

RBI GRADE B 2023

**100 MOST
IMPORTANT MCQS**

ESI





RBI GRADE B 2023



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Q.1

1:00

General reduction in inflation is known as

- A. Deflation
- B. Reflation
- C. Disinflation
- D. Skew inflation
- E. None of the above



Answer: Option C

Deflation is the economic term used to describe the drop in prices for goods and services. Deflation slows down economic growth. It normally takes place during times of economic uncertainty when the demand for goods and services is lower, along with higher levels of unemployment. When prices fall, the inflation rate drops below 0%. Deflation (and inflation) rates can be calculated using the **consumer price index** (CPI). This index measures the changes in the price levels of a basket of goods and services. They can also be measured using the **gross domestic product** (GDP) deflator, which measures the price inflation

Disinflation occurs when price inflation slows down temporarily. Unlike deflation, this is not harmful to the economy because the inflation rate is reduced marginally over a short-term period. Disinflation is the change in the rate of inflation. Prices do not drop during periods of disinflation and it does not signal an economic slowdown. Disinflation is demonstrated by a change in the inflation rate from one year to the next. So disinflation would be measured as a change of 4% from one year to 2.5% in the next.

Reflation is a fiscal or monetary policy designed to expand output, stimulate spending, and curb the effects of deflation. Methods of reflation are reducing taxes, lowering interest rates, change in money supply, capital projects etc.

Skewflation is a type of inflation in which the prices of a single commodity or a set of commodities rise while the overall price level remains stable



Q.2

1:00

Increase in absolute and per capita real GNP do not connote a higher level of economic development, if

- A. Industrial output fails to keep pace with agricultural output.
- B. Agricultural output fails to keep pace with industrial output.
- C. Poverty and unemployment increase.
- D. Imports grow faster than exports
- E. All of the above



Answer: Option C

- **Economic development** includes not only economic growth but also various other economic changes **that improve the quality of life or standard of living of people in a country.**
- If with economic growth, a country experiences various economic changes such as reduction in poverty and unemployment, reduction in income and wealth inequality, increase in literacy rate, improvement in health and hygiene, etc, that improve the quality of life then that is economic development.



Q.3

1:00

What inflation rate RBI is mandated to maintain in the economy?

- A. 4%
- B. 2%
- C. 6%
- D. 5%
- E. 8%



Answer: Option A

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**.

The amended RBI Act also provides for the inflation target **to be set by the Government of India, in consultation with the Reserve Bank, once in every five years**. Accordingly, the Central Government notified in the Official Gazette **4 per cent** Consumer Price Index (CPI) inflation as the target for the period from August 5, 2016 to March 31, 2021 with the **upper tolerance limit of 6 per cent** and the **lower tolerance limit of 2 per cent**.

On March 31, 2021, the Central Government retained the inflation target and the tolerance band for the next 5-year period – **April 1, 2021 to March 31, 2026**.



Q.4

1:00

The type of unemployment that arises during the transitioning period from one job to another, that is when a worker is searching for job is known as

- A. Frictional Unemployment
- B. Cyclic Unemployment
- C. Structural Unemployment
- D. Disguised Unemployment
- E. None of the above



Answer: Option A

- It is a temporary phenomenon. In other words, Frictional unemployment is the time period between jobs when a worker is searching for, or transitioning from one job to another.
- It is sometimes called search engine and can be voluntary based on the circumstances of the unemployed individual.



Which of the following is the correct formula for finding the unemployment rate?

- A. Unemployment rate = (Unemployed workers / Total number of people employed) * 100
- B. Unemployment rate = (Unemployed workers / Total Labour Force) * 100
- C. Unemployment rate = (Unemployed workers / Total number of people seeking employment) * 100
- D. Unemployment rate = (Number of people seeking employment / Total Labour Force) * 100
- E. Unemployment rate = (Number of people employed / Total Labour Force) * 100



Answer: Option B

Unemployment rate:

- It is the percent of the labor force that is without work.
- $\text{Unemployment rate} = (\text{Unemployed workers} / \text{Total Labour Force}) * 100$

What is Labour Force?

- Labour force (also called work force) is the total number of people employed or seeking employment in a country or region. (Thus labour force constitutes of both employed and unemployed).
- One is classified as 'not in labour force'; if he or she was engaged in relatively longer period in any one of the non-gainful activities or we can say those who are neither seeking nor available for work.



Q.6

1:00

The National Statistical Organization (NSO) comes under which of the following Ministries of the Government of India?

- A. Ministry of Statistics and Programme Implementation
- B. Ministry of Finance
- C. Ministry of Commerce and Industry
- D. Ministry of Home Affairs
- E. Ministry of Labour and Employment



Answer: Option A

- The **National Statistical Organization (NSO)** is headed by a **Director General** and comes under the **National Statistical Office of the Ministry of Statistics and Programme Implementation**. It is responsible for conduct of large scale sample surveys in diverse fields on All India basis.
- Primarily data are collected through nation-wide household surveys on various socio-economic subjects, Annual Survey of Industries (ASI), etc.
- Besides these surveys, NSSO collects data on rural and urban prices and plays a significant role in the improvement of crop statistics through supervision of the area enumeration and crop estimation surveys of the State agencies.
- It also maintains a frame of urban area units for use in sample surveys in urban areas.



Q.7

1:00

Arrange the following committees in chronological order in terms of their formation:

1. Rangarajan Committee
2. Lakdawala Committee
3. Alagh Committee
4. Tendulkar Committee

Which of the statements given above is/are correct?

- A. 3-2-4-1
- B. 1-4-2-3
- C. 1-3-2-4
- D. 4-2-1-3
- E. 2-1-3-4



Answer: Option A

1962

- Working Group

1972

- Study by VM Dandekar and N Rath

1979

- Task Force on “Projections of Minimum Needs and Effective Consumption Demand” headed by Dr. Y. K. Alagh

1993

- Lakdawala Expert Group

2009

- Tendulkar Expert Group

2014

- Rangrajan Committee



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Consider the following statements:

- 1) National poverty headcount ratio is the percentage of the population living below the national poverty line.
- 2) The Lorenz curve defines the relationship between the cumulative portions of consumption as received by the different sections of population when the income-earning population is arranged in descending order.
- 3) Relative poverty refers to when a person or household does not have the minimum amount of income needed to meet the minimum living requirements needed over an extended period of time.

Which of the statement/s is/are incorrect?

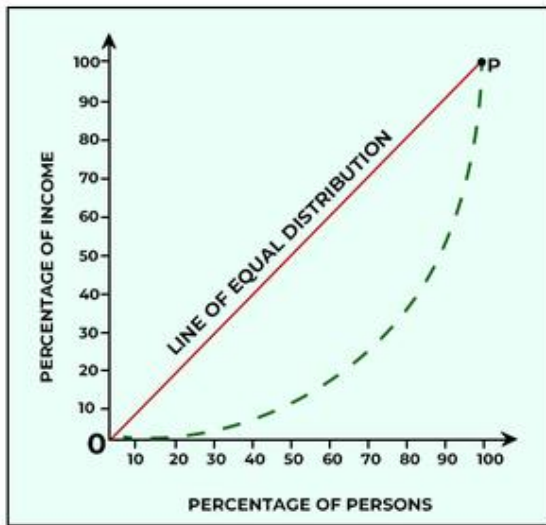
- A. 1 only
- B. 1 and 2
- C. 1 and 3
- D. 2 and 3
- E. None of the above

Answer: Option D

Let us analyze the options:

- 1) **National poverty headcount ratio** is the percentage of the population living below the national poverty line(s). National estimates are based on population-weighted subgroup estimates from household surveys. **Hence statement 1 is correct.**
- 2) **Lorenz curve** calculation provides an innate and complete understanding of income distribution. The curve defines the relationship between the cumulative portions of income as received by the cumulative population when the income-earning population is arranged in **ascending order**. **Hence statement 2 is incorrect.**
- 3) **Relative poverty** is the condition in which people lack the minimum amount of income needed in order to maintain the average standard of living in the society in which they live. **Hence statement 3 is incorrect.**

Therefore, option D is the correct answer.



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Answer: Option D

Key Points About **Head Count Ratio(HCR)**:

- The Headcount ratio (HCR) is the **proportion of a population** that exists, or lives, below the Line of Poverty.
- It is defined as when the number of poor is estimated as the proportion of people below the Line of Poverty, it is known as the Head Count Ratio.
- In, India Head Count Ratio was last reported at **21.9% in 2011-12**.
- **Poverty**: According to **the World Bank**, Poverty is pronounced deprivation in well-being and comprises many dimensions. It includes **low incomes and the inability to acquire the basic goods and services necessary for survival with dignity**.
- **Poverty Line**: The conventional approach to measuring poverty is to specify a minimum expenditure (or income) required to purchase a basket of goods and services necessary to satisfy basic human needs and this minimum expenditure is called the poverty line.
- **Poverty Line Basket**: The basket of goods and services **necessary to satisfy basic human needs** is the Poverty Line Basket (PLB).
- **Poverty Ratio**: The **proportion of the population below the poverty line** is called the poverty ratio or headcount ratio (HCR).



Q.9

1:00

In this type of unemployment, unemployed person is the one who seems to be employed but actually he is not. His contribution to the total output is zero or negligible. When more people are engaged in a job than actually required, a state of this kind of unemployment is created. It is mostly seen in rural areas.

Which of the following is best described in the passage given above?

- A. Structural Unemployment
- B. Disguised Unemployment
- C. Cyclical Unemployment
- D. Seasonal Unemployment
- E. None of the above



Answer: Option B

- A disguisedly unemployed person is the one who seems to be employed but **actually he is not**. His contribution to the total output is zero or negligible. When more people are engaged in a job than actually required, a state of disguised unemployment is created. It is mostly seen in rural areas.
- **For example**, if in an agriculture field, 5 people are working to cultivate a crop. Suppose, the yield obtained is x . Now due to some reason, next year, 2 people were unavailable and only 3 people were doing exactly the same work done last year. At the end, the yield obtained is again x . This means that those two people were actually disguisedly unemployed in the year when all 5 were working because even their absence did not result in any decrease in the yield. To sum up, their contribution to the output was zero.



Q.10

1:00

Which one of the following is the correct sequence in the decreasing order of contribution of different sectors to the Gross Value Added of India?

- A. Services – Industry – Agriculture
- B. Services – Agriculture – Industry
- C. Industry – Services – Agriculture
- D. Industry – Agriculture – Services
- E. Agriculture – Industry – Services



Answer: Option A

Year	Share of GVA of agriculture and allied sectors in total economy (%) at current prices	Growth of GVA of agriculture and allied sectors (%) (at 2011-12 prices)
2020-21	20.3	4.1
2021-22	19.0	3.5
2022-23	18.3	3.3

Table IX.1: Growth and Share of Industrial Components (in Per cent)

	Growth in Per cent		Real GVA growth in FY23 over FY22	Real GVA growth in FY23 over FY20	Share in total GVA FY23
	H1:FY23	H2:FY23 (Estimated)			
Industry	3.7	4.5	4.1	11.1	30.0
Mining & quarrying	2.2	2.6	2.4	4.4	2.3
Manufacturing	0.1	3.0	1.6	11.0	17.3
Electricity, gas, water supply & other utility services	10.0	7.9	9.0	13.0	2.3
Construction	11.5	7.3	9.1	12.8	8.1
Overall GVA	9.0	4.7	6.7	9.8	-

Source: National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI)

Note: Data for FY23 presents the First Advance Estimates

INTRODUCTION

9.1 Services sector contributes over 50 per cent to India's GDP. While Covid-19 pandemic has had an adverse impact on most sectors of the economy, the services sector has been the worst affected as its' share in India's GVA declined from 55 per cent in 2019-20 to 53 per cent in 2021-22.¹ Within the services sector, the effect of Covid-19 has been varied. While non-contact services such as information, communication, financial, professional and business services have remained resilient, the impact has been much severe on contact based services such as tourism, retail trade, hotel, entertainment and recreation, etc.

Table 1: Services Sector Performance

Sector	Share in GVA (per cent)	Growth (YoY) (per cent)						
		2021-22 (AE)	2018-19 (2 nd RE)	2019-20 (1 st RE)	2020-21 (PE)	2021-22 (AE)	2021-22	
						Q1	Q2	H1
Total Services (Excluding construction)	53	7.2	7.2	-8.4	8.2	11.4	10.2	10.8
Trade, hotels, transport, communication & services related to broadcasting	16.9	7.1	6.4	-18.2	11.9	34.3	8.2	18.4
Financial, real estate & professional services	20.9	7.2	7.3	-1.5	4.0	3.7	7.8	5.8
Public administration, defence & other services*	15.2	7.4	8.3	-4.6	10.7	5.8	17.4	12.0

Source: Ministry of Statistics and Programme Implementation.

Note: Share in GVA is in current prices and growth in GVA is at constant 2011-12 prices;

*: Other services include Education, Health, Recreation, and other personal services

RE: Revised Estimates. PE: Provisional Estimates. AE: Advance Estimates



Q.11

1:00

Which of the following is incorrect regarding Wholesale Price Index?

- A. It is published by the Office of Economic Adviser, Ministry of Commerce and Industry
- B. The base year of it is 2011-12
- C. It includes goods only.
- D. The highest weightage in the index is given to the primary articles.
- E. None of the above



Answer: Option D

Wholesale Price Index (WPI)

Wholesale Price Index (WPI) measures the average change in the prices of commodities for bulk sale at the level of early stage of transactions. It is published by the **Office of Economic Adviser, Ministry of Commerce and Industry**

The base year of it is 2011-12

The index basket of the WPI covers commodities falling under the three Major Groups namely Primary Articles, Fuel and Power and Manufactured products.

Component	Weight (in %)	Inflation rate (in %); Feb 2022
All Commodities	100.00	13.11
Primary Articles	22.62	13.39
Fuel & Power	13.15	31.5
Manufactured Products	64.23	9.84



Answer: Option D

Component	Weight (in %)	Inflation rate (in %); Feb 2022
General Index	100.00	6.07
Food and beverages	45.86	5.93
Pan, tobacco and intoxicants	2.38	2.39
Clothing and footwear	6.53	8.86
Housing	10.07	3.57
Fuel and light	6.84	8.73
Miscellaneous (services)	28.32	6.52



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Q.12

1:00

Montreal Protocol aims to achieve which of the following?

- A. Protect human health and the environment from anthropogenic emissions and releases of mercury
- B. Protect the ozone layer by phasing out the production of numerous substances that are responsible for ozone depletion
- C. Limit Global warming to the 2 degree Celsius increase from pre industrial level
- D. Provide access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization
- E. None of the above



Answer: Option B

The Montreal Protocol on Substances that **Deplete the Ozone Layer** is an international treaty designed to protect the ozone layer by phasing out the production of numerous substances that are responsible for ozone depletion.



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Q.13

1:00

The money multiplier in an economy increases with which one of the following?

- A. Increase in CRR
- B. Increase in the banking habit of the population
- C. Increase in the Statutory Liquidity Ratio
- D. Increase in the population of the country
- E. All of the above



Answer: Option B

Money Multiplier - When a customer makes a deposit into a short-term deposit account, the banking institution can lend to someone else. While the original depositor maintains ownership of their initial deposit, the funds created through lending are generated based on those funds. If a second borrower subsequently deposits funds received from the lending institution, this raises the value of the money supply even though no additional physical currency actually exists to support the new amount. The money supply multiplier effect can be seen in a country's banking system. An increase in bank lending should translate to an expansion of a country's money supply. The size of the multiplier depends on the percentage of deposits that banks are required to hold as reserves. When the reserve requirement decreases, the money supply reserve multiplier increases and vice versa. Also, it depends on banking habit of population.

Increase in CRR and SLR will lead to more reserve requirements for the banks which in turn leads to less money supply in the economy.

Increase in the population of a country not necessarily leads to increase in money multiplier



Q.14

1:00

In the context of Indian economy, 'Open Market Operations' refers to

- A. Borrowing by scheduled banks from the RBI
- B. Lending by commercial banks to industry and trade
- C. Purchase and sale of government securities by the RBI
- D. Both A and B
- E. All of the above



Answer: Option C

- **Open Market Operations (OMOs)** are market operations conducted by RBI by way of sale/purchase of government securities to/from the market **with an objective to adjust the rupee liquidity conditions in the market on a durable basis**
- If there is excess liquidity, **RBI resorts to the sale of securities and sucks out the rupee liquidity.**
- It is one of the **quantitative (to regulate or control the total volume of money) monetary policy tools** that are employed by the central bank of a country to control the money supply in the economy.



Q.15

1:00

What will happen if the interest rate is decreased in an economy?

- A. Decrease the consumption expenditure in the economy
- B. Increase the investment expenditure in the economy
- C. Increase the total savings in the economy
- D. Decrease in Inflation in the country
- E. All of the above



Answer: Option B

Low interest rates are supposed to help spur growth. The theory is that low rates will encourage governments, businesses and consumers to borrow and spend more freely. This will result in **higher demand by consumers and investments by corporations**, leading to higher GDP growth and job creation. This leads to a virtuous cycle in the economy — higher GDP growth and job creation will lead to increased income, which will lead to higher consumption and so on and so forth.

Of course, the monetary policy needs to maintain a balance between economic growth and high inflation. If low interest rates result in inflation going out of hand and the creation of asset bubbles, the central bank will raise rates even if it means being less encouraging to borrowers.



Q.16

1:00

"Dumping", in the context of International Trade, means:

- A. Reducing tariffs for imports
- B. Sale of goods abroad at a lower price, below their cost and price in their home market
- C. Buying goods at low prices abroad and selling at higher prices locally
- D. Expensive goods being sold for low prices
- E. None of the above



Answer: Option B

Dumping is a term used in the context of international trade. It's when a country or company exports a product at a price that is lower in the foreign importing market than the price in the exporter's domestic market.



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Q.17

1:00

Which of the following is not a component of India's Forex reserve?

- A. Foreign Currency assets
- B. Gold reserves
- C. Special Drawing Rights (SDRs)
- D. India's reserve position in the IMF
- E. Diamond Reserves



Answer: Option E

- Foreign exchange assets serve many purposes but are most significantly held to ensure that the central bank has backup funds if the national currency rapidly devalues or becomes altogether insolvent.
- The four components of forex reserves are **foreign currency assets, gold, special drawing rights and the reserve position** in the International Monetary Fund.

Answer: Option E

Date : May 08, 2023

40th Half Yearly Report on Management of Foreign Exchange Reserves: October 2022 - March 2023

The Reserve Bank of India has today released the [40th half-yearly report on management of foreign exchange reserves](#) with reference to end-March 2023.

The position of foreign exchange reserves as on April 28, 2023 is as under:

	US \$ Billion
Foreign Exchange Reserves (i+ii+iii+iv)	588.78
i. Foreign Currency Assets (FCA)	519.48
ii. Gold	45.66
iii. Special Drawing Rights (SDRs)	18.47
iv. Reserve Tranche Position (RTP)	5.17
* Difference, if any, is due to rounding-off.	

It may be recalled that in February 2004, the Reserve Bank had started a process of compiling half yearly reports and placing them in the public domain for bringing about more transparency and enhancing the level of disclosure in relation to management of the country's foreign exchange reserves.

- **SDRs** refer to an international type of **monetary reserve currency** created by the **International Monetary Fund (IMF)** in **1969** that operates as a **supplement** to the existing money reserves of member countries.
- The value of the SDR is calculated from a weighted basket of major currencies, including the **U.S. dollar, the euro, Japanese yen, Chinese yuan, and the British pound.**
- A **reserve tranche** is a portion of the required quota of currency each member country must provide to the **International Monetary Fund (IMF)** that can be utilized for its own purposes—without a service fee or economic reform conditions.

Q.18

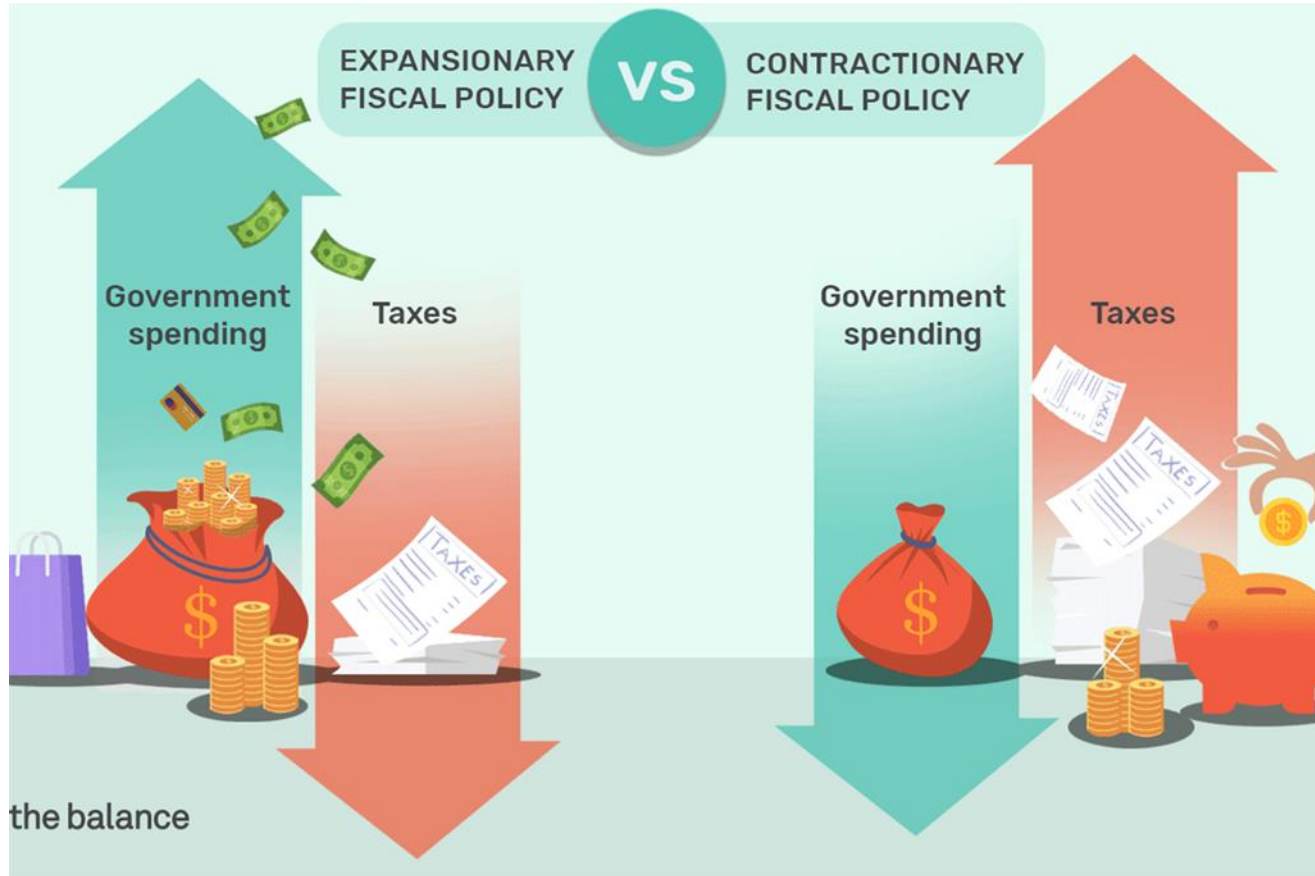
00:20

Which kind of policy involves raising taxes or cutting government spending, so that it cuts up on the aggregate demand (thus, economic growth) to reduce the inflationary pressures in the economy?

- A. Neutral Fiscal policy
- B. Contractionary Fiscal policy
- C. Expansionary Fiscal Policy
- D. Expansionary Monetary Policy
- E. Contractionary Monetary Policy



Answer: Option B



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Q.19

1:00

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

1. Reducing revenue expenditure
2. Introducing new Welfare schemes
3. Rationalizing subsidies
4. Reducing import duty

Select the correct answer using the code given below:

- A. 1 and 3 only
- B. 2 and 3 only
- C. 3 and 4 only
- D. 1 only
- E. 1, 2, 3 and 4



Answer: Option A

- **Budget deficit** is used to define a **status of financial health** in which **expenditures exceed revenue**.
- Introducing **new welfare scheme** by budgetary support will **expand the budget expenditure** which will widen the deficit.
- Similarly, **reducing import duty** will lead to less revenue for the government, which leads to increase in budget deficit.
- Rationalizing subsidies and reducing revenue expenditure are two direct ways of reducing the fiscal burden of the government of India



Q.20

1:00

Which of the following can be used as counter-inflationary tool?

- A. Increase in government expenditure
- B. Cutting tax rates
- C. Increase in MGNREGA wages
- D. Decrease in LPG subsidy
- E. None of the above



Answer: Option D

- A. Increase in government expenditure will lead to more disposable income in the hands of the people which will in turn lead to more demand and higher inflation
- B. Cutting tax rates will lead to more disposable income in the hands of the people which will in turn lead to more demand and higher inflation
- C. Increase in MGNREGA wages will lead to more disposable income in the hands of the people which will in turn lead to more demand and higher inflation
- D. Decrease in LPG Subsidies will lead to less disposable income in the hands of the people which will in turn lead to less demand and lower inflation



Q.21

1:00

Which of the following best describes the meaning of Accommodative Monetary Policy?

- A. When a central bank attempts to expand the overall money supply when growth is slowing
- B. When a central bank attempts to contract the overall money supply when growth is rising
- C. When a central bank attempts to maintain neutral stance in overall money supply
- D. When a central bank attempts to expand the overall money supply when economy is rising
- E. None of the above



Answer: Option A

An accommodative stance means the central bank is prepared to expand the money supply to boost economic growth. The central bank, during an accommodative policy period, is willing to cut the interest rates. A rate hike is ruled out. The central bank typically adopts an accommodative policy when growth needs policy support and inflation is not the immediate concern

A **'neutral stance'** suggests that the central bank can either cut rate or increase rate. This stance is typically adopted when the policy priority is equal on both inflation and growth. During neutral policy, the central bank doesn't commit to hike rates or cut. The interest rate can move to either sides depending on incoming data.

A **hawkish stance** indicates that the central bank's top priority is to keep the inflation low. During such a phase, the central bank is willing to hike interest rates to curb money supply and thus reduce the demand. A hawkish policy also indicates tight monetary policy.

Calibrated tightening means during the current rate cycle, a cut in the repo rate is off the table. But, the rate hike will happen in a calibrated manner. This means the central bank may not go for a rate increase in every policy meeting but the overall policy stance is tilted towards a rate hike. This can happen outside the policy meetings as well if the situation warrants



Q.22

1:00

The term National Income represents _____

- A. Gross national product at market prices minus depreciation
- B. Gross national product at market prices minus depreciation plus net factor income from abroad
- C. Gross national product at market prices minus depreciation and indirect taxes plus subsidies
- D. Gross national product at market prices minus net factor income from abroad
- E. None of the above



Answer: Option C

$NNP \text{ at FC} = \text{gross national product at market prices} - \text{depreciation} - \text{indirect taxes} + \text{subsidies}$

National = Domestic + Net Factor Income From Abroad

Gross = Net + Depreciation

Market Price = Factor Cost + Indirect Taxes - Subsidies

Domestic = National – Net Factor Income From Abroad

Net = Gross – Depreciation

Factor Cost = Market Price – Indirect Taxes + Subsidies

$GNP \text{ at MP} = NDP \text{ at FC} + \text{Depreciation} + \text{Net Factor Income from Abroad} + \text{Indirect Taxes} - \text{Subsidies}$



Q.23

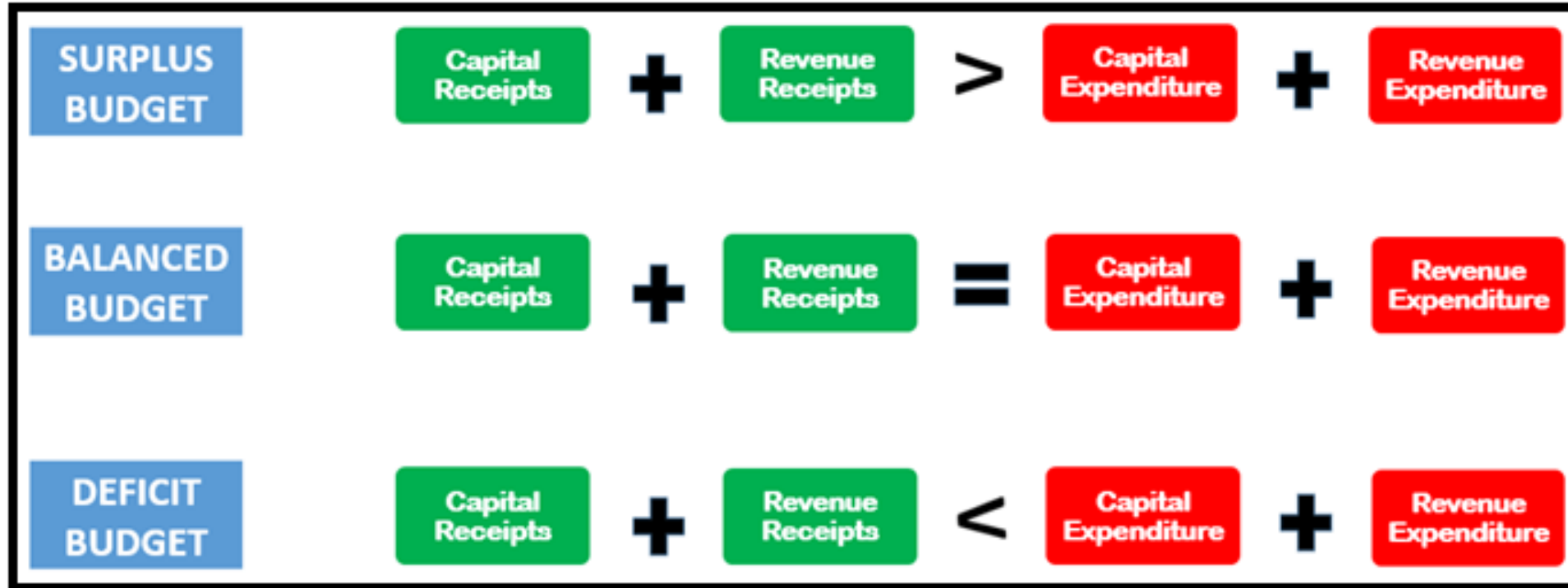
1:00

There will be _____ Budget, if the sum of capital receipts and revenue receipts is greater than the sum of Capital Expenditure and Revenue Expenditure

- A. Surplus Budget
- B. Balanced Budget
- C. Revenue Deficit in the Budget
- D. Deficit Budget
- E. None of the above



Answer: Option A



Q.24

1:00

The Sustainable Development Goals or Global Goals are a collection of 17 interlinked global goals designed to be a “blueprint to achieve a better and more sustainable future for all”. These goals are intended to be achieved by which year?

- A. 2025
- B. 2027
- C. 2030
- D. 2035
- E. 2040



Answer: Option C

- The United Nations Sustainable Development Goals (SDGs) are targets for global development adopted in September 2015, **set to be achieved by 2030**. All countries of the world have agreed to work towards achieving these goals.
- Our SDG Tracker presents data across all available indicators from the Our World in Data database, using official statistics from the UN and other international organizations. It is a free, open-access publication that tracks global progress towards the SDGs and allows people around the world to hold their governments accountable to achieving the agreed goals.
- **The 17 Sustainable Development Goals are defined in a list of 169 SDG Targets.** Progress towards these Targets is agreed to be tracked by **232 unique Indicators**.
- 2030 Agenda for Sustainable Development Goals which has been agreed upon by all 193 member states was organised by **United Nations General Assembly**



SUSTAINABLE DEVELOPMENT GOALS



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Q.25

1:00

Which measure is followed by the government to control inflation?

- A. Cash Reserve Ratio
- B. Repo Rate
- C. Reverse Repo Rate
- D. Increase in Taxes
- E. All of the above



Answer: Option D

Cash Reserve Ratio, Repo Rate, Reverse Repo Rate, these all are the Quantitative tools of money supply used by the Reserve Bank of India for controlling inflation. Taxes are managed by the government



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Q.26

1:00

Which of the following best describes the meaning of Fiscal Deficit?

- A. The excess of revenue expenditure over revenue receipts
- B. The excess of capital expenditure over capital receipts
- C. The excess of total expenditure over total receipts excluding borrowings
- D. The excess of total expenditure over total receipts
- E. None of the above



Answer: Option C

Fiscal Deficit - The difference between total revenue and total expenditure of the government is termed as fiscal deficit. It is an indication of the total borrowings needed by the government. While calculating the total revenue, **borrowings are not included.**

Q.27

1:00

Along with the Budget, the finance minister also places other documents before the Parliament which include ‘The Macro Economic Framework Statement’. The aforesaid documents are presented because this is mandated by

- A. Long standing parliamentary/convention
- B. Article 112 and Article 110 of the Constitution of India
- C. Article 113 of the Constitution of India
- D. The Fiscal Responsibility and Budget Management Act, 2003
- E. None of the above



Answer: Option D

- The Macro-economic Framework Statement is a statement presented to the Parliament at the time of Union Budget under **Section 3(5) of the Fiscal Responsibility and Budget Management Act, 2003**.
- It contains an assessment of the growth prospects of the economy with specific underlying assumptions.
- It contains an assessment regarding the expected GDP growth rate, fiscal balance of the Central Government, and the external sector balance of the economy. The statement is submitted annually.
- **Documents mandated by FRBM Act, 2003**
 1. Macro-Economic Framework Statement
 2. Fiscal Policy Strategy Statement
 3. Medium Term Fiscal Policy Statement
 4. Medium Term Expenditure Framework Statement: (to be presented in parliament in the Session after the Budget session).

The FRBM Act is a fiscal sector legislation enacted by the government of India in 2003, aiming to ensure fiscal discipline for the centre by setting targets including reduction of fiscal deficits and elimination of revenue deficit. It is a legal step to ensure fiscal discipline and fiscal consolidation in India.



Q.28

1:00

Which of the following is correct regarding the effect of increase in Cash Reserve Ratio (CRR) by the Reserve bank of India (RBI)?

- A. Increase the supply of money in the economy
- B. Decrease the supply of money in the economy
- C. No impact on the supply of money in the economy
- D. Initially increase the supply but later on decrease automatically
- E. None of the above



Answer: Option B

Increase in CRR will lead to decrease in money supply in the economy as banks are now required to maintain higher amount with the RBI

Q.29

1:00

As part of 2030 Agenda for sustainable development, what is the total number of targets to be achieved under the 17 SDGs?

- A. 189
- B. 180
- C. 179
- D. 169
- E. 164



Answer: Option D

- The United Nations Sustainable Development Goals (SDGs) are targets for global development adopted in September 2015, **set to be achieved by 2030**. All countries of the world have agreed to work towards achieving these goals.
- Our SDG Tracker presents data across all available indicators from the Our World in Data database, using official statistics from the UN and other international organizations. It is a free, open-access publication that tracks global progress towards the SDGs and allows people around the world to hold their governments accountable to achieving the agreed goals.
- **The 17 Sustainable Development Goals are defined in a list of 169 SDG Targets.** Progress towards these Targets is agreed to be tracked by **232 unique Indicators**.



SUSTAINABLE DEVELOPMENT GOALS



Q.30

1:00

With reference to Financial Stability and Development Council, consider the following statements:

1. It is an organ of NITI Aayog.
2. It is headed by the Union Finance Minister.
3. It monitors macroprudential supervision of the economy.

Which of the statements given above is/are correct ?

- A. 1 only
- B. 2 only
- C. 2 and 3 only
- D. 1 and 3 only
- E. 1, 2 and 3



Answer: Option C

- The Financial Stability and Development Council (FSDC) was set up by the Government as the apex level forum in December 2010.
- It was **set up much before NITI Aayog was even setup**. So, Statement 1 is not correct.
- **The Chairman of the council is the finance minister**. Hence Statement 2 is Correct.
- The council will act as a coordination agency between the various **financial sector regulators** - the RBI, SEBI, IRDA and the PFRDA.
- The Council monitors **macro-prudential supervision of the economy**, which includes functioning of large financial conglomerates.
- It also addresses **inter-regulatory coordination and financial sector development issues**. Hence statement 3 is correct



Q.31

1:00

"Absence of minimum income to get the minimum needs of life" is concerned with which of the following types of poverty?

- A. Absolute poverty
- B. Relative poverty
- C. Situational poverty
- D. Intergenerational poverty
- E. Multidimensional poverty



Answer: Option A

Absolute poverty can be defined as the state in which a subject lacks the means to meet his or her basic needs. Such basic needs are often listed in international poverty reduction programs, and usually include food, water, shelter, basic education, and basic medical care. **Hence option A is the answer.**

Extreme poverty is typically defined as a state in which a person lacks access to all, or several, of the goods needed for meeting these basic needs.

Relative poverty is closely associated with the issues of inequality. It occurs when people in a country do not enjoy a certain minimum level of living standards as compared to the rest of the population and so would vary from country to country, sometimes within the same country.

Multidimensional poverty is made up of several factors that constitute poor people's experience of deprivation – such as poor health, lack of education, inadequate living standard, lack of income (as one of several factors considered), disempowerment, poor quality of work and threat from violence.



Q.32

1:00

Lending to which of the following sectors is not a part of priority sector lending?

- A. Micro, Small and Medium Enterprises
- B. Housing for poor
- C. Export credit
- D. Iron and Steel industry
- E. Social Infrastructure



CATEGORIES AND TARGETS UNDER PRIORITY SECTOR

4. The categories under priority sector are as follows:

- i. Agriculture
- ii. Micro, Small and Medium Enterprises
- iii. Export Credit
- iv. Education
- v. Housing
- vi. Social Infrastructure
- vii. Renewable Energy
- viii. Others

The details of eligible activities under the above categories are specified in [Chapter III](#).

5. Targets /Sub-targets for Priority sector

5.1 The targets and sub-targets set under priority sector lending, to be computed on the basis of the ANBC/ CEOBE as applicable as on the corresponding date of the preceding year, are as under:

Categories	Domestic commercial banks (excl. RRBs & SFBs) & foreign banks with 20 branches and above	Foreign banks with less than 20 branches	Regional Rural Banks	Small Finance Banks
Total Priority Sector	40 per cent of ANBC as computed in para 6 below or CEOBE whichever is higher	40 per cent of ANBC as computed in para 6 below or CEOBE whichever is higher; out of which up to 32% can be in the form of lending to Exports and not less than 8% can be to any other priority sector	75 per cent of ANBC as computed in para 6 below or CEOBE whichever is higher; However, lending to Medium Enterprises, Social Infrastructure and Renewable Energy shall be reckoned for priority sector achievement only up to 15 per cent of ANBC.	75 per cent of ANBC as computed in para 6 below or CEOBE whichever is higher.
Agriculture	18 per cent of ANBC or CEOBE, whichever is higher; out of which a target of 10 percent [#] is prescribed for Small and Marginal Farmers (SMFs)	Not applicable	18 per cent ANBC or CEOBE, whichever is higher; out of which a target of 10 percent [#] is prescribed for SMFs	18 per cent of ANBC or CEOBE, whichever is higher; out of which a target of 10 percent [#] is prescribed for SMFs
Micro Enterprises	7.5 per cent of ANBC or CEOBE, whichever is higher	Not applicable	7.5 per cent of ANBC or CEOBE, whichever is higher	7.5 per cent of ANBC or CEOBE, whichever is higher
Advances to Weaker Sections	12 percent [#] of ANBC or CEOBE, whichever is higher	Not applicable	15 per cent of ANBC or CEOBE, whichever is higher	12 percent [#] of ANBC or CEOBE, whichever is higher

[#] Revised targets for [SMFs and Weaker Section](#) will be implemented in a phased manner as indicated in para 5.2

Q.33

1:00

With reference to marginal standing facility (MSF), consider the following statements:

1. Marginal standing facility (MSF) is a facility for inter bank borrowing.
2. The purpose of marginal standing facility is to reduce volatility in the overnight lending rates in the inter-bank market
3. Marginal Standing Facility rate is generally lower than repo rate.

Which of the statements given above is /are correct?

- A. 1 only
- B. 2 only
- C. 2 and 3 only
- D. 1 and 3 only
- E. 1, 2 and 3



Answer: Option B

- Marginal standing facility (MSF) is a window for banks to **borrow from the Reserve Bank of India** in an **emergency situation when inter-bank liquidity dries up completely**.
- Banks borrow from the central bank by **pledging government securities at a rate higher than the repo rate** under liquidity adjustment facility or LAF in short. The MSF rate is pegged **100 basis points or a percentage point above the repo rate**.
- **This came into effect in may 2011.**
- Since the market is very volatile in call money market. **Volatile markets lead to fluctuations in value of currency**. Hence **MSF does affect the value of currency for overnight transactions**.

“**Call Money**” means borrowing or lending in unsecured funds on overnight basis;

“**Notice Money**” means borrowing or lending in unsecured funds for tenors up to and inclusive of 14 days excluding overnight borrowing or lending;

“**Term Money**” means borrowing or lending in unsecured funds for periods exceeding 14 days and up to one year.



Q.34

1:00

With respect to inequality measurement, consider the following statements:

1. Lorenz Curve: It calculates the degree of income inequality
2. Gini Coefficient: It measures the distribution of income in an economy
3. Phillips curve: It shows the relation between inflation and unemployment has a stable and inverse relationship.

Which of the above statements is/are correct?

- A. Only 1 & 2
- B. Only 3
- C. Only 2 & 3
- D. Only 1
- E. Only 2



Answer: Option B

- A Lorenz curve is a graphical representation of income inequality or wealth inequality developed by American economist Max Lorenz in 1905. It shows the proportion of income earned by any given percentage of the population. **Hence statement 1 is incorrect.** The Gini Coefficient measures the degree of income equality in a population. It was developed by the Italian statistician and sociologist Corrado Gini. **Hence statement 2 is incorrect.**
- **The distribution of income in an economy is represented by the Lorenz Curve and the degree of income inequality is measured through the Gini Coefficient.**
- The Phillips curve is an economic concept developed by A. W. Phillips stating that inflation and unemployment have a stable and inverse relationship. Hence statement 3 is correct. **Therefore, the answer is Option B.**

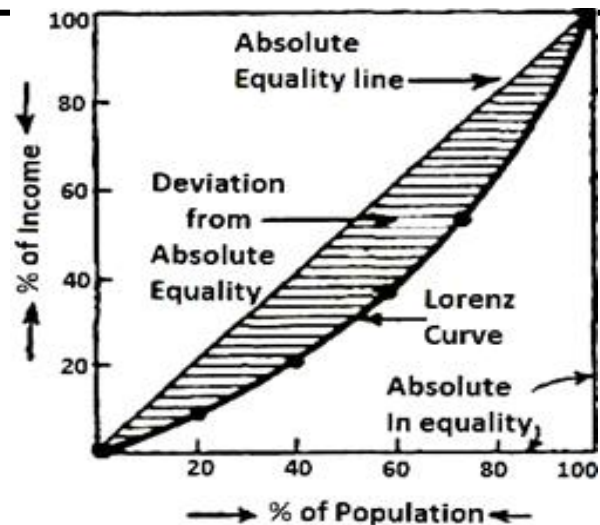


Fig. 7 : Lorenz curve inequality

Phillips Curve

When presented or graphically charted, the inverse relationship between inflation & unemployment rate is called as Phillips Curve.



Q.35

1:00

Mahalanobis Plan Model adopted in India in the Mid-fifties aimed at?

- A. Building a strong defence industry base
- B. Setting up heavy industries which were capital intensive
- C. Curbing inflation in the economy
- D. Removing unemployment within a short period
- E. None of the above



Answer: Option B

- The correct answer is Setting up heavy industries which were **capital intensive**.
- **Mahalanobis Plan Model** adopted in India in the Mid-fifties aimed at **Setting up heavy industries which were capital intensive**.
 - In the 1950s, an Old Russian Model was Indianized by P.C. Mahalanobis.
 - This model is known to have **set the statistical foundations for state-directed investments** and created **the intellectual underpinnings of the license-raj** through an elaborate input-output model.
 - This Model **suggested that there should be an emphasis on the heavy industries**, which can lead **the Indian Economy to a long-term higher growth path**.
 - **India's second five-year plan** and **Industrial policy Resolution 1956**, which paved the way for the development of the Public Sector and license raj.
 - He was the founder of the **Indian Statistical Institute** and a **close aide of Pandit Jawahar Lal Nehru**.



Q.36

1:00

Which of the following statements is not correct?

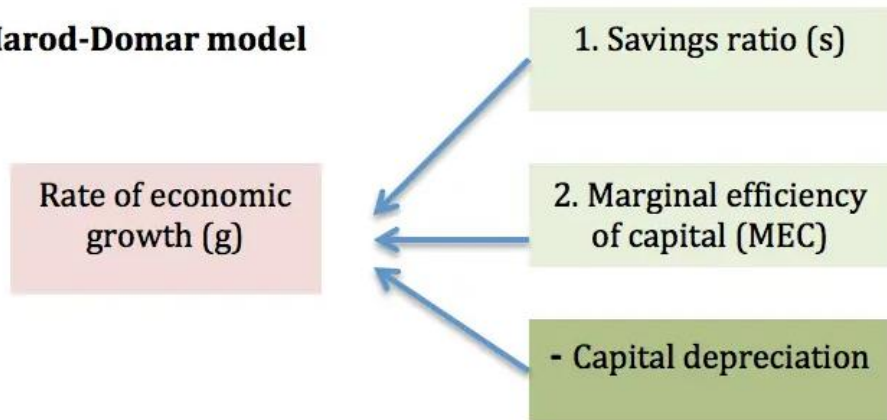
- A. The first five year plan was launched from 1st April, 1951
- B. The first five year plan gave emphasis on Heavy Industrialization
- C. The first five year plan was from 1951-1956
- D. The first five year plan was based on the Harrod- Domar model
- E. None of the above



Answer: Option B

- The Second Five year plan emphasized on **Heavy industrialization** which was based on **P.C. Mahalonobis**.
- **Harrod- Domar Model:** The **Harrod Domar Model** suggests that the rate of economic growth depends on two things:
 - **Level of Savings** (higher savings enable higher investment)
 - **Capital-Output Ratio:** A lower capital-output ratio means investment is more efficient and the growth rate will be higher.

Harrod-Domar model



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Q.37

1:00

Which of the following is not the correct match?

- A. Fiscal Deficit – Excess of Total Expenditure over total receipts less borrowings
- B. Budget Deficit – Excess of Total Expenditure over Total Receipts
- C. Revenue Deficit – Excess of Total Expenditure over Total revenue receipts
- D. Primary Deficit – Excess of total Expenditure over total receipts less borrowings and interest payments
- E. None of the Above



Answer: Option C

Revenue Deficit: Revenue Expenditure – Revenue Receipts

Fiscal Deficit: Total Expenditure – Total Receipts excluding borrowing

Primary Deficit: Fiscal Deficit – Interest Payments

Effective revenue deficit is defined as the difference between revenue deficit and grants for creation of capital assets.



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Q.38

1:00

_____ is the change in costs of goods and services but does not include those from the food and energy sectors.

- A. Retail Inflation
- B. Hyper Inflation
- C. Core Inflation
- D. Stagflation
- E. None of the above



Answer: Option C

Core inflation is the change in costs of goods and services, but does not include those from the food and energy sectors. This measure of inflation excludes these items because their prices are much more volatile.

Headline inflation is a measure of the total inflation within an economy, including commodities such as food and energy prices (e.g., oil and gas), which tend to be much more volatile and prone to inflationary spikes



Q.39

1:00

The Monetary Policy Committee (MPC) of RBI uses which of the following index data to control inflation?

- A. Consumer Price Index
- B. Baseline Profitability Index
- C. Consumer Protection Index
- D. Food Price Index
- E. Wholesale Price Index



Answer: Option A

The Monetary Policy Committee (MPC) uses **Consumer Price Index (CPI)** data to control inflation. Headline inflation based on Consumer Price Index-Combined (CPI-C) has been adopted as the key measure of inflation by the RBI, as mentioned in the monetary policy statement of April 2014. Earlier, the official measure of inflation in India was derived based on the Wholesale Price Index (WPI).

Assertion (A) : Devaluation can correct imbalance in the Balance of Payments.

Reason (R) : Devaluation raises the price of imported goods and reduces the foreign price of exports of the devaluating country.

- A. Both (A) and (R) are true and (R) is the correct explanation of (A).
- B. Both (A) and (R) are true and (R) is not the correct explanation of (A).
- C. (A) is true, but (R) is false.
- D. (A) is false, but (R) is true.
- E. None of the above



Answer: Option A

Devaluation is the deliberate downward adjustment of the value of a country's money relative to another currency, group of currencies, or currency standard. Countries that have a fixed exchange rate or semi-fixed exchange rate use this monetary policy tool. It is often confused with depreciation and is the opposite of revaluation, which refers to the readjustment of a currency's exchange rate.

With devaluation, the exports become cheaper for foreigners and imports costlier for domestic residents. Exports will generate revenue for the country and imports will reduce expenditure for the country thereby improving Balance of Payments.



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Q.41

1:00

The Capital Account Convertibility of the Indian Rupee implies:

- A. That the Indian Rupee can be exchanged by the authorized dealers for travel
- B. That the Indian Rupee can be exchanged for any major currency for the purpose of trade in goods and services
- C. That the Indian Rupee can be exchanged for any major currency for the purpose of trading financial assets
- D. Both A and B
- E. Both B and C



Answer: Option C

- Capital account convertibility means **free conversion of cross-border capital flows**. Any entity can convert domestic currency into hard currency at the prevailing market rate and take hard currency out of the country without the need of offering any explanation.
- In simple terms, a **capital account** keeps a record of **all the transactions related to assets between India and other countries**. This includes all kinds of investment assets like shares, debt, and property, or even corporate assets. **Currently, India has a partially convertible capital account policy**.
- This is because an individual or high net-worth investor wanting to invest **outside India can invest within an overall limit of \$250,000 per financial year under the Liberalized Remittance Scheme** for any permitted current or capital account transaction or a combination of both.



Q.42

1:00

Consider the following statements:

The price of any currency in international market is decided by the

1. World Bank
2. Demand of currency
3. Stability of the government of the concerned country
4. Economic potential of the country

Choose the correct answer using the Code given below:

- A. 1, 2, 3 and 4 are correct
- B. 2 and 3 are correct
- C. 3 and 4 are correct
- D. 1 and 4 are correct
- E. 1 and 2 are correct



Answer: Option B

- **World Bank** is important to the source of financial and technical assistance to developing countries around the world. **It has no relation to the price of the currency in the International Market.** Hence statement 1 is not correct.
- **The price of any currency is determined by forces of demand and supply.**
- Demand for a currency depends on two factors- its exports to other countries and investments that people want to make in that currency. **Hence statement 3 is correct.**
- The stability of the government is a very important factor too as an **unstable government may not be able to take effective economic decisions which will,** in turn, affect export and import. **Hence statement 2 is correct.**
- The economic potential of the country is not related to the price of any currency in the international market. Hence statement 4 is not correct.



Q.43

1:00

Both Foreign Direct Investment (FDI) and Foreign Institutional Investor (FII) are related to investment in a country. Which one of the following statements best represents an important difference between the two?

- A. FII helps bring better management skills and technology, while FDI only brings in capital.
- B. FII helps in increasing capital availability in general, while FDI only targets specific sectors.
- C. FDI flows only into the secondary market, while FII targets primary market
- D. FII is considered to be more stable than FDI
- E. None of the above

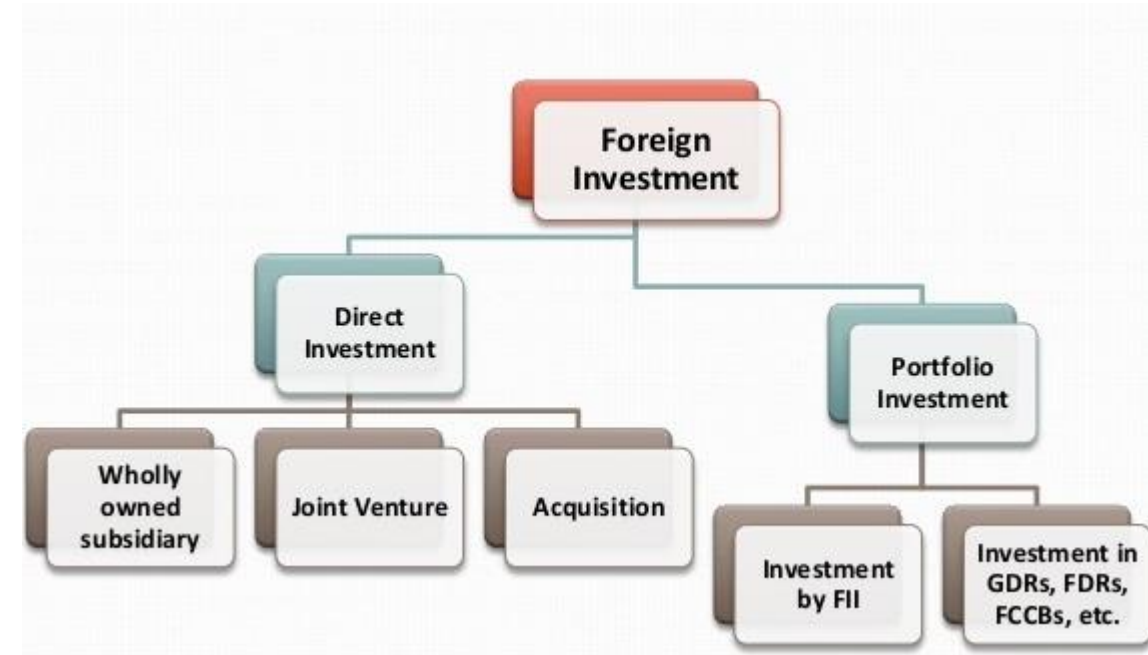


Answer: Option B

- **Foreign Direct Investment (FDI)** is defined as the type of investment into production or business in a country, by an enterprise based in another country. It is often contrasted with Foreign Institutional Investment (FII), which is an investment fund, based in the country, other than the country, in which investment is made.
- Both are the forms of investment made in a foreign country. **FDI is made to acquire controlling ownership in an enterprise** but FII tends to invest in the foreign financial market. In most cases, the former is given preference over the latter **because it benefits the whole economy.**
- **FDI targets a particular company**, but FII does not target a particular company.
- FII flows only into the secondary markets, while FDI targets the primary market.
- FDI is considered to be more stable than FII
- **FDI helps bring better management skills and technology**, while FII only brings in the capital.



S no.	FDI	FII
1	A foreign Company brings Capital into country to setup production	A foreign company buys equity in a company through the stock markets
2	Long term	Short term/ long term (depends on investor)
3	Economy increases	No Change In Economy
4	Employment Generation	No employment generation
5	GDP increases	No change in GDP
6	Investment in Indian Company/ Subsidiaries	Investment in secondary market depending upon market conditions
7	Motive is control	Motive is profit



Q.44

1:00

In India, CPI (Rural/Urban/Combined) is published by the _____ and CPI (IW/AL) is published by Labour Bureau in the Ministry of Labour and Employment.

- A. Ministry of Statistics and Programme Implementation
- B. Ministry of Corporate Affairs
- C. Ministry of Finance
- D. Ministry of Home Affairs
- E. Reserve Bank of India (RBI)



Consumer Price Index

- It measures price changes from the perspective of a retail buyer. It is released by the **National Statistical Office (NSO)**.
- The CPI calculates the difference in the price of **commodities and services** such as food, medical care, education, electronics etc, which Indian consumers buy for use.
- The CPI has several sub-groups including food and beverages, fuel and light, housing and clothing, bedding and footwear.
- Four types of CPI are as follows:
 - CPI for Industrial Workers (IW)
 - CPI for Agricultural Labourer (AL)
 - CPI for Rural Labourer (RL)
 - CPI (Rural/Urban/Combined)Of these, the first three are compiled by the **Labour Bureau in the Ministry of Labour and Employment**. Fourth is compiled by the **NSO in the Ministry of Statistics and Programme Implementation**.
- **Base Year** for CPI is **2012**



Q.45

1:00

It is an international agreement linked to the United Nations Framework Convention on Climate Change, which commits its Parties by setting internationally binding emission reduction targets. Recognizing that developed countries are principally responsible for the current high levels of GHG emissions in the atmosphere as a result of more than 150 years of industrial activity, the Protocol places a heavier burden on developed nations under the principle of "common but differentiated responsibilities.

Which of the following protocol is mentioned in the passage given above?

- A. Montreal Protocol
- B. Kyoto Protocol
- C. Cartagena Protocol
- D. Nagoya Protocol
- E. None of the above



Answer: Option B

Kyoto Protocol is an international agreement linked to the United Nations Framework Convention on Climate Change, which commits its Parties by setting internationally binding emission reduction targets. Recognizing that developed countries are principally responsible for the current high levels of GHG emissions in the atmosphere as a result of more than 150 years of industrial activity, the Protocol places a heavier burden on developed nations under the principle of "common but differentiated responsibilities.

"The Protocol was adopted in Japan, on 11 December 1997 and entered into force on 16 February 2005. The detailed rules for the implementation of the Protocol were adopted at COP 7 in Marrakesh, Morocco, in 2001, and are referred to as the "Marrakesh Accords." It covered few market based mechanisms (Flexible Market Mechanisms) to reduce the emissions.

- Most nations have ratified the treaty. The USA is a notable exception to this. It takes the stand that having binding targets only for developed countries and not polluting countries like China and India is potentially harmful for its own economy. Canada withdrew from the Kyoto Protocol in 2012.

- The targets are for the following greenhouse gases/gas groups: carbon dioxide, nitrous oxide, methane, sulphur hexafluoride, hydrofluorocarbons and perfluorocarbons.

- The first commitment period for the agreement was from 2008 to 2012.

- Apart from national measures, the agreement has three mechanisms that are means to achieve the Kyoto targets:

- International Emissions Trading
- Clean Development Mechanism
- Joint Implementation



Q.46

1:00

Which of the following is/are long term objectives of our five-year plans?

- 1. A high rate of growth to improve the standard of living of residents.**
- 2. Economic self-reliance.**
- 3. Social justice and reduction of inequalities.**
- 4. Urbanization of the economy.**

- A. 1 & 2 only
- B. 1, 2 & 3
- C. 1 Only
- D. 1, 2, 3 & 4
- E. 2, 3 & 4



Answer: Option B

Long-term objectives of Five Year Plans in India are:

- High Growth rate to improve the living standard of the residents of India.
- Economic stability for prosperity.
- Self-reliant economy.
- Social justice and reducing the inequalities.
- Modernization of the economy. **Hence all the four statements are correct. Therefore, option B is the answer.**



Q.47

1:00

Consider the following statements regarding the NITI Aayog:

- 1. NITI Aayog was formed on 25 January 2016.**
- 2. NITI Aayog is chaired by the President of India.**
- 3. The full form of NITI Aayog is National Institute for Transitioning India.**
- 4. The NITI Aayog is a policy think tank of the Government of India.**

Select the correct answer using the codes given below:

- A. 1 and 3 only
- B. 4 only
- C. 3 only
- D. 1, 2 and 3 only
- E. All of the above



Answer: Option B

- NITI Aayog was formed on 1 January 2015. **Hence statement 1 is incorrect.**
- NITI Aayog is chaired by the **Prime Minister of India. Hence statement 2 is incorrect.**
- The full form of NITI Aayog is National Institution for Transforming India. **Hence statement 3 is incorrect.**
- The NITI Aayog is a policy think tank of the Government of India. It replaced the Planning Commission. **Hence statement 4 is correct.**



Which of the following is/are the components of the Non-Tax Revenue Receipts component of the Union Budget of India?

- 1. Dividends/profits from PSU's.**
- 2. Interest payments received by the government on the money lent by it.**
- 3. Grants received by the government.**
- 4. Loans received by the government**
- 5. Recovery of the principal amount of loan**

- A. 1, 2, 4 and 5
B. 2, 3, 4 and 5
C. 1, 3 and 5
D. 1, 2 and 3
E. All of the Above



Answer: Option D

'Loans received by the government' and 'Recovery of the principal amount of loan' form a part of 'Capital Receipts' of the Union Budget. Loans received by the government is debt-creating capital receipts and Recovery of principal amount of loan is non-debt creating capital receipts. Hence 4 and 5 are eliminated.

What are revenue receipts?

Those receipts which neither create liability nor reduce assets are known as revenue receipts.

There are 2 types of Revenue Receipts:

1. Tax revenue receipts

2. Non-Tax revenue receipts

Tax Revenue Receipts are the receipts of the Government of India from direct as well as indirect taxes.

Examples: Income tax, Corporate Tax, GST (Indirect Tax), Custom duty.

Non -Tax Revenue Receipts

- **Profits and Dividends which the government gets from its public sector undertakings (PSUs)**
- **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**
- **Fees, Penalties and Fines received by the government.**
- **Grants which the government receives - it is always external in the case of the central government and internal in the case of state governments. Hence Statement 1, 2 and 3 are correct. So, option D is the answer.**



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What are capital receipts?

- **All the non-revenue receipts of the GOI.**
- **These are those receipts which either create liability or reduce assets.**

Examples: **Loans (Internal + External)**

- **Money in PPF, Small saving schemes, etc. These are debt creating capital receipts**
- **Proceeds from disinvestment.**
- **Recovery of principal amount of loan. These are non-debt creating capital receipts.**



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Q.49

1:00

Consider the following statements with respect to Purchasing Power Parity (PPP)

1. It is a popular metric that compares different countries' currencies through a "basket of goods" approach.
2. India is the third largest economy in terms of PPPs behind United States and China
3. PPP exchange rates are used to convert the national poverty lines from some of the poorest countries in the world to determine the Global Poverty Line.

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

- A. Only 1 and 3
- B. Only 2 and 3
- C. Only 1 and 2
- D. 1, 2 and 3
- E. Only 1



Answer: Option D

- It is the rate at which the currency of one country would have to be converted into that of another country to buy the same amount of goods and services in each country. To understand PPP, let's take a commonly used example, the price of a hamburger. If a hamburger is selling in London for £2 and in New York for \$4, this would imply a PPP exchange rate of 1 pound to 2 U.S. dollars.
- The PPP exchange rates are constructed to ensure that the same quantity of goods and services are priced equivalently across countries.
- PPP exchange rates are used to convert the national poverty lines from some of the poorest countries in the world to determine the Global Poverty Line.

India 3rd Largest Economy In Purchasing Power: Economic Survey

Finance Minister Nirmala Sitharaman on Tuesday tabled the Economic Survey 2022-23 in Parliament.

Updated: January 31, 2023 1:54 PM IST

By India.com News Desk | Edited by Anurag Kumar



Economic Survey 2022-23: Finance Minister Nirmala Sitharaman on Tuesday tabled the Economic Survey 2022-23 in Parliament. In one of the key takeaways of the survey, India is now the third-largest economy in the world in PPP (purchasing power parity) terms and; the 5th largest in terms of the exchange rate. Only US and China are ahead of India when it comes to purchasing power parity (PPP), the survey highlighted.



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Q.50

1:00

Which of the following items is classified as a Capital Receipt in the budget for the Government of India?

- A. The receipts from the collection of income tax
- B. The borrowings made by the government from the public
- C. The dividends and profits received from the public sector units
- D. The interest receipts for loans given by the government to its debtors
- E. None of the above



Answer: Option B

Capital Receipt

Capital Receipts are those receipts of the government which either create liability or cause any reduction in the assets of the government. The major sources of capital receipts of the central government are: Borrowings, Recovery of Loans and Disinvestment – Resale of shares of public sector undertakings.

Q.51

00:20

According to the John Maynard Keynes statement that Government interference is needed in the economy at times, which of the following can be true?

- A. A policy of annually balancing the budget.
- B. Deficit spending during some recessions.
- C. Contractionary fiscal policy during a recession.
- D. Expansionary fiscal policy during a boom.
- E. Free distribution of resources



Answer: Option B

Before the Great Depression of the 1930's Classical economics was the accepted belief.

According to the Classical thinking, the economy was always tending toward a full employment equilibrium, therefore there was no need for government intervention.

Keynes believed that the economy could tend toward a less than full employment equilibrium, therefore, in this case, there was need for government intervention to move the economy to a full employment equilibrium.



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Q.52

1:00

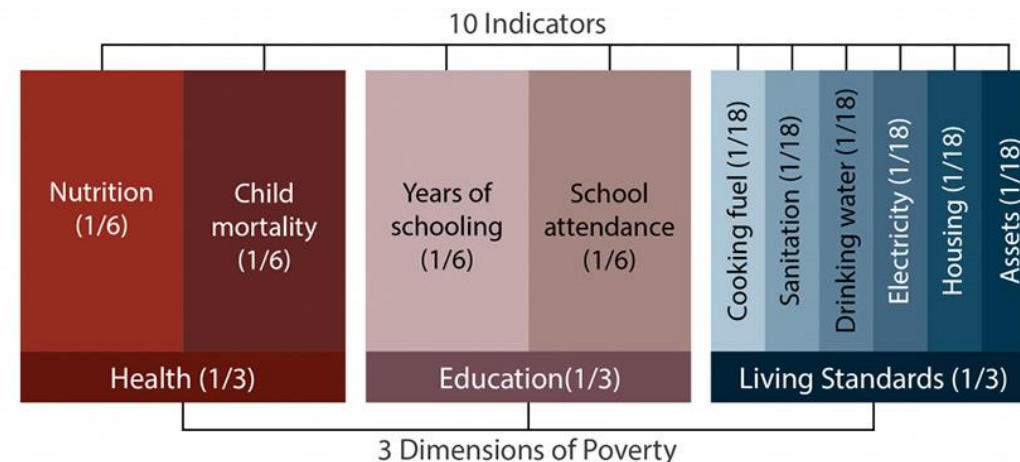
Which of the following is not an indicator to measure Multidimensional Poverty Index?

- A. Electricity
- B. Sanitation
- C. Cooking fuel
- D. Profession
- E. C and D



Answer: Option D

- The Multidimensional Poverty Index was launched by the **UNDP (United Nations Development Programme)** and **OPHI (Oxford Poverty and Human Development Initiative)** in 2010.
- **MPI is based on the idea that poverty is not unidimensional** (not just depends on income and one individual may lack several basic needs like education, health etc.), rather it is **multidimensional**.
- The index shows the proportion of poor people and the average number of deprivations each poor person experiences at the same time.
- **MPI uses three dimensions** and ten indicators which are:
 1. **Education:** Years of schooling and child enrollment (1/6 weightage each, total 2/6);
 2. **Health:** Child mortality and nutrition (1/6 weightage each, total 2/6);
 3. **Standard of living:** Electricity, flooring, drinking water, sanitation, cooking fuel and assets (1/18 weightage each, total 2/6).



Q.53

1:00

If the Union government is said to be following a path of Fiscal Consolidation, then which of the following statement(s) is/are correct?

- A. The government is borrowing freely and using the money to fulfill its obligations.
- B. The Fiscal Deficit of the government increases following the path of fiscal consolidation.
- C. Fiscal Deficit indicates the amount of government borrowing for that particular year.
- D. The Fiscal Responsibility and Budget Management (FRBM) Act gives the targets for fiscal consolidation in India.
- E. C and D



Answer: Option E

What is Fiscal Consolidation?

•Fiscal consolidation is a process where the government's fiscal health is getting improved and is indicated by a reduced fiscal deficit. Hence statement 1 is incorrect.

•Improved tax revenue realization and better-aligned expenditure are the components of fiscal consolidation as the fiscal deficit reaches a manageable level.

•Fiscal consolidation is a reduction in the underlying fiscal deficit. It is not aimed at eliminating fiscal debt. Hence statement 2 is incorrect.

•In India, fiscal deficit is the important indicator to show the fiscal health of the government. Effectively, fiscal deficit indicates the amount of government borrowing for that particular year. Hence statement 3 is correct.

Fiscal consolidation in India:

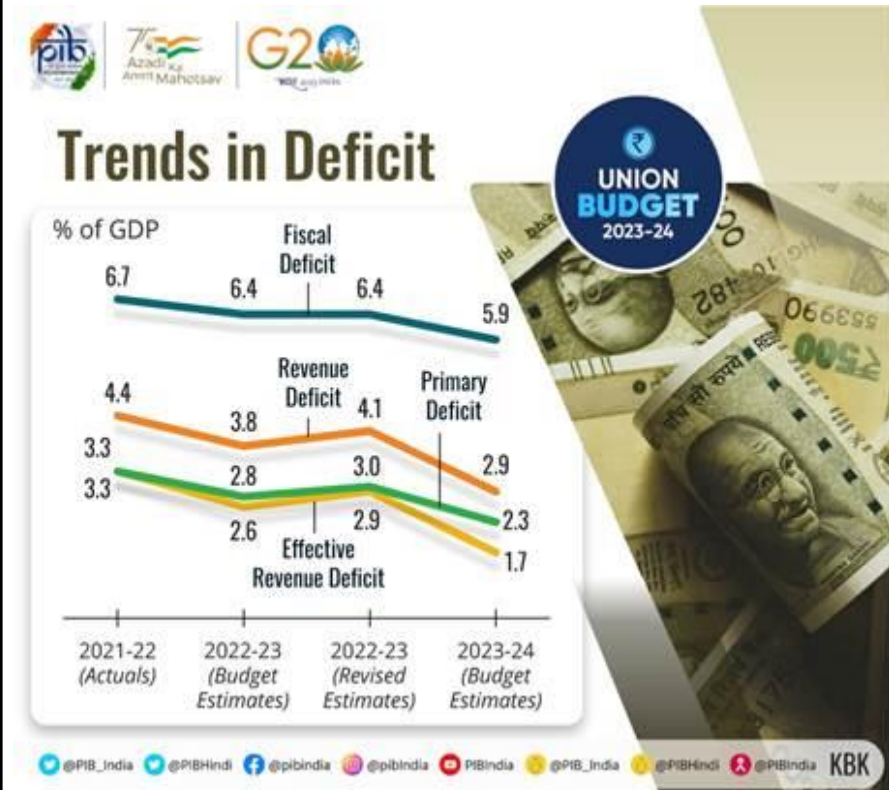
1.In India, fiscal consolidation or the fiscal roadmap for the centre is expressed in terms of the budgetary targets (fiscal deficit and revenue deficit) to be realized in successive budgets.

2.The Fiscal Responsibility and Budget Management (FRBM) Act 2003 gives the targets for fiscal consolidation in India. Hence statement 4 is correct. Therefore, the answer is Option D.

FISCAL DEFICIT TO BE AT 5.9% IN FY 2023-24

Posted On: 01 FEB 2023 12:59PM by PIB Delhi

Continuing the path of fiscal consolidation, the Government intends to bring the fiscal deficit below 4.5 per cent of GDP by 2025-26. This was stated by the Union Minister for Finance and Corporate Affairs Smt. Nirmala Sitharaman while presenting the Union Budget 2023-24 in the Parliament today.



Q.54

1:00

When the Union government borrows loans (maybe external or internal), under which component of the Union Budget does it get accounted?

- A. Capital Expenditure
- B. Non-Debt creating Capital Receipts
- C. Revenue Receipts
- D. Revenue Expenditure
- E. Debt-Creating Capital Receipts



Answer: Option E

It comes under the Debt-creating Capital Receipts component of the Union Budget.

What are capital receipts?

- All non-revenue receipts of a government are known as capital receipts. (Non–Revenue: Every form of money generation which is not income or earnings for a firm or a government (i.e., Money raised via borrowings) is considered a non-revenue source if they increase financial liabilities.)
- Such receipts are for investment purposes and supposed to be spent on plan development by a government.
- These are those receipts that either create liability or reduce assets. But the receipts might need their diversion to meet other needs to take care of the rising revenue expenditure of a government as the case had been with India

Examples:

1. Loans (Internal + External)
2. Money in PPF, Small saving schemes, etc

The above two are **debt creating capital receipts**. Hence the answer is **Option E**.

1. Proceeds from disinvestment
2. Recovery of principal amount of loan

The above two are **non-debt creating capital receipts**



Q.55

1:00

Which of the following is not a part of the revenue receipts for the Government of India?

- A. The receipts from the collection of interest amount from its debtors
- B. The receipts from the collection of corporate taxes
- C. The dividends and profits received from the public sector units
- D. The receipts from disinvestment of public sector undertakings
- E. None of the above



Answer: Option D

Revenue Receipt

Revenue Receipts are current incomes of government, which neither create liabilities nor cause any reduction in the assets of the government.

These receipts are classified into **Tax Revenue** and **Non-tax Revenue**.



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Q.56

1:00

Which type of fiscal policy is being described in the following lines?

This policy is designed to boost the economy. It is mostly used in times of high unemployment and recession. It leads to the government lowering taxes and spending more, or one of the two. The aim is to stimulate the economy and ensure consumers' purchasing power does not weaken.

- A. Neutral Fiscal policy
- B. Contractionary Fiscal policy
- C. Expansionary Fiscal Policy
- D. Information inadequate
- E. None of the Above



Answer: Option C

Expansionary fiscal policy: This policy is designed to boost the economy. It is mostly used in times of high unemployment and recession. **It leads to the government lowering taxes and spending more or one of the two.** The aim is to **stimulate the economy** and **ensure consumers' purchasing power does not weaken.** Hence **Option C is the correct answer.**

There are two key tools of the fiscal policy:

- Taxation:** Funds in the form of direct and indirect taxes, capital gains from investment, etc, help the government function. Taxes affect the consumer's income and changes in consumption lead to changes in real gross domestic product (GDP).
- Government spending:** It includes welfare programmes, government salaries, subsidies, infrastructure, etc. Government spending has the power to raise or lower real GDP, hence it is included as a fiscal policy tool.



Q.57

1:00

In budgetary terminology, Effective Revenue Deficit is the difference between:

- A. Revenue Deficit and Current Account Deficit
- B. Revenue Deficit and Subsidies
- C. Revenue Deficit and Grants for Creation of Capital Assets
- D. Revenue Deficit and Grants for Creation of Current Assets
- E. None of the Above



Answer: Option C

- **Effective revenue deficit** is a new term introduced in the **Union budget 2011-12**.
- **Revenue deficit** is the difference between **revenue receipts and revenue expenditures**
- Revenue expenditure includes **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 by the concerned state governments and the UTs).
- **According to the Finance Ministry**, 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**.
- New methodology was introduced to capture the ‘ **effective revenue deficit**’ which is **Revenue deficit ‘excluding’ those revenues expenditures of the GOI which were done in the form of GoCA(Grants for creation of capital assets)** Hence option C is the answer.
- GoCA includes **the government of India grants forwarded to the states and UTs** for the implementation of the centrally sponsored programmes such as **Pradhan Mantri Gram sadak Yojana, Accelerated irrigation benefit programme etc.**
- These expenses though shown by the government of India in its revenue expenditure, they are involved with asset creation and cannot be considered completely ‘unproductive’ like other items put in the basket of the revenue expenditure



Q.58

1:00

The Dependency Ratio in India is declining because

- A. Population of 0-14 years is relatively high
- B. Population of 64 years and above is relatively high
- C. Population of 15-64 years is relatively high
- D. The population of 0-14 years and 64 years and above together are relatively high
- E. Population of 15-64 is relatively low.



Answer: Option C

Key Points

- The **Dependency Ratio** calculates the number of young and old people and divides them by the total population including working adults.
 - When **the dependency ratio is high**, it suggests that there is a large elderly/youthful population.
 - The higher the dependency ratio**, the more the working-age population has to pay to sustain its dependents – unless services or social payments are reduced.
 - When **the dependency ratio is low and working age population is high**, it suggests that there is a working age population. **Hence option C is the answer.**
- Age dependency ratio is the ratio of dependents--people younger than 15 or older than 64--to the working-age population--those ages 15-64.



Q.59

1:00

Which of the following best defines the meaning of social movement?

- A. A great effort by one person to fight against the government
- B. A great effort by one person to bring about or impede social change
- C. An organized effort by a large number of people to fight against the government
- D. An organized effort by a large number of people to bring about or impede social change
- E. None of the above



Answer: Option D

- A **social movement** is a loosely organized effort by a large group of people to achieve a particular goal, typically a social or political one. This may be to carry out, resist or undo a social change.
- It is a type of group action and may involve individuals, organizations or both. Definitions of the term are slightly varied.
- Social movements have been described as "**organizational structures and strategies that may empower oppressed populations to mount effective challenges and resist the more powerful and advantaged elites**".
- They represent a method of social change from the bottom within nations. It is an organized effort by a large number of people to bring about or impede social change.



Q.60

1:00

Which instrument of monetary policy is being described in the following lines:

It is the share of NDTL that banks shall maintain in safe and liquid assets, such as, unencumbered government securities, cash, and gold.

- A. Cash Reserve Ratio (CRR)
- B. Statutory Liquidity Ratio (SLR)
- C. Repo Rate
- D. Marginal Standing Facility (MSF)
- E. None of the Above



- **A statutory Liquidity Ratio or SLR** is a minimum percentage of deposits (NDTL) that a **commercial bank has to maintain in the form of liquid cash, gold, or other securities**. Hence **option B is the answer**
- **Statutory Liquidity Ratio In terms of Section 24 (2-A) of the B.R. Act, 1949** all Scheduled Commercial Banks, in addition to the average daily balance which they are required to maintain under **Section 42 of the RBI, Act, 1934, are required to maintain in India,**
 - in cash, or
 - in gold valued at a price not exceeding the current market price, or
 - in unencumbered approved securities valued at a price as specified by the RBI from time to time
- It is basically the reserve requirement that **banks are expected to keep before offering credit to customers**. These are not reserved with the Reserve Bank of India (RBI), but with banks themselves.
- **The SLR is fixed by the RBI**. CRR (Cash Reserve Ratio) and SLR have been the traditional tools of the central bank's monetary policy to control credit growth, the flow of liquidity, and inflation in the economy. **The SLR was prescribed by Section 24 (2A) of the Banking Regulation Act, 1949.**

Importance of SLR

- The government **uses the SLR to regulate inflation and liquidity**.
- **Increasing the SLR will control inflation in the economy** while decreasing it will cause growth in the economy.
- Although, **the SLR is a monetary policy instrument of RBI**, it is important for the government to make its debt management programme successful.
- SLR has helped the government to sell its securities or debt instruments to banks. Most of the banks will be keeping their SLR in the form of government securities as it will earn them an interest income.

Q.61

1:00

Which of the following is not released by UNDP annually as part of its Human development report ?

- A. Human Development Index
- B. Inequality-adjusted Human Development Index
- C. Gender Development Index
- D. Gender Inequality Index
- E. Global Gender Gap Report



Answer: Option E

UNDP annually released HDR with 5 composite indices:

1. **Human Development Index**
2. **Inequality-adjusted Human Development Index**
3. Gender Development Index
4. Gender Inequality Index
5. Multidimensional Poverty Index

Global Gender Gap Report is released by the World Economic Forum

HUMAN DEVELOPMENT COMPOSITE INDICES

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Q.62

1:00

Which of the following is/are correct about gender budgeting?

1. It is a tool for gender mainstreaming.
2. Gender budgeting seeks to create a separate budget but seeks affirmative action to address specific needs of women.
3. Gender budgeting recognizes that if gender disparities are to be addressed, adequate monetary allocations are to be made for the achievement of desired outcomes

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 only
- E. 1 only



Gender Budgeting (GB)

1. GB is concerned with gender sensitive formulation of legislation, programmes and schemes; allocation of resources; implementation and execution; audit and impact assessment of programmes and schemes; and follow-up corrective action to address gender disparities.
2. A powerful tool for achieving gender mainstreaming so as to ensure that benefits of development reach women as much as men.
3. Does not seek to create a separate budget but seeks affirmative action to address specific needs of women.
4. Monitors expenditure and public service delivery from a gender perspective.
5. Entails dissection of the Government budgets to establish its gender differential impacts and to ensure that gender commitments are translated in to budgetary commitments.
6. It is a tool for gender mainstreaming.
7. Gender budgeting uses the budget as an entry point to apply a gender lens to the entire policy process.
8. Gender budgeting also recognizes that if gender disparities are to be addressed, adequate monetary allocations are to be made for the achievement of desired outcomes



Transfer Payments are a part of current account under Balance of Payments. Which of the following economics concept does not include Transfer payments?

- A. Personal Disposable Income
- B. National Income
- C. Personal Income
- D. Private Income
- E. None of the Above



Answer: Option B

National Income is an earning concept while the others are receipt concepts.

Personal Disposable Income is the amount of money available with the households after accounting for income taxes, either to spend or save the same.

Personal Disposable Income formula = Personal Income – Personal Income Taxes

Personal Disposable Income = Consumption + Save

Private income is the total of factor incomes and transfer incomes received from all sources by private sector (private enterprise and households) within and outside the country

Personal income is the sum of earned income and transfer income received by persons (households) from all sources within and outside the country



Q.64

1:00

Which of the following is/are the part of the Liquid Adjustment Facility (LAF)?

- 1.Repo Rate
- 2.Marginal Standing Facility
- 3.Bank Rate
- 4.Standing Deposit Facility

Choose the correct answer using the codes given below:

- A. 1 only
- B. 2 & 3
- C. 1, 2 and 4
- D. 1, 2 and 3
- E. None of the above



I. Liquidity measures

1. Introduction of the Standing Deposit Facility

In 2018, the amended Section 17 of the RBI Act empowered the Reserve Bank to introduce the Standing Deposit Facility (SDF) – an additional tool for absorbing liquidity without any collateral. By removing the binding collateral constraint on the RBI, the SDF strengthens the operating framework of monetary policy. The SDF is also a financial stability tool in addition to its role in liquidity management.

Accordingly, it has been decided to institute the SDF with an interest rate of 3.75 per cent with immediate effect. The SDF will replace the fixed rate reverse repo (FRRR) as the floor of the LAF corridor. Both the standing facilities viz., the MSF and the SDF will be available on all days of the week, throughout the year.

Date : Apr 08, 2022	
Monetary Policy Statement, 2022-23 Resolution of the Monetary Policy Committee (MPC) April 6-8, 2022	
On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting today (April 8, 2022) decided to:	
<ul style="list-style-type: none">• keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent.	
The marginal standing facility (MSF) rate and the Bank Rate remain unchanged at 4.25 per cent. The standing deposit facility (SDF) rate, which will now be the floor of the LAF corridor, will be at 3.75 per cent.	
<ul style="list-style-type: none">• The MPC also decided to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.	
These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.	
The main considerations underlying the decision are set out in the statement below	
Assessment	



Q.65

1:00

In which year did the disinvestment process in Public Sector Enterprises in India start?

- A. 2018
- B. 2000
- C. 1990
- D. 1991
- E. 2008



Answer: Option D

- The **disinvestment process in Public Sector Enterprises** means **the dilution of the stakes of the Government in a public enterprise.**
- Privatisation of the public sector enterprises by selling off part of the equity of Public Sector Enterprises to the public is known as disinvestment.
- The disinvestment process in Public Sector Enterprises in India started in 1991. Hence option D is the answer.**
- The main objective of disinvestment is to improve financial discipline and facilitate modernization.
- The disinvestment process can be done in two ways:**
 - When the Government sells a part of its equity of a public enterprise less than **50% of its total stock. It is known as minority Disinvestment.**
 - When disinvestment by the Government exceeds 50% the majority ownership and therefore control and management of the enterprise is transferred to the private enterprise. **It is known as strategic disinvestment.**
- Every year, the government fixes a target for the disinvestment of Public Sector Enterprises.
- In **1991-92**, it was targeted to **mobilise Rs 2500 crore** through disinvestment.



Q.66

1:00

The Global Financial Stability Report provides an assessment of the global financial system and markets, and addresses emerging market financing in a global context. It focuses on current market conditions, highlighting systemic issues that could pose a risk to financial stability and sustained market access by emerging market borrowers. The report is published by_____.

- A. International Monetary Fund
- B. United Nations Conference on Trade and Development
- C. World Economic Forum
- D. World Bank
- E. UNESCO



Answer: Option A

- The **Global Financial Stability Report** provides an assessment of the **global financial system and markets, and addresses emerging market financing in a global context**. It focuses on current market conditions, highlighting systemic issues that could pose a risk to financial stability and sustained market access by emerging market borrowers. **The Report draws out the financial ramifications of economic imbalances highlighted by the IMF's World Economic Outlook**. It contains, as special features, analytical chapters or essays on structural or systemic issues relevant to international financial stability.
- **The Global Financial Stability Report (GFSR) is a survey by the IMF staff published twice a year, in the spring and fall.**
- **The World Economic Outlook (WEO) and the Global Financial Stability Report (GFSR) are the reports published by the IMF.**
- **Global Gender Gap Report, Global Risk Report, and the Travel and Tourism Competitiveness Report** are the reports published by WEF.
- **The World Investment Report** is released by the **United Nations Conference on Trade and Development**.
- **Global Economic Prospects, Ease of Doing Business, World Development Report** are released by the **World Bank**.



Q.67

1:00

Consider the following statements regarding the Agriculture credit in India:

1. Reserve Bank of India fixes agriculture credit disbursement targets for the banking sector every year.
2. Domestic Scheduled Commercial Banks are required to lend 18% of the Adjusted Net Bank Credit (ANBC) or Credit Equivalent to Off-Balance Sheet Exposure (CEOBE), whichever is higher, towards agriculture.
3. Regional Rural Banks are required to lend 18% of the Adjusted Net Bank Credit (ANBC) or Credit Equivalent to Off-Balance Sheet Exposure (CEOBE) towards agriculture.

Which of the statements given above is/are correct?

- A. 1 only
- B. 1 and 2 only
- C. 2 and 3 only
- D. 3 only
- E. 1, 2 and 3



01 JUL 2019 5:32PM by PIB Delhi

Agriculture Credit Disbursement

Government fixes agriculture credit disbursement targets for the banking sector every year and banks have consistently surpassed these targets.

Categories	Domestic commercial banks (excl. RRBs & SFBs) & foreign banks with 20 branches and above	Foreign banks with less than 20 branches	Regional Rural Banks	Small Finance Banks
Total Priority Sector	40 per cent of ANBC as computed in para 6 below or CEOBE whichever is higher	40 per cent of ANBC as computed in para 6 below or CEOBE whichever is higher; out of which up to 32% can be in the form of lending to Exports and not less than 8% can be to any other priority sector	75 per cent of ANBC as computed in para 6 below or CEOBE whichever is higher; However, lending to Medium Enterprises, Social Infrastructure and Renewable Energy shall be reckoned for priority sector achievement only up to 15 per cent of ANBC.	75 per cent of ANBC as computed in para 6 below or CEOBE whichever is higher.
Agriculture	18 per cent of ANBC or CEOBE, whichever is higher; out of which a target of 10 percent [#] is prescribed for Small and Marginal Farmers (SMFs)	Not applicable	18 per cent ANBC or CEOBE, whichever is higher; out of which a target of 10 percent [#] is prescribed for SMFs	18 per cent of ANBC or CEOBE, whichever is higher; out of which a target of 10 percent [#] is prescribed for SMFs
Micro Enterprises	7.5 per cent of ANBC or CEOBE, whichever is higher	Not applicable	7.5 per cent of ANBC or CEOBE, whichever is higher	7.5 per cent of ANBC or CEOBE, whichever is higher
Advances to Weaker Sections	12 percent [#] of ANBC or CEOBE, whichever is higher	Not applicable	15 per cent of ANBC or CEOBE, whichever is higher	12 percent [#] of ANBC or CEOBE, whichever is higher

Revised targets for [SMFs and Weaker Section](#) will be implemented in a phased manner as indicated in para 5.2

Q.68

1:00

The term 'Base Erosion and Profit Shifting' is best described as

- A. Mining operation by multinational companies in resource-rich but backward areas
- B. Practice of tax evasion by multinational companies
- C. Exploitation of genetic resources of a country by multinational companies
- D. Lack of consideration of environmental costs in the planning and implementation of developmental projects
- E. None of the above



Answer: Option B

- Base erosion and profit shifting refers to the phenomenon where companies shift their profits to other tax jurisdictions, which usually have lower rates, thereby eroding the tax base in India.
- The idea is simple. Firms make profits in one jurisdiction, and shift them across borders by exploiting gaps and mismatches in tax rules, to take advantage of lower tax rates and, thus, not paying taxes to in the country where the profit is made.
- The inclusive framework collaborates over 135 countries and jurisdictions to implement the BEPS measures and to curb BEPS.
- **Double-tax avoidance treaties and tax-information exchange** between member nations are done to curb this practice.



Consider the following pairs regarding different sectors of the economy:

- 1. Primary Sector: It contains all of the economic activities under which the raw materials extracted are processed.**
- 2. Secondary Sector: The economic activities which take place while exploiting the natural resources fall under it.**
- 3. Quinary Sector: The highest level of decision-makers in governments and the private corporate sector fall under it.**

Which of the following pairs are correctly matched??

- A. 3 only
- B. 2 only
- C. 1 and 2 only
- D. 1, 2 and 3 only
- E. 2 & 3 only



•**Primary Sector:** The economic activities which take place **while exploiting the natural resources fall under it**, such as mining, agricultural activities, oil exploration, etc. When the agriculture sector (one of the sub-sectors of the primary sector) contributes a minimum of half of the national income and livelihood in a country it is called an agrarian economy. **Hence statement 1 is incorrect.**

•**Secondary Sector:** It contains all of the economic activities under which the **raw materials extracted out of the primary sector are processed** (also called the industrial sector). One of its sub-sectors, manufacturing, has proved to be the largest employer across the western developed Economies. **Hence statement 2 is incorrect.**

•**Tertiary Sector:** All of the economic activities **where services are produced falls in this sector**, such as **education, healthcare, banking, communication, etc.** When this sector contributes minimum half of the national income and livelihood in a country it is called a **service economy**. Later on, experts created two more sectors of economy—quaternary and quinary. Though, they are subsectors of the tertiary sector.

•**Quaternary Sector: Known also as 'knowledge' sector**, the activities related to education, research and development, etc. come under it. The sector plays the most important role in defining the **quality of the human resources an economy has.**

•**Quinary Sector: All activities where top decisions are made fall under it.** The highest level of decision makers in governments (inclusive of their bureaucracy) and the private corporate sector fall under it. The number of people involved in this sector is very low rather they are considered the **'brain' behind socio-economic performance of an economy. Hence statement 3 is correct. Therefore, the answer is Option A.**

Q.70

1:00

Which one of the following issues the 'Global Economic Prospects' report periodically?

- A. The Asian Development Bank
- B. The European Bank for Reconstruction and Development
- C. The US Federal Reserve Bank
- D. The World Bank
- E. International Monetary Fund



Answer: Option D

- **'Global Economic Prospects'** is a **World Bank** Group **flagship report**.
- It examines global economic developments and prospects, with a special focus on emerging markets and developing economies.
- It is **issued twice a year**, in January and June.
- The January edition includes in-depth analyses of topical policy challenges.
- The June edition contains shorter analytical pieces.
- Commodity Markets Outlook is now released as its own report, also contained in this collection.



Q.71

1:00

Which of the following sub- sector does not come under the service sector in India?

- A. Real estate
- B. Transport and Communication
- C. Defence Service
- D. Public Administration
- E. Electricity, Gas and Water supply



Answer: Option E

Sectors	2019-20 (1st RE)	2020-21 (PE)	2021-22 (1st AE)
Agriculture & Allied Sectors	18.4	20.2	18.8
Industry	26.7	25.9	28.2
Mining & quarrying	1.9	1.6	2.3
Manufacturing	14.7	14.4	15.4
Electricity, gas, water supply & other utility services	2.6	2.7	2.5
Construction	7.4	7.2	8.0
Services	55.0	53.9	53.0
Trade, hotels, transport, communication and services related to broadcasting	18.9	16.4	16.9
Financial, real estate & professional services	21.2	22.1	20.9
Public administration, defence and Other Services	14.9	15.4	15.2
GVA at basic price	100.0	100.0	100.0

The above classification is by Economic Survey (Government of India) .

According to it, Electricity, Gas and Water supply falls under the industry Sector. **Hence Option E is the answer.**



Q.72

1:00

The value of Special Drawing Right (SDR) is determined by the basket of how many currencies?

- A. 4
- B. 5
- C. 6
- D. 7
- E. 8



Answer: Option B

- The SDR was created as a supplementary international reserve asset in the context of the Bretton Woods fixed exchange rate system. SDR allocations can play a role in providing liquidity and supplementing member countries' official reserves, as was the case amid the global financial crisis.
- The SDR serves as the unit of account of the IMF and other international organizations.
- The SDR is neither a currency nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members. SDRs can be exchanged for these currencies.
- The **currencies** are US Dollar, Japanese Yen, British Pound, Chinese Yuan and Euro



Q.73

1:00

Which of the following is incorrect about the Monetary Policy Committee?

- A. It is a statutory and institutionalized framework under the Reserve Bank of India Act, 1934
- B. An RBI-appointed committee led by the then deputy governor Urjit Patel in 2014 recommended the establishment of the Monetary Policy Committee
- C. The Governor of Reserve Bank of India is the Chairman of the committee
- D. The committee comprises eight members - four officials of the RBI and four external members nominated by the Government of India
- E. The MPC has to meet atleast 4 times in a year.



Answer: Option D

- A. The Monetary Policy Committee is a **statutory and institutionalized framework under the Reserve Bank of India Act, 1934**, for maintaining price stability, while keeping in mind the objective of growth.
- B. An RBI-appointed committee led by the then deputy governor **Urjit Patel** in 2014 recommended the establishment of the Monetary Policy Committee.
- C. The **Governor** of RBI is **ex-officio Chairman of the committee**.
- D. The **committee comprises six members** (including the Chairman) - **three officials of the RBI and three external members nominated by the Government of India**.



Q.74

1:00

Which of the following statements correctly describes Balance of Payment Account?

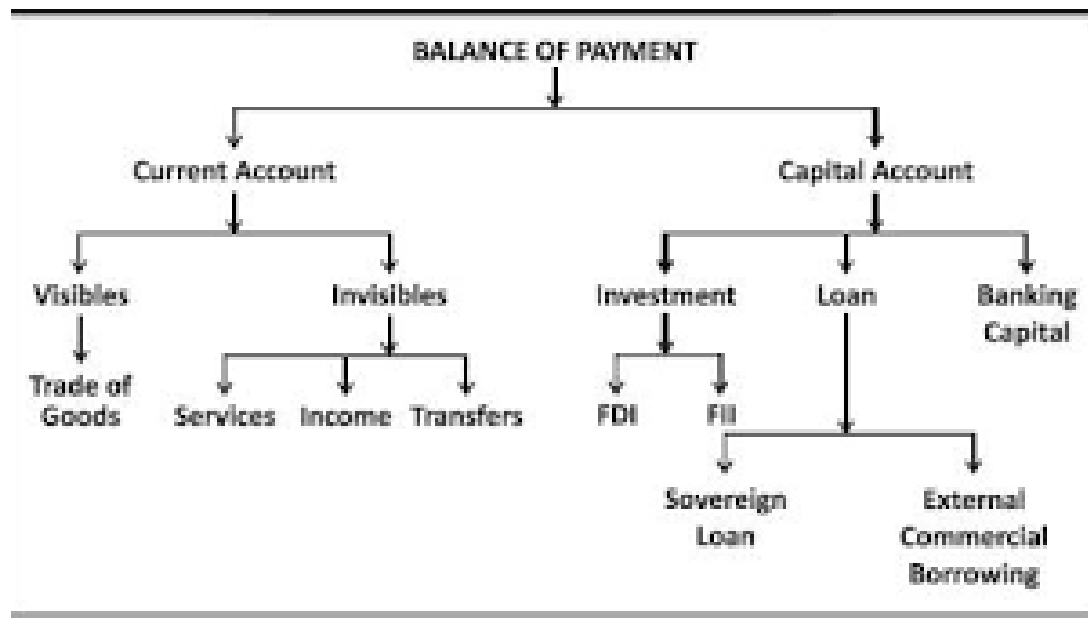
- A. It is a systematic record of some economic transactions of residents of a country with the rest of the world during a given period of time
- B. It is a systematic record of all economic transactions of non-residents of a country with the residents during a given period of time
- C. It is a systematic record of all economic transactions of residents of a country with the rest of the world during a given period of time
- D. It is a systematic record of all economic transactions and non-economic transactions of residents of a country with the rest of the world during a given period of time
- E. None of the Above



Answer: Option C

The balance of payments is a systematic record of all economic transactions of residents of a country with the rest of the world during a given period of time.

•**The balance of payments (BOP)**, also known as **the balance of international payments**, summarizes all transactions that a country's individuals, companies, and government bodies complete with individuals, companies, and government bodies outside the country. These transactions consist of imports and exports of goods, services, and capital, as well as transfer payments, such as foreign aid and remittances. **Hence Option C is the answer.**



Q.75

1:00

Which of the following is not accounted for in the capital account under Balance of Payment?

- A. Direct Investment
- B. External Commercial Borrowing
- C. Remittances and Grants
- D. Portfolio Investment
- E. All of the above are accounted for in the capital account under Balance of Payment



There are two components of BoP-

1. Current Account
2. Capital Account

Current Account deals with current, ongoing, short term transactions like trade in goods, services (invisible) etc. It reflects the nation's net income. It has broadly 4 components.

- Goods – trade in goods
- Services (invisible) – trade in services e.g. tourism
- Income – investment income
- Current unilateral transfers – donations, gifts, grants, remittances .

Note that grants might appear as the component of the capital account but are included in the current account as they are unilateral and creates no liability. The recipient does not have to give anything back in return.

Option C is incorrect because remittances and grants are part of Current account.

Capital Account deals with capital transactions i.e. those transactions which create assets or liabilities. It reflects the net changes in the ownership of national assets. It also has broadly 4 components

- Foreign Direct Investment (FDI)
- Foreign Portfolio Investment (FPI)
- External Borrowings such as ECB
- Reserve Account with the Central Bank.

Q.76

1:00

Which of the following are the advantages of foreign trade and investment?

1. It stimulates competition
2. It improves resource allocation
3. It facilitates international distribution of technology
4. It leads to the development of human capital

Choose the correct option using code given below:

- A. 1, 2 and 3 only
- B. 2, 3 and 4 only
- C. 1, 3 and 4 only
- D. 1, 2 and 4 only
- E. All of the above



Answer: Option E

- **Increase in Economic growth**
- **Development of human capital**
- **Technology:** Foreign companies derive enormous benefits from FDI through improved technology and tools. Newer and improved operational practices are adopted to make the vision a reality. Utilising the latest financial tools across all company sections ensures improved effectiveness and efficiency in conducting operations.
- **Rise in exports:** The FDI usually does produce goods keeping the global markets in mind, and therefore the **goods produced by them are export compatible**. This leads to an increase in exports, and it is achieved by creating 100% export-oriented units.
- **Facilitates the stability in the exchange rate:** If the economy successfully maintains a constant flow of foreign capital through FDI, it simply translates into a flow of regular foreign exchange in the country. This flow will help build a growing foreign exchange reserve, ultimately stabilising the exchange rates, which the Central Bank maintains.
- **FDI leads to the creation of a Competitive Market:** Another advantage of foreign direct investment is that it facilitates the entry of foreign entities into the local marketplace. This move helps to build and sustain a healthy competitive environment. When a healthy competitive environment is built, it will further help to break down the domestic monopolies.
- **Helps in combating climate change:** Due to the mounting issues surrounding climate change, the United Nations has encouraged the route of foreign direct investments, realizing that it will help fight the problems.



Q.77

1:00

In the context of Balance of payment (BoP), what are ‘accommodating transactions’?

- A. Mismatches in Balance of payment records.
- B. Current account transactions.
- C. Transactions that are done to balance the surplus or deficit of Balance of payment.
- D. Transactions that are done with profit maximization motive.
- E. None of the Above



Answer: Option C

Accommodating Transactions

• **Transactions done to balance the surplus or deficit of BoP** caused by the Current account and Autonomous transactions are called **accommodating transactions**. Hence **option C is the answer**.

These include –

- Foreign exchange reserve
- Borrowing from IMF or foreign monetary authorities



Q.78

1:00

“Fiscal Stimulus” is provided to different sectors of an economy to promote the growth. Which of the following measure does not constitute fiscal stimulus?

- A. Increasing taxes
- B. Monetary incentives
- C. Export subsidies
- D. Decreasing Taxes
- E. None of the above



Answer: Option A

A stimulus package is a number of incentives and tax rebates offered by a government to boost spending in a bid to pull a country out of a recession or to prevent an economic slowdown.

- A stimulus package can either be in the form of a monetary stimulus or a fiscal stimulus.
- A monetary stimulus involves cutting interest rates to stimulate the economy.
- When interest rates are cut, there is more incentive for people to borrow as the cost of borrowing is reduced.
- An increase in borrowing means there'll be more money in circulation, less incentive to save, and more incentive to spend.
- Lowering interest rates could also weaken the exchange rate of a country, thereby leading to a boost in exports.
- When exports are increased, more money enters the economy, encouraging spending and stirring up the economy



Q.79

1:00

With reference to ‘Financial Action Task Force (FATF)’, which of the following statements is/are correct?

1.The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog.

2.All permanent members of the Security Council except China are members of FATF.

3.It is an intergovernmental organization founded by an initiative of the G20.

Select the correct statement/s:

- A. Only 1 & 2
- B. Only 2 & 3
- C. Only 1
- D. Only 2
- E. None of the above



Answer: Option C

The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog. It sets international standards that aim to prevent these illegal activities and the harm they cause to society. **Hence statements 1 is correct.**

- India is a full member of FATF since 2010, as are all the permanent Security Council members including China. **Hence statement 2 is incorrect.**

- FATF is an intergovernmental organization founded in 1989 **on the initiative of the G7** to develop policies to combat money laundering. **In 2001, its mandate was expanded to include terrorism financing. Hence statement 3 is incorrect.**

- As of 2022 The FATF currently comprises 37 member jurisdictions and 2 regional organisations, representing most major financial centres in all parts of the globe.

- Therefore option C is the answer.**



Q.80

1:00

Demographic Transition is described as

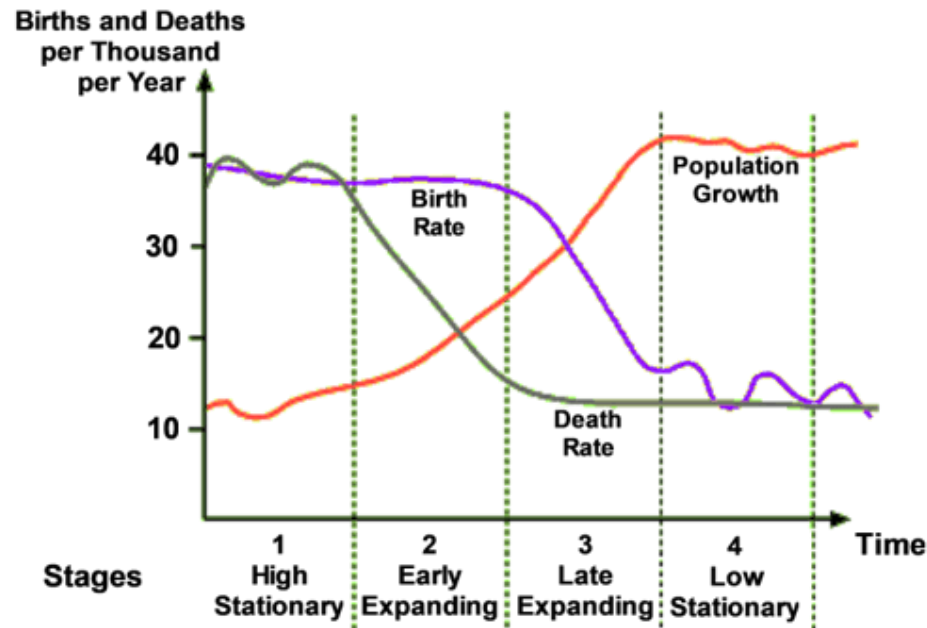
- A. a stage in which the population growth of the country is zero
- B. a process where there is a decline in the birth-rate
- C. a process of change in a society's population over time
- D. a process where there is a decline in the death rate
- E. a process where there is stagnancy in the society's population



Answer: Option C

- Demographic Transition is a process of change in a society's population overtime. **Hence option C is the answer.**
- It can be used to describe and predict the future population of any area.
- It shows changes in birth rate and death rate and consequently on the growth rate of population.
- It is the relationship between economic development and population growth.
- Demographer Warren Thompson first introduced the demographic transition model in 1929.

Demographic Transition Model



Q.81

1:00

With reference to Gross Value Added (GVA), which of the following statements is/are correct?

- A. It is defined as the value of output minus the value of intermediate consumption.
- B. Its estimate is released by National Statistical Office.
- C. From an economics perspective, it represents the supply side.
- D. In India, GVA is calculated at basic prices.
- E. All of the above



Gross Value Added

- **In 2015**, India opted to make major changes to **its compilation of national accounts** and decided to bring the whole process into conformity with **the United Nations System of National Accounts (SNA) of 2008**.
- The SNA is the internationally agreed standard set of recommendations on how to compile measures of economic activity.
- It describes a coherent, consistent and integrated set of macroeconomic accounts in the context of a set of internationally agreed concepts, definitions, classifications and accounting rules.
- As per the SNA, **GVA is defined as the value of output minus the value of intermediate consumption and is a measure of the contribution to growth made by an individual producer, industry or sector.**
- It provides the rupee value for the number of goods and services produced in an economy after deducting the cost of inputs and raw materials that have gone into the production of those goods and services.
- It can be described as the main entry on the income side of the nation's accounting balance sheet, and from an **economics perspective represents the supply side.**
- At the macro level, from a national accounting perspective, GVA is the sum of a country's GDP and net of subsidies and taxes in the economy.
- **Gross Value Added = GDP + subsidies on products - taxes on products**
- Earlier, India had been measuring **GVA at 'factor cost'** till the new methodology was adopted in which **GVA at 'basic prices' became the primary measure of economic output.**
- GVA at basic prices will include production taxes and exclude production subsidies.
- GVA at factor cost included no taxes and excluded no subsidies.
- The base year has also been **shifted to 2011-12** from the earlier **2004-05**.



Q.82

1:00

Excess of total expenditure over total receipts less borrowings and interest payment is :

- A. Revenue Deficit
- B. Primary Deficit
- C. Budget Deficit
- D. Effective Revenue Deficit.
- E. None of the above



Answer: Option B

- **Revenue Deficit:** Revenue Expenditure – Revenue Receipts
- **Fiscal Deficit:** Total Expenditure – Total Receipts excluding borrowing
- **Primary Deficit:** Fiscal Deficit – Interest Payments
- **Effective revenue deficit** is defined as the difference between revenue deficit and grants for creation of capital assets.

We must note that the borrowing requirement of the government includes interest obligations on accumulated debt. The goal of measuring gross primary deficit is to focus on present fiscal imbalances. To obtain an estimate of borrowing on account of current expenditures exceeding revenues, we need to calculate what has been called the primary deficit. **It is simply the fiscal deficit minus the interest payments.**

The formula for Gross primary deficit is:

Gross primary deficit = Gross fiscal deficit – Net interest liabilities

Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending.



Q.83

1:00

Which among the following defines Marginal Standing Facility Rate?

- A. The rate at which banks place their surplus funds with the RBI
- B. The rate at which banks can borrow against their excess SLR securities to meet additional liquidity requirements
- C. The rate at which the Reserve Bank is prepared to buy or re-discount bills of exchange or other commercial paper eligible for purchase
- D. The rate at which banks borrow funds from the Reserve Bank against eligible collaterals
- E. B and C



Answer: Option B

Marginal Standing Facility (MSF) is a new scheme announced by the RBI in its Monetary Policy (2011-12) and refers to the penal rate at which banks can borrow money from the central bank over and above what is available to them through the LAF window.

It is a facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by pledging their Statutory Liquidity Ratio (SLR) portfolio up to a limit at a penal rate of interest.

If India is facing continuous depreciation of Rupees against dollars and inflation is high, what will be the step taken by the RBI?

- A. RBI buys Dollars and sell rupees
- B. RBI sells Dollars and sell rupees
- C. RBI buys Dollars and buys rupees
- D. RBI sells Dollars and buys rupees
- E. None of the above



Answer: Option D

In India, RBI follows a managed floating exchange rate system. Here, the RBI interferes to manage volatility in floating exchange regime. To stop depreciation of rupee, RBI should sell dollars from its forex reserve and to stop appreciation of rupee, RBI should purchase dollars from the market. It can do swap or other measures in which it can sell dollars for rupees.



Q.85

1:00

Which of the following term denotes the average income earned by a person in India?

- A. National Income
- B. Per capita income
- C. Personal income
- D. Personal Disposable Income
- E. None of the above



Answer: Option B

- Per capita income (PCI) or average income measures the average income earned per person in a given area (city, region, country, etc.) in a specified year. It is calculated by dividing the area's total income by its total population. Per capita income is national income divided by population size.

Q.86

1:00

'World Economic Outlook' report is published by

- A. World Economic Forum
- B. World Bank
- C. Asian Development Bank
- D. United Nations Development Programme
- E. International Monetary Fund



Answer: Option E

- As part of its World Economic and Financial Surveys, the IMF publishes flagship reports on multilateral surveillance twice a year:
- World Economic Outlook (WEO)
- Global Financial Stability Report (GFSR)

- Fiscal Monitor (FM).

- The WEO provides detailed analysis of the state of the world economy, addressing issues of pressing interest such as the protracted global financial turmoil and ongoing economic recovery from the global financial crisis.

- The GFSR provides an up-to-date assessment of global financial markets and prospects and highlights imbalances and vulnerabilities that could pose risks to financial market stability.

- The FM updates medium-term fiscal projections and assesses developments in public finances. The IMF also publishes Regional Economic Outlook (REO) reports as part of its World Economic and Financial Surveys.



Q.87

1:00

'First P in PPP', which is an often-used acronym of international economics, stands for _____

- A. Producer
- B. Price
- C. Private
- D. Power
- E. Purchasing



Answer: Option E

- **Purchasing power parity** is defined as **the number of units of a country's currency required to buy the same amount of goods and services in the domestic market as one dollar would buy in the US.**
- The technique of purchasing power parity allows us to estimate what exchange between two currencies is needed to express the accurate purchasing power of the two currencies in the respective countries.
- **The PPP is an alternative method to make international comparison of GDP, Per capita income etc.** Official or widely followed method is the market exchange rate oriented (dollar – rupee exchange rate) method. But the PPP is supposed to be the most realistic method.
- **India's GDP is higher** and is the third biggest economy when using the PPP method to estimate GDP. On the other hand, the country is ranked seventh when the conventional market exchange rate method is used.



Q.88

1:00

Which of the following option is not a feature of Special Drawing Rights (SDR)?

- A. It is an international reserve asset was created to supplement its member countries official reserves.
- B. The value of the SDR is based on a basket of five currencies.
- C. The valuation basket is reviewed and adjusted every five years.
- D. They serve as a currency that member countries can freely utilize as a claim.
- E. They are only allocated to the members that elect to participate in the SDR Department.



Answer: Option D

An SDR is essentially an artificial currency instrument used by the IMF and is built from a basket of important national currencies. The IMF uses SDRs for internal accounting purposes. SDRs are allocated by the IMF to its member countries and are backed by the full faith and credit of the member countries' governments.

- The SDR is an **international reserve asset** created by the IMF to supplement the official reserves of its member countries.
 - **A basket of currencies defines the SDR: the US dollar, Euro, Chinese Yuan, Japanese Yen, and British Pound.**
 - The SDR currency value is calculated daily (except on IMF holidays or whenever the IMF is closed for business) and **the valuation basket is reviewed and adjusted every five years.**
 - **The SDR is not a currency. It is a potential claim on the freely usable currencies of IMF members.**
 - IMF makes the general SDR **allocation to its members** in proportion to their existing quotas in the IMF.
 - **SDRs are only allocated to IMF members that elect to participate in the SDR Department. Currently all members of the IMF are participants in the SDR Department.**
- Hence, option D is the correct answer.



Q.89

1:00

Which industry is known as 'Sunrise Industry'?

- A. Cotton Industry
- B. Automobile Industry
- C. Industry of Coal
- D. Food processing Industry
- E. Steel Industry



Answer: Option D

- A sunrise industry is one **that is new or relatively new, is growing fast, and is expected to become important in the future.**
- Examples of **sunrise industries** include **hydrogen fuel production, petrochemical industry, food processing industry, space tourism, and online encyclopedias.**
- Sunrise industry is a colloquial term for a **burgeoning sector or business in its infancy stage showing promise of a rapid boom.**
- Sunrise industries are typically characterized by high growth rates, numerous start-ups, and an abundance of venture capital funding.

Hence, option D is the correct answer.



Q.90

1:00

Which of the following best describes ‘import substitution’?

- A. Substituting the imported goods with the locally produced goods
- B. Increasing the export of countries
- C. Protecting the domestic service industry
- D. Increasing the imports from South East Asia.
- E. Increasing the exports to the USA.



Answer: Option A

The policy of **encouraging domestic production by raising barriers against the import of goods from foreign economies**. It is usually recommended by some economists as a way to encourage self-sufficiency, and also to aid the development of local industries. **Hence, option A is the correct answer.**

Q.91

1:00

Foreign trade in India is promoted and facilitated by the Directorate General of Foreign Trade (DGFT), under which ministry?

- A. Ministry of Finance
- B. Ministry of External Affairs
- C. Ministry of Statistics and Programme Implementation
- D. Ministry of Commerce and Industry
- E. Ministry of Corporate Affairs



Answer: Option D

Foreign trade in India is promoted and facilitated by the **Directorate General of Foreign Trade (DGFT), under the Ministry of Commerce and Industry (MoCI)**. The DGFT issues authorization to exporters and monitors their corresponding obligations through a network of 38 regional offices. **The DGFT also implements the Foreign Trade Policy of India.**

Hence, option D is the correct answer.



Q.92

1:00

Why is India regarded as a country with a "Demographic Dividend"?

- A. Its high population in the age group below 15 years.
- B. Its high population in the age group of 15-64 years.
- C. Its high population in the age group above 65 years.
- D. Its high total population.
- E. Its high population in the age group of 20-80 years.



Answer: Option B

The demographic dividend is the **economic growth potential** that can result from **shifts in a population's age structure**, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population (14 and younger, and 65 and older).

Demographic dividend in India :

- As populations in countries such as China, US, and Japan is getting older, **India's population is getting younger.**
- India's working-age population is now increasing **because of rapidly declining birth and death rates.**
- **India's age dependency ratio, the ratio of dependents (children and the elderly) to the working-age population (14- to 65-year-olds), is expected to only start rising in 2040, as per UN estimates.** This presents a **golden opportunity for economic growth.**
- However, this growth will depend on those in the working-age population actually working.
- **India's labour force participation rate** is declining, especially among **rural youth (15- to 29-year-olds) and women.**
- For India to harness the power of its favourable demographics, India's labour force needs to be empowered with the right skills for the modern economy.

Hence Option B is the answer.



Q.93

1:00

Which term is used to describe the grouping of countries committed to remove all barriers to the free flow of goods and services between themselves?

- A. Free trade area
- B. Custom union
- C. Common market
- D. Economic union
- E. None of the above



Answer: Option A

The grouping of countries committed to removing all barriers to the free flow of goods and services between themselves and also pursuing independent external trade policies is called the **Free trade area**. Hence **Option A is the correct answer**.

Additional Information

Customs union: This type provides for economic cooperation as in a free-trade zone. Barriers to trade are removed between member countries. **The primary difference** from the free trade area is **that members agree to treat trade with nonmember countries in a similar manner.**

Common market: It is a **formal agreement** where a group is formed among several countries in which **each member country adopts a common external tariff**.

Economic union: It is a **type of trade bloc** that is composed of a **common market with a customs union**.



Q.23

1:00

The Green Climate Fund's (GCF) aim is to expand collective human action to respond to climate change. The Fund aims to mobilize funding at scale to invest in low-emission and climate-resilient development on our home planet. It was Created by the _____.

- A. UNFCCC
- B. UNEP
- C. World Bank
- D. World Economic Forum
- E. IMF



Answer: Option A

- The Green Climate Fund's (GCF) aim is to expand collective human action to respond to climate change. The Fund aims to mobilize funding at scale to invest in low-emission and climate-resilient development on our home planet.
- The Green Climate Fund was established by 194 countries party to the UN Framework Convention on Climate Change in 2010. It is designed as an operating entity of the Convention's financial mechanism and is headquartered in the Republic of Korea. It is governed by a 24 Board member Board, representing countries, and receives guidance from the Conference of the Parties to the Convention (COP). **Created by the United Nations Framework Convention on Climate Change (UNFCCC), the Fund aims to support a paradigm shift in the global response to climate change.** It allocates its resources to low-emission and climate-resilient projects and programmes in developing countries. The Fund pays particular attention to the needs of societies that are highly vulnerable to the effects of climate change, in particular Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States.



Q.95

1:00

Consider the following statements regarding the impact of oil prices on the Indian economy:

- 1) It increases the current account deficit of an economy.**
- 2) The increase in crude prices could also further increase inflationary pressures.**
- 3) If oil prices continue to increase, the government shall be forced to increase taxes on petroleum and diesel which may cause a loss of revenue and deteriorate its fiscal balance.**

Which of the above statement/s is/are correct?

- A. 1 only
- B. 2 only
- C. 1 and 2
- D. 1 and 3
- E. 2 and 3



Answer: Option C

Impact of oil price rise on India:

- The increase in oil prices will increase the country's import bill, and **further disturb its current account deficit.**
- The increase in crude prices could also further **increase inflationary pressures** that have been building up over the past few months. This will decrease the space for the Monetary Policy Committee to ease policy rates further.
- If oil prices continue to increase, the government shall **be forced to cut taxes** on petroleum and diesel which may cause loss of revenue and deteriorate its fiscal balance.

Therefore, option C is the correct answer.



Q.96

1:00

The literacy rate in India is measured after which age?

- A. 5 years and above
- B. 7 years and above
- C. 9 years and above
- D. 11 years and above
- E. 13 years and above



Answer: Option B

The literacy rate is the total percentage of the population of an area at a particular time **aged seven years or above** who can read and write with understanding. **Hence Option B is the answer.**

Variables	Literate Population 2011	Literacy Rate 2011	Literacy Rate 2021
Persons	763498517	72.99	77.70
Males	434683779	80.89	84.70
Females	328814738	64.64	70.30

Source: Census 2011 and 2022, National Family Health Survey (NFHS-5) & National Statistical Office (NSO) data 2022.



Q.97

1:00

Consider the following statements with respect to World Trade Organisation (WTO):

1. To facilitate the implementation, administration, and operation of a trade agreement
2. To carry out periodic reviews of the trade policies of its member countries
3. To promote international monetary cooperation

Which of the above statement/s is/are correct?

- A. 1 and 2
- B. 2 only
- C. 3 only
- D. 1 and 3
- E. 2 and 3



Answer: Option A

Functions of the World Trade Organisation:

At the heart of the Organisation are the **WTO agreements**, negotiated and signed by the bulk of the world's trading nations. The goal is to help producers of goods and services, exporters, and importers conduct their business. The WTO's overriding objective is to help trade flow smoothly, freely, fairly, and predictably.

- **It shall facilitate the implementation, administration, and operation of the WTO trade agreements**, such as multilateral trade agreements, plurilateral trade agreements.
- **It shall monitor national trade policies.**

The WTO was founded on certain guiding principles—**non-discrimination, free trade, open, fair and undistorted competition**, etc. In addition, it has special concern for developing countries.

It is the function of International Monetary Fund to promote international monetary cooperation.

Therefore, Option A is the correct answer.



Q.98

1:00

Which of the following is not the function of the International Monetary Fund?

- A. The IMF manages the international monetary system for global payments.
- B. IMF advises on macroeconomic policies and exchange rates.
- C. It assesses and regulates political sectors in member countries.
- D. The IMF offers financial assistance for balance of payments discrepancies.
- E. Its role includes promoting economic growth and employment within nations.



Answer: Option C

Functions of IMF

1. The International Monetary Fund (IMF) plays a vital role in creating and maintaining the international monetary system, **which facilitates international payments between countries.**
2. The IMF focuses on advising and monitoring the **macroeconomic policies** of member countries, particularly those affecting exchange rates, government budgets, and money and credit management.
3. As part of its responsibilities, the IMF assesses a country's **financial sector and regulatory policies**, as well as structural policies in the macro economy that impact the labor market and employment.
4. In addition to its advisory role, the IMF is authorized to provide financial assistance to nations facing **balance of payments discrepancies.**
5. It contributes to **economic stability and growth** while striving to maintain high levels of employment within member countries.

Hence option C is the correct answer.



Q.99

1:00

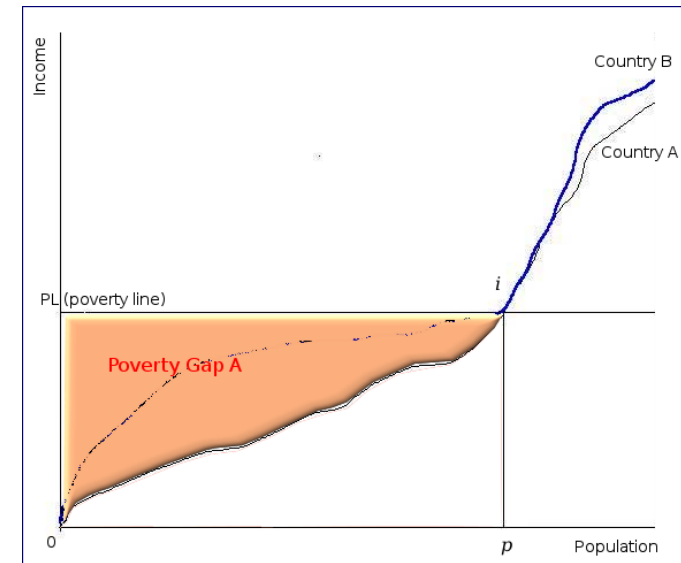
Poverty Gap is defined as _____

- A. the ratio by which the mean income of the poor falls below the poverty line.
- B. Gap between rich and poor.
- C. Gap between developed nation and developing nation.
- D. the intensity of poverty in relative terms of different sections of a country.
- E. None of the above



Answer: Option A

1. According to the World Bank, poverty gap is the mean shortfall from the poverty line (counting the non-poor as having zero shortfall), expressed as a percentage of the poverty line. Poverty gap measures the intensity of poverty. It shows the extent to which individuals on average fall below the poverty line.
2. The poverty gap is a ratio **showing the average shortfall of the total population from the poverty line**—the minimum level of income required to secure the basic necessities for survival. In other words, **it reflects the intensity of poverty in a nation.**
3. The poverty gap reflects the intensity of poverty in a nation, **showing the average shortfall of the total population from the poverty line.**
4. The poverty gap is an indicator **produced by the World Bank**, which measures poverty by looking at per capita income and consumption in households.
5. The data is available for 115 countries and is updated semi-annually in April and September.
6. The poverty gap statistic is most valuable to economists and government officials for calculating the poverty gap index.



Q.100

1:00

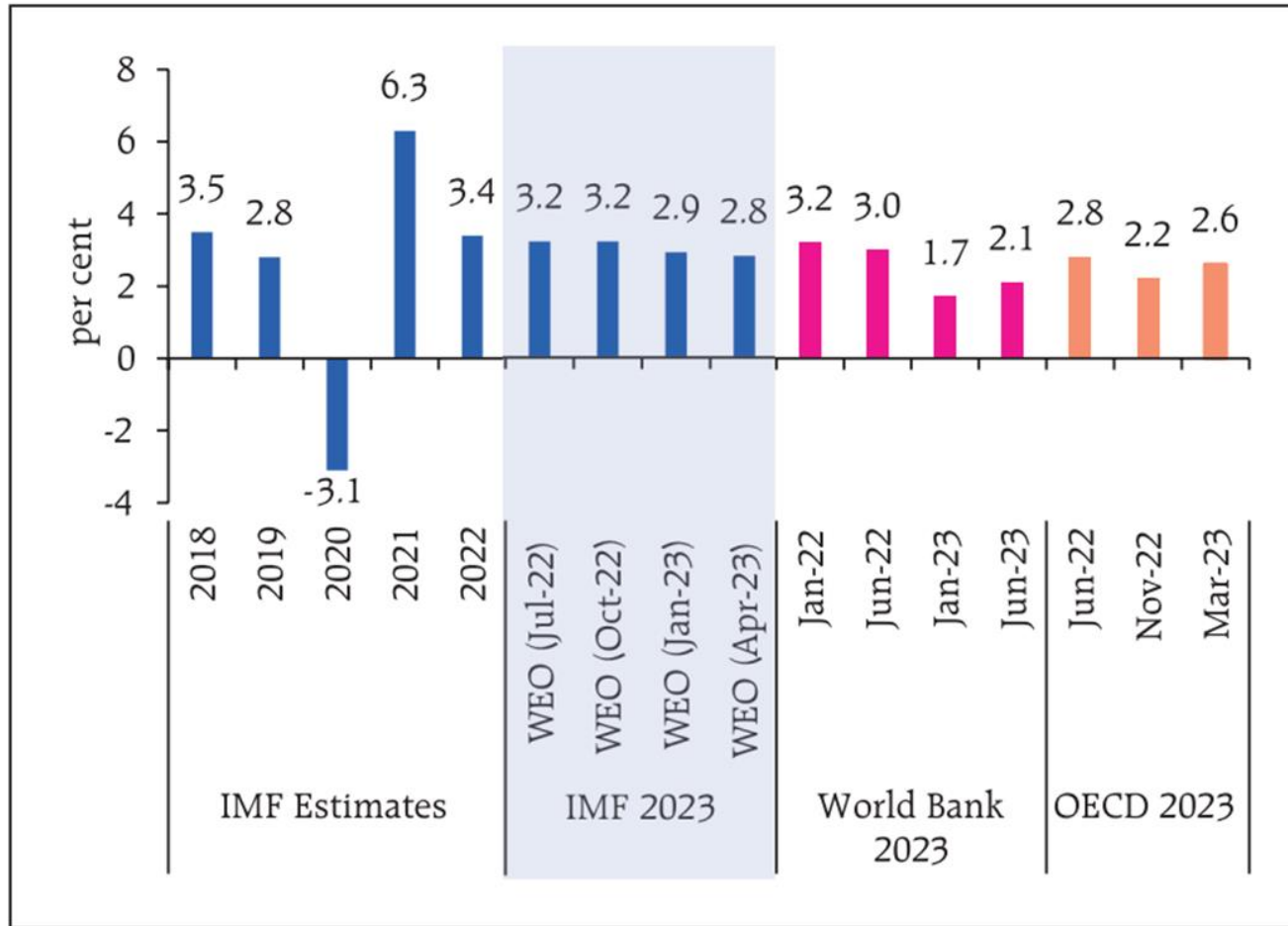
As per the World Economic Outlook released by IMF in April 2023, the global growth forecast for 2023 is _____.

- A. 3.2%
- B. 4.8%
- C. 2.8%
- D. 2.6%
- E. 1.9%



Answer: Option C

Chart 1.1: Global Growth Forecasts



Source: IMF, World Bank, OECD.

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