH-60R Seahawk, and six AH-64E attack helicopters.
- 2. U.S. and India stressed to revitalise the quadrilateral initiative consisting of Japan, the U.S., India and Australia.

Which of the statement(s) given above is/are **correct**?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) None



ANSWER HINT

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1. Correct Option: (c)

Explanation:

Goods and Service Tax (GST)

- GST applies to the supply of goods or services. It is a destination-based consumption tax.
- It is a dual GST with the Centre and States simultaneously levying tax on a common tax base. The GST is levied by the Centre on intra-State supply of goods or services would be called the Central tax (CGST).
- The one levied by the States including Union territories with legislature/Union Territories without legislature would be called the State tax (SGST)/Union territory tax (UTGST) respectively.
- The GST replaced the following taxes levied and collected by the Centre:
 - ▶ **Central Excise Duty**
 - ▶ **Duties of Excise (Medicinal and Toilet Preparations)**
 - ▶ **Additional Duties of Excise (Goods of Special Importance)**
 - ▶ **Additional Duties of Excise (Textiles and Textile Products)**
 - ▶ **Additional Duties of Customs (commonly known as CVD)**
 - ▶ **Special Additional Duty of Customs (SAD)**
 - ▶ **Service Tax Central Surcharges and Cesses so far as they relate to supply of goods and services**
- State taxes that subsumed under the GST are:
 - ▶ **State VAT**
 - ▶ **Central Sales Tax**
 - ▶ **Luxury Tax**

- ▶ **Entry Tax (all forms)**
- ▶ **Entertainment and Amusement Tax (except when levied by the local bodies)**
- ▶ **Taxes on advertisements**
- ▶ **Purchase Tax**
- **Corporate tax and Security transaction taxes are direct taxes and do not come under the GST scheme.**

2. Correct Option: (b)

Explanation:

National Anti-Profitteering Authority (NAA)

- The National Anti-Profitteering Authority (NAA) has been constituted under Section 171 of the Central Goods and Services Tax Act, 2017 to ensure that the reduction in the rate of tax or the benefit of the input tax credit is passed on to the recipient by way of commensurate reduction in prices.
- Further, the following steps have been taken by the NAA to ensure that customers get the full benefit of tax cuts:
 - ▶ Holding regular meetings with the Zonal Screening Committees and the Chief Commissioners of Central Tax to stress upon consumer awareness programs;
 - ▶ Launching a helpline to resolve the queries of citizens regarding registration of complaints against profiteering.
 - ▶ Receiving complaints through email and the NAA portal.
 - ▶ Working with consumer welfare organizations to facilitate outreach activities.

3. **Correct Option: (b)****Explanation:****Taxation of local governments in India**

- **The property taxes collected at the second and third tiers of government are land tax assessed and collected at the state level; building tax, including property/house tax collected at the municipality (ULG) and gram panchayats (RLG) level.**
- **Property taxes are the principal sources of direct tax revenue at the third tier of government, apart from professional taxes.**
- The collections from these potentially buoyant sources of revenue are generally stacked at very low levels because of archaic base values—far below market values—applied to properties, low rates of taxes levied, and lack of powers to local bodies in some states like Odisha and Rajasthan.

4. **Correct Option: (c)****Explanation:****Micro ATMs**

- **Micro ATMs are card swipe machines through which banks can remotely connect to their core banking system.**
- This machine comes with a fingerprint scanner attached to it. In other words, micro ATMs are the handheld point of sale terminals used to disburse cash in remote locations where bank branches cannot reach. Micro ATMs are similar to point of sale (PoS) terminals and are a doorstep mobile banking arrangement cum-mobile ATM device.
- **How is it more convenient?**
- According to bankers, the cost of deployment of a micro ATM is lesser than that of an ordinary ATM. ATMs need at least 80-100 transactions a day to be viable as they cost several lakhs. Micro ATM costs less than Rs 20,000.
- It is portable.
- **Micro ATM has connectivity through GSM, hence it can travel from village to village.**
- **How does the micro ATM work?**
- Bank will assign a correspondent who will sign up customers in remote areas after verifying their identity (fingerprint can

be used as an authentication tool for rural people).

- The fingerprint and personal details may also be linked to the Aadhaar Card, which will then serve as the ID proof required to withdraw money.

5. **Correct Option: (b)****Explanation:****India's food management system**

- The economic cost to FCI includes the **acquisition cost of food grains at MSP, procurement incidentals (e.g. labor & transport charges, godown rentals) and distribution cost (freight, handling, storage & interest charges, losses during storage, etc).**
- **Difference between Economic Cost and Central Issue Price (CIP) of food grains under various schemes (including the National Food Security Act, 2013) is the operational loss to FCI and is reimbursed by the Government of India as a food subsidy.**

6. **Correct Option: (a)****Explanation:****Logistics Sector in India**

- The Indian logistics sector is currently valued at \$160 Bn, the sector is expected to become worth \$215 Bn in the next two years.
- India's rank has gone up from 54 in 2014 to 44 in 2018 in the **World Bank's Logistics Performance Index (LPI)**, in terms of overall logistics performance.
- The Indian logistics sector employs more than 22mn people.
- **The Logistics Sector was granted infrastructure status in 2017.**
- The infrastructure status permits the Logistics Sector to avail the following benefits:
 - ▶ Infrastructure lending at easier terms with enhanced limits.
 - ▶ Access to larger amounts of funds as External Commercial Borrowings (ECB).
 - ▶ Access to longer tenor funds from insurance companies and pension funds.

- ▶ Eligibility to borrow from India Infrastructure Financing Company Limited (IIFCL).

7. **Correct Option: (b)**

Explanation:

World Economic Situation and Prospects

- The World Economic Situation and Prospects is produced annually by the **UN Department of Economic and Social Affairs (DESA), the UN Conference on Trade and Development (UNCTAD) and the five UN regional commissions.**
- The 2020 report warns about strong economic risks, deep political polarization and increasing skepticism about the benefits of multilateralism.
- The report suggested that India needs to implement structural reforms to face a global as well as Indian economic slowdown.
- The report also indicated that India may be among the few countries where the per capita GDP growth rate could exceed 4 % in 2020.

8. **Correct Option: (d)**

Explanation:

Credit Rating Agencies

- A credit rating agency is a body corporate which is engaged in the business of rating of securities offered through public or rights issue.
- In India, the **Securities and Exchange Board of India (SEBI) primarily regulates credit rating agencies and their functioning.**
- **However, certain other regulatory agencies, such as the Reserve Bank of India (RBI), Insurance Regulatory and Development Authority, and Pension Fund Regulatory and Development Authority also regulate certain aspects of credit rating agencies under their respective sectoral jurisdiction.**

9. **Correct Option: (c)**

Explanation:

Impacts of Currency depreciation

- Currency depreciation is a fall in the value of a currency in a floating exchange rate system. Currency depreciation can

occur due to factors such as economic fundamentals, interest rate differentials, political instability or risk aversion among investors.

- In general terms, a **weaker currency will stimulate exports and make imports more expensive, thereby decreasing a nation's trade deficit (or increasing surplus) over time.**
- Foreign capital tends to flow into countries that have strong governments, dynamic economies, and stable currencies. A nation needs to have a relatively stable currency to attract investment capital from foreign investors. **Otherwise, the prospect of exchange losses inflicted by currency depreciation may deter overseas investors.**
- A **devalued currency can result in "imported" inflation for countries that are substantial importers.** A sudden decline of 20% in the domestic currency may result in imported products costing 25% more since a 20% decline means a 25% increase to get back to the original price point.
- A weak currency is **likely to widen India's current account deficit (CAD).** A falling rupee versus the dollar increases the cost of imports and increases export revenues in rupee terms.

10. **Correct Option: (a)**

Explanation:

National Strategy for Financial Inclusion (NSFI) for the period 2019-2024

- Recently, the Reserve Bank of India released the National Strategy for Financial Inclusion (NSFI) for the period 2019-2024.
- It is an ambitious strategy that aims to strengthen the ecosystem for various modes of digital financial services in all Tier-II to Tier VI centers to create the necessary infrastructure to move towards a less-cash society by March 2022.

11. **Correct Option: (b)**

Explanation:

International poverty line

- The international poverty line is a monetary threshold under which an individual is considered to be living in poverty. It is calculated by taking the poverty threshold

from each country – given the value of the goods needed to sustain one adult – and converting it into dollars. The international poverty line was originally set to roughly \$1 a day.

- The World Bank sets the international poverty line at periodic intervals as the cost of living for basic food, clothing, and shelter around the world changes.
- In the 2008 update, the poverty line was set at \$1.25 per day.
- **In 2015, the threshold was updated to \$1.90 per pay.**
- According to the most recent estimates, in 2015, **10 percent of the world's population lived at or below \$1.90 a day.** That's down from nearly 36 percent in 1990 and 44 percent in 1981. This means that ending extreme poverty is within the reach.

12. Correct Option: (c)

Explanation:

Asian Infrastructure Investment Bank (AIIB)

- The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank with a mission to improve social and economic outcomes in Asia.
- It is established by the AIIB Articles of Agreement (entered into force Dec. 25, 2015) which is a multilateral treaty. The Parties (57 founding members) to agreement comprise the Membership of the Bank.
- It is headquartered in Beijing and began its operations in January 2016.
- **The voting shares are based on the size of each member country's economy (GDP in PPP terms) and not based on contribution to the bank's authorized capital. China, India, and Russia are the three largest shareholders.**
- Beijing holds a 30.34 percent stake in the bank as it contributed US\$29.78 billion of the institution's initial capital. It will also have 26.06 percent of the voting rights, giving it effective veto power, as the bank's major decisions will require the support of at least 75 percent of the votes.
- India with a 7.5% vote share is the second-largest shareholder followed by Russia, Germany, and South Korea.

13. Correct Option: (c)

Explanation:

Banks Board Bureau (BBB)

- **It is an autonomous body of the Government of India tasked to improve the governance of Public Sector Banks, recommend the selection of chiefs of government-owned banks and financial institutions and to help banks in developing strategies and capital raising plans.**
- As part of its mandate, and guided by a spirit of collaboration, the bureau is engaging with various stakeholders. The objective of such engagement is to help prepare the banks to take on the competition, can appropriately manage and price risk across business cycles, develop resilience to generate internal capital and have the capacity to generate external capital warding of the moral hazard in counting on the scarce budgetary resources of taxpayers.
- The Bureau is also engaging with the Public Sector Banks (PSBs) to help build capacity to attract, retain and nurture both talent and technology - the two key differentiators of business competencies in the days to come.
- In its endeavor, the Bureau is mindful of the need to have a fully empowered board in every PSB. While the Bureau is working towards attracting the best personages on the boards, it is these boards that should drive the overall strategy of a bank within its risk capacity and also act as custodians who should reconcile the diverse interests of various stakeholders.
- **It was set up under the government's Indradhanush program.**

14. Correct Option: (c)

Explanation:

National Committee on Trade Facilitation (NCTF)

- **India constituted an NCTF with the Cabinet Secretary of India as the Chair.**
- NCTF has played an important role in reducing the high cost of imports and exports to integrate our cross-border trade with the global value chain. Some of the landmarks being:

- ▶ Establishment of a National Single Window system to route all import-related formalities viz., examination, sampling, clearance, etc., which involves a plethora of agencies, through a single online national portal;
- ▶ Simplification of fees and charges for various clearance related activities at the borders;
- ▶ **Paperless filing of import/ export documents through the 'E-sanchit' project; and**
- ▶ Publishing of resource information viz., procedures for import/ export, laws and regulations, etc., online for ease of access.
- ▶ Consistent trade facilitation efforts have resulted in substantive improvement of India's performance in Trading Across Borders indicator from 146 in 2017 to 80 in the year 2018. Further, these initiatives have also contributed to an overall improvement in the 'Ease of Doing Business' environment in the country, as also recognized by the World Bank.

15. Correct Option: (b)

Explanation:

Foreign Capital

- Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) are the two important forms of foreign capital.
- **Similarities**
- An advantage of both FDI and FPI is that the receiving country need not repay the debt like in the case of External Commercial Borrowings (foreign loans).
- **Both are thus described as non –debt creating**, and hence involve no payment obligations.
- Their servicing depends on the future growth of the economy. This is why most developing countries prefer FDI and FPI compared to other forms of foreign capital like ECBs.
- **Differences**
- **While FDI aims to take control of the company in which investment is made; FPI aims to reap profits by investing in shares and bonds of the invested entity without controlling the company.**
- FDI means real investment; whereas FPI is a monetary or financial investment.

FDI means the investor makes a direct investment in buildings and machinery. FPI is just a financial investment.

- FDI has a direct impact on employment, output, and export. FPI affects the foreign exchange rate, domestic money supply, value of rupee, call money rates, security market, etc. It is otherwise known as hot money. It is highly volatile and involves exchange risks and may lead to capital flight and currency crises affecting real economic variables. It is destabilizing in the foreign exchange market.
- **The portfolio investors stay his money in the capital market only for a short period. FDI is certain, long term and less fluctuating; FPI is speculative, highly volatile and un-predictive.**

16. Correct Option: (b)

Explanation:

Impact of Taxes

- **Taxes have a direct bearing on people's income affecting their levels of personal disposable incomes, purchase of goods and services (purchasing power), consumption and ultimately their standard of living.**
- Taxes directly affect the savings of individuals, families, and firms which affect investment in the economy—as investment affects the output (GDP) thereby influencing the per capita income.
- Taxes affect the prices of goods and services as factor cost (production cost) is affected thereby affecting incentives and behaviour of economic activities, etc.

17. Correct Option: (d)

Explanation:

Goods and Service Tax (GST)

- GST is applicable to the supply of goods or services. It is a destination-based consumption tax.
- It is a dual GST with the Centre and States simultaneously levying tax on a common tax base. The GST is levied by the Centre on intra-State supply of goods or services would be called the Central tax (CGST).
- The one levied by the States including Union territories with legislature/Union Territories without legislature would be called the State tax (SGST)/ Union territory tax (UTGST) respectively.

- The GST replaced the following taxes levied and collected by the Centre:
 - ▶ Central Excise Duty
 - ▶ Duties of Excise (Medicinal and Toilet Preparations)
 - ▶ Additional Duties of Excise (Goods of Special Importance)
 - ▶ Additional Duties of Excise (Textiles and Textile Products)
 - ▶ **Additional Duties of Customs** (commonly known as CVD)
 - ▶ Special Additional Duty of Customs (SAD)
 - ▶ Service Tax Central Surcharges and Cesses so far as they relate to supply of goods and services
- State taxes that subsumed under the GST are:
 - ▶ State VAT
 - ▶ Central Sales Tax
 - ▶ Luxury Tax
 - ▶ Entry Tax (all forms)
 - ▶ Entertainment and Amusement Tax (except when levied by the local bodies)
 - ▶ Taxes on advertisements
 - ▶ Purchase Tax
- Corporate tax and Security transaction taxes are direct taxes and do not come under the GST scheme.

18. Correct Option: (c)

Explanation:

Economic Reforms

- A total of three generations of reforms have been announced to date, while experts have gone to suggest the fourth generation, too.
- **First Generation Reforms (1991–2000)**
- The broad coordinates of the First Generation of reforms may be seen as under:
 - ▶ Promotion to Private Sector
 - ▶ Public Sector Reforms
 - ▶ External Sector Reforms
 - ▶ Financial Sector Reforms
 - ▶ Tax Reforms
- It was in the year 2000–01 that the government, for the first time, announced

the need for the Second Generation of economic reforms and it was launched in the same year.

- The ones which had been initiated by then (i.e., from 1991 to 2000) were called by the government as the reforms of the First Generation.

19. Correct Option: (b)

Explanation:

National Anti-Profitteering Authority (NAA)

- The National Anti-Profitteering Authority (NAA) has been constituted under Section 171 of the Central Goods and Services Tax Act, 2017 to ensure that the reduction in the rate of tax or the benefit of the input tax credit is passed on to the recipient by way of commensurate reduction in prices.
- Further, the following steps have been taken by the NAA to ensure that customers get the full benefit of tax cuts:
 - ▶ Holding regular meetings with the Zonal Screening Committees and the Chief Commissioners of Central Tax to stress upon consumer awareness programmes;
 - ▶ Launching a helpline to resolve the queries of citizens regarding registration of complaints against profiteering.
 - ▶ Receiving complaints through email and the NAA portal.
 - ▶ Working with consumer welfare organizations in order to facilitate outreach activities.

20. Correct Option: (b)

Explanation:

Taxation of local governments in India

- **The property taxes collected at the second and third tiers of government are land tax assessed and collected at the state level; building tax, including property/house tax collected at the municipality (ULG) and gram panchayats (RLG) level.**
- **Property taxes are the principal sources of direct tax revenue at the third tier of government, apart from professional taxes.**
- The collections from these potentially buoyant sources of revenue are generally stacked at very low levels because of archaic

base values—far below market values—applied to properties, low rates of taxes levied, and lack of powers to local bodies in some states like Odisha and Rajasthan.

21. Correct option: (a)

Explanation

Statement 2 is incorrect: India has also established its own seed storage facility at Chang La in Ladakh.

Supplementary notes

Svalbard Global Seed Vault

- It is the world's largest secure seed bank located on the Norwegian island of Spitsbergen in the remote Arctic Svalbard archipelago.
- The aim of the vault is to preserve a vast variety of crop seeds in the case of a doomsday event, calamity, climate change or national emergency.
- It is owned and administered by the Ministry of Agriculture and Food on behalf of the Kingdom of Norway.
- India has also established its own seed storage facility at Chang La in Ladakh,
- It was built jointly by the Defence Institute of High Altitude Research (DIHAR) and the National Bureau of Plant Genetic Resources (NBPGR) in 2010 under the aegis of Defence Research and Development Organisation (DRDO).

22. Correct option: (c)

Explanation

Statement 2 is incorrect: As the snow becomes darker from the tinge from the algae, it absorbs more heat, as a result of which it melts faster.

Supplementary notes

The cause and concerns over red snow in Antarctica

- Recently, snow around Ukraine's Vernadsky Research Base, located off the coast of Antarctica's northernmost peninsula, has started to take on a red tinge
- The red tint in the snow is caused by the microscopic *Chlamydomonas nivalis* algae which produce the tinted sunscreen to keep themselves warm.

- As the snow becomes darker from the tinge from the algae, it absorbs more heat, as a result of which it melts faster.
- Further, these algae change the snow's albedo (the amount of light or radiation the snow surface is able to reflect back).

23. Correct option: (a)

Explanation

Statement 2 is incorrect: The members nominated by the President are persons having special knowledge or practical experience in respect of such matters as literature, science, art and social service.

Statement 3 is incorrect: The Fourth Schedule to the Constitution provides for allocation of seats to the States and Union Territories in Rajya Sabha.

Supplementary notes

Rajya Sabha elections

- The 'Council of States' which is also known as Rajya Sabha, a nomenclature that was announced by the chair in the House on the 23rd August, 1954 has its own distinctive features.
- The origin of the second Chamber can be traced to the Montague-Chelmsford Report of 1918.
- The Government of India Act, 1919 provided for the creation of a 'Council of State' as a second chamber of the then legislature with a restricted franchise which actually came into existence in 1921.
- The Governor-General was the ex-officio President of the then Council of State. The Government of India Act, 1935, hardly made any changes in its composition.
- The Constituent Assembly, which first met on 9 December 1946, also acted as the Central Legislature till 1950, when it was converted as 'Provisional Parliament'.
- During this period, the Central Legislature which was known as Constituent Assembly (Legislative) and later Provisional Parliament was unicameral till the first elections were held in 1952.
- Extensive debate took place in the Constituent Assembly regarding the utility or otherwise of a Second Chamber in Independent India and ultimately, it was decided to have a bicameral legislature for independent India mainly because a federal system was considered to be most

feasible form of Government for such a vast country with immense diversities.

- A second chamber known as the 'Council of States', therefore, was created with altogether different composition and method of election from that of the directly elected House of the People.
- The minimum age of thirty years was fixed for membership as against twenty-five years for the Lower House.
- The element of dignity and prestige was added to the Council of State House by making the Vice-President of India ex-officio Chairman of the RajyaSabha who presides over its sittings.
- The Fourth Schedule to the Constitution provides for allocation of seats to the States and Union Territories in RajyaSabha.
- The allocation of seats is made on the basis of the population of each State.
- Consequent on the reorganization of States and formation of new States, the number of elected seats in the RajyaSabha allotted to States and Union Territories has changed from time to time since 1952.
- The members nominated by the President are persons having special knowledge or practical experience in respect of such matters as literature, science, art and social service.

24. Correct Answer (a)

Explanation: Both the statements are correct.

Supplementary Notes

- Union Tribal Affairs Ministry has launched "1000 Spring Initiatives" and an online portal on GIS-based Spring Atlas with hydrological and chemical properties of the Springs on the occasion.
- The '1000 Springs Initiative' aims at improving access to safe and adequate water for the tribal communities living in a difficult and inaccessible part of rural areas in the country.
- It is an integrated solution around natural springs.
- It includes the provision of infrastructure for piped water supply for drinking; provision of water for irrigation; community-led total sanitation initiatives; and provision for water for backyard nutrition gardens,

generating sustainable livelihood opportunities for the tribal people.

- It will help in harnessing the potential of perennial springs' water to address the natural scarcity of water in tribal areas.

Spring Atlas

- Springs are natural sources of groundwater discharge and have been used extensively in the mountainous regions across the world, including India.
- However, in the central and eastern Indian belt with more than 75% tribal population, it remains largely unrecognized and under-utilized.
- An online portal on GIS-based Spring Atlas has been developed to make these data easily accessible from an online platform.
- Presently, data of more than 170 springs have been uploaded on the Spring Atlas.

25. Correct Answer (c)

Explanation: Both the statements are correct.

Supplementary Notes

Trump's India Visit: Outcomes

The President of the USA, Donald Trump, visited India from 24th - 25th February, 2020.

- India and the USA intended to upgrade their bilateral relationship to a Comprehensive Global Strategic Partnership (CGSP).
- The CGSP will include issues such as defence, security cooperation and revitalisation of the Indo-Pacific with quadrilateral dialogue.
- The USA has proposed the Free Trade Agreement (FTA) between the two countries.
- FTA will include the restoration of benefits of low or zero duty to certain Indian exports under the Generalised System of Preferences (GSP) and market access for each other's agricultural products.
- The Trade Policy Forum will be set up as a joint study group to facilitate smooth framing of FTA.
- **Proposed Totalisation Agreement:** The signing of this agreement will allow Indian professionals working in the USA to get a refund of social security contribution that they make while working in the USA.

- **Defence Deal:** USA and India have concluded the agreement for the purchase of 24 MH-60R Seahawk, and six AH-64E attack helicopters.

International Issues

- **Quad Dialogue:** U.S. and India stressed to revitalise the quadrilateral initiative consisting of Japan, the U.S., India and Australia.
- **Indo-Pacific Region:** Both the countries discussed to develop and evolve the Indo-Pacific region collaboratively.

South China Sea Region:


- Both sides took note of the efforts of the ASEAN region to create a code of conduct in the South China Sea region.
- A code of conduct in the South China Sea region will be a set of rules outlining the norms and rules and responsibilities of, or proper practices for, an individual, party or organisation in the region.

Deal done

India and the U.S. concluded agreements for the purchase of 24 MH-60R Seahawk and six AH-64E attack helicopters


MH-60R SEAHAWK HELICOPTERS

- The procurement is through the Foreign Military Sales (FMS) route of the U.S. government and is worth \$2.12 bn
- MH-60R is the mainstay of the U.S. Navy's Anti-Submarine Warfare (ASW) capability
- These helicopters are being procured as replacement for 15 Sea King Anti-Submarine Warfare (ASW) helicopters de-inducted in 1991 and one Sea King 426 MRH lost in an accident. The current MRHs in service, Sea King 42Bs, were inducted in the 1980s and are in need of replacement
- They are capable of carrying out anti-ship, anti-submarine, electronic warfare, net-centric over-the-horizon offensive and defensive roles



APACHE

- These will be operated by the Army and deployed with its strike Corps in the western sector
- In September 2015, India contracted 22 AH-64E attack helicopters at a cost of ₹13,951.57 crore
- In August 2017, the government approved the procurement of six Apaches under the optional clause for the Army
- On June 12, 2018, the Defence Security Cooperation Agency notified the U.S. Congress of the possible sale to India
- Apache is a heavy attack helicopter and the most advanced craft currently in service globally
- India is the 16th nation to select the Apache and the AH-64E is its most advanced variant, Boeing said
- The Apache is the most advanced multi-role heavy attack helicopter in the world



The six Apaches and associated equipment will cost about \$800 million

