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Prelims Practice Series

Indian Economy



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1

Basic Economic Concepts

1. Which one of the following was recognized as 'invisible hand' by Adam Smith? **CAPF (ACs) Exam 2020**

- (a) Government
- (b) Market/Price Mechanism
- (c) Judiciary
- (d) Legislature

Answer: (b)

Explanation:

The invisible hand is a metaphor for the unseen forces that move the free market economy. Through individual self-interest and freedom of production as well as consumption, the best interest of society, as a whole, are fulfilled. This concept was first introduced by an economist Adam Smith in the Theory of Moral Sentiments (1759).

Therefore, option (b) is the correct answer.

2. Mobile phone operators market in India is an example of: **CAPF (ACs) Exam 2020**

- (a) Monopoly
- (b) Monopolistic Competition
- (c) Oligopoly
- (d) Perfect Competition

Answer: (c)

Explanation:

- ❑ An oligopoly market is a market form that is dominated by a small group of large sellers. Various forms of collusion result in oligopolies that reduce market competition.
- ❑ Oligopoly markets lead to higher prices for consumers and lower wages for the employees of oligopolies.
- ❑ The mobile phone operators market in India is an example of an oligopoly market.

Therefore, option (c) is the correct answer.

3. Match List-I with List-II and select the correct answer using the code given below the Lists: **CDS Exam (I) 2020**

List-I

Market structure

A. Perfect competition

List-II

Characteristic

1. Only one producer selling one commodity

B. Monopoly

C. Monopolistic competition

D. Oligopoly

2. Few producers selling similar or almost similar products

3. Many producers selling differentiated products

4. Many producers selling similar products

Code:

	A	B	C	D
(a)	4	3	1	2
(b)	4	1	3	2
(c)	2	1	3	4
(d)	2	3	1	4

Answer: (b)

Explanation:

- ❑ **Perfect competition:** The market consists of a large number of buyers and sellers where each firm produces and sells a homogenous product. i.e., the product of one firm cannot be differentiated from the product of any other firm, that means many producers selling similar products.
- ❑ **Monopoly:** It is a market structure comprising a single seller. Only one producer is selling one commodity. Here, the seller faces no competition.
- ❑ **Monopolistic competition:** It is a type of imperfect competition where many producers are selling differentiated products and competing with each other. There is free entry and exit of firms.
- ❑ **Oligopoly:** In this type of market, few producers are selling similar or almost similar products, none of the producer can keep the others (producers) from having significant influence.

Therefore, option (b) is the correct answer.

4. A market, in which there are a large number of firms, homogeneous product, infinite elasticity of demand for an individual firm and no control over price by firms, is termed as: **CDS Exam (II) 2020**

- (a) oligopoly
- (b) imperfect competition
- (c) monopolistic competition
- (d) perfect competition

Answer: (d)

Explanation:

Term	Definition
Oligopoly	<ul style="list-style-type: none"> ❑ A market structure with a small number of firms, where none of the producers can keep the others (producers) from having significant influence.
Imperfect	<ul style="list-style-type: none"> ❑ Companies sell different products and services, set their own individual prices, fight for market share, and are often protected by barriers to entry and exit.
Monopolistic competition	<ul style="list-style-type: none"> ❑ An industry in which many firms offer products or services that are similar, but not perfect substitutes. ❑ Barriers to entry and exit in a monopolistic competitive industry are low, and the decisions of any firm do not directly affect those of its competitors. ❑ Monopolistic competition is closely related to the business strategy of brand differentiation.
Perfect competition	<ul style="list-style-type: none"> ❑ A market, in which there are a large number of firms, selling homogeneous products, infinite elasticity of demand for an individual firm and no control over price by firms. ❑ The market consists of buyers and sellers. All firms in the market produce a certain homogeneous (that is, undifferentiated) good. ❑ Each buyer and seller in the market is a price-taker.

Therefore, option (d) is the correct answer.

5. Normally, there will **not** be a shift in the demand curve when: **CDS Exam (II) 2020**
- price of a commodity falls
 - consumers want to buy more at any given price
 - average income rises
 - population grows

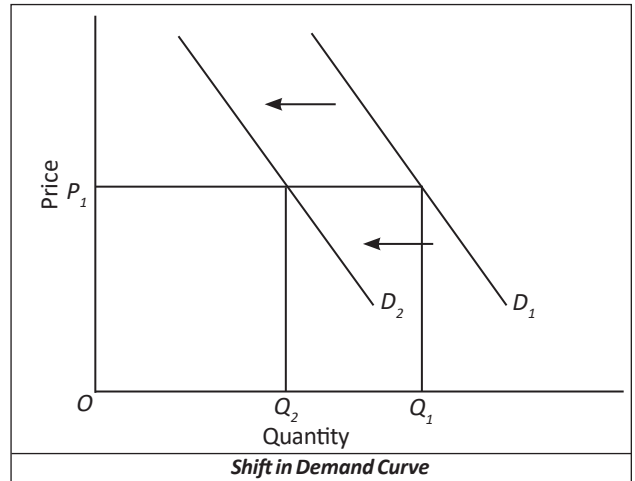
Answer: (a)

Explanation:

- ❑ **Demand Curve and the Law of Demand:** If the prices of other goods, the consumer's income and their tastes and preferences remain unchanged, the amount of a good that the consumer optimally chooses becomes entirely dependent on its price. The relation between the

consumer's optimal choice of the quantity of a good and its price is very important and this relation is called the demand function i.e., $q = d(p)$.

- ❑ Factors affecting the demand curve are:
 - Change in the average income.
 - Changing preferences for the commodity.
 - Change in the composition of population.
 - Change in the prices of the related goods of a commodity.
 - Consumers wanting to buy more at any given price.



- ❑ A change in the price of a good or service causes a movement along a specific demand curve, and it normally leads to change in the quantity demanded, whereas shift in the demand curve occurs due to factors other than price.

Therefore, option (a) is the correct answer.

6. Which one of the following statements is true with regard to an economy which is in its production possibility frontier? **CAPF (ACs) Exam 2019**
- The economy has to sacrifice some production of one commodity in order to increase the production of another commodity
 - There is no limit or constraint for the economy in the production of goods and services
 - The economy can produce more of one commodity up to a point without reducing the production of any other commodity
 - Its production possibility frontier is an upward sloping curve

Answer: (a)

Explanation:

- ❑ **Production Possibility Frontier (PPF)** is a curve which shows various production possibilities with the help of given resources and technology.

2

National Income

1. Which one of the following ratios is referred to as everything that has been invested in the past and to the whole income? **Engineering Services (Pre) Exam 2020**
- Capital-output ratio
 - Average capital-output ratio
 - Incremental capital-output ratio
 - Marginal ratio

Answer: (b)

Explanation:

- ❑ Capital output ratio is defined as total amount of capital required to produce one unit of output.
- ❑ Average capital-output ratio is the ratio of total investment made in the past in the economy, to the total income generated (i.e., GDP growth rate).
- ❑ The incremental capital-output ratio (ICOR) is a metric that assesses the marginal amount of investment capital necessary for an entity to generate the next unit of production. Overall, a higher ICOR value is not preferred because it indicates that the entity's production is inefficient.
- ❑ Marginal ratio is the difference between a company's sales and variable costs, expressed as a percentage. This ratio shows the amount of money available to cover fixed costs. It is good to have a high contribution margin ratio; the higher the ratio, the more money per product sold is available to cover all the other expenses.

Therefore, option (b) is the correct answer.

2. Which one of the following equals Personal Disposable Income? **CDS Exam (II) 2019**
- Personal Income – Direct taxes paid by households and miscellaneous fees, fines, etc.
 - Private Income – Saving of Private Corporate Sectors - Corporation Tax
 - Private Income – Taxes
 - Total expenditure of Households – Income Tax – Gifts received

Answer: (a)

Explanation:

- ❑ Personal Disposable Income (PDI) refers to the income that is available to the households that they

can spend according to their wish. All the personal income of an individual is not available to spend, as they have to pay taxes and non-tax payments.

- ❑ If we deduct the Personal Tax Payments (for example, income tax) and Non-tax Payments (such as fines) from Personal Income, we obtain what is known as the Personal Disposable Income.

$$\text{PDI} = \text{PI} - \text{Personal tax payments} - \text{Non-tax payments}$$

- ❑ At the macro level, personal disposable income is closely monitored as one of the key economic indicators used to gauge the overall state of the economy.

Therefore, option (a) is the correct answer.

3. Increase in absolute and per capita real GNP do not connote a higher level of economic development, if **UPSC CSE (Pre) 2018**
- industrial output fails to keep pace with agricultural output.
 - agricultural output fails to keep pace with industrial output.
 - poverty and unemployment increase.
 - imports grow faster than exports.

Answer: (c)

Explanation:

- ❑ **GDP:** Gross Domestic Product (GDP) is the market value of all final goods and services produced in an economy within a given period of time (typically in a year).
- ❑ **GNP:** Gross National Product (GNP) is the Gross Domestic Product (GDP) plus net factor income from abroad. GNP measures the monetary value of all the finished goods and services produced by the country's factors of production, irrespective of their location.
- ❑ While GDP limits its interpretation of the economy to the geographical borders of the country only, GNP extends it to include the net overseas economic activities performed by its nationals.
- ❑ **Nominal GDP:** It measures the value of all finished goods and services produced by a country at their current market prices. Thus, inflation is not adjusted while computing nominal GDP.

- ❑ **Absolute GNP or Real GNP:** It is also known as inflation-adjusted Gross National Product, measured at constant base-year prices.
- ❑ **Per Capita GNP:** It is the total value of all the goods and services produced by a country in a year, including the income from foreign investments, divided by the number of people living there.
- ❑ Increase in absolute and per capita real GNP does not connote a higher level of economic development, if poverty and unemployment also increase, because this means the growth is not inclusive. The benefits of economic development are not reaped by many and growth inequality will rise.

Therefore, option (c) is the correct answer.

4. Despite being a high saving economy, capital formation may not result in significant increase in output due to
- UPSC CSE (Pre) 2018**
- (a) weak administrative machinery
 - (b) illiteracy
 - (c) high population density
 - (d) high capital-output ratio

Answer: (d)

Explanation:

- ❑ Capital Output Ratio (COR) is one of the most frequently used tools, that explains the relationship between the level of investment made in an economy to the consequent increase in GDP. COR is the measure of capital required for producing one unit of output. High COR means high capital requirement for lower output.
- ❑ Thus, from the working definition of Capital Output Ratio, it can be said that despite being a high saving economy, capital formation may not result in a significant increase in output, if the capital-output ratio is high.

Therefore, option (d) is the correct answer.

5. In India, the base year of the new GDP series has been shifted from 2004-05 to:
- CDS Exam (II) 2017**
- (a) 2007-08
 - (b) 2008-09
 - (c) 2010-11
 - (d) 2011-12

Answer: (d)

Explanation:

- ❑ The base year of the national accounts is chosen to enable inter-year comparisons. It gives an idea about changes in purchasing power and allows the calculation of inflation-adjusted growth estimates.
- ❑ In India, the base year of the GDP Series was revised from 2004-05 to 2011-12, and released on 30 January, 2015.

- ❑ The Ministry of Statistics and Programme Implementation (MOSPI) is considering changing the base year for GDP calculation from 2011-12 to 2017-18.

Therefore, option (d) is the correct answer.

6. Which one of the following statements is correct with respect to the composition of national income in India?
- CDS Exam (II) 2016**
- (a) The share of manufacturing sector has declined.
 - (b) The share of services sector has increased sharply.
 - (c) The share of agriculture has remained static.
 - (d) The share of services sector has declined.

Answer: (b)

Explanation:

- ❑ Performance of an economy depends on the amount of goods and services produced in that economy. In monetary terms, it measure the Gross Domestic Product (GDP), Gross National Income (GNI), and Net National Income (NNI).
- ❑ Since the early 1990s, in Indian economy, growth impulses appeared to had gathered momentum in the aftermath of comprehensive reforms introduced by enactment of radical new economic policy framework during 1991-92. It was coupled with the macroeconomic response to the Balance of Payment (BOP) crisis .
- ❑ In this post economic reform period, private organized sector grew rapidly relative to the public sector, increasingly shifting towards services relative to industry, and leading the decisive reinforcement of a services dominated growth trajectory. In result, the share of service sector increased sharply in the national income.

Therefore, option (b) is the correct answer.

7. With reference to Indian economy, consider the following statements:
- UPSC CSE (Pre) 2015**
1. The rate of growth of Real Gross Domestic Product has steadily increased in the last decade.
 2. The Gross Domestic Product at market prices (in rupees) has steadily increased in the last decade.
- Which of the statements given above is/are correct?

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

Answer: (b)

Explanation:

- ❑ Gross Domestic Product (GDP) is the monetary value of all the final goods and services produced within the country's borders, in a specific time period (generally 1 year). It is a broad measurement of a nation's overall economic activity.

3

Planning

1. Which one of the following methods of planning is an attempt to work out the implications of the development effort in terms of factor allocations and product yields so as to maximize income and employment?

Engineering Services (Pre) Exam 2020

- (a) Perspective planning (b) Physical planning
(c) Financial planning (d) Indicative planning

Answer: (b)

Explanation:

- ❑ Perspective planning is also known as Strategic Planning or Long-term Planning, i.e., 10-20 years and are usually embedded with Five Year Plans. The long-term goals should be followed up besides short-term goals.
- ❑ Physical Planning is used in the planning related to land use pattern. As per the 2nd Five Year Plan, it is an attempt to work out the implications of development effort in terms of factor allocations and product yields so as to maximize income and employment. It is also known as over all long-term planning rather than a short-term planning.
- ❑ Financial Planning is the evaluation of one's income and expenditures and future management related to finances. This type of planning removes the disequilibrium between demand and supply in the economy with the aim to avoid inflation and provide economic stability.
- ❑ Indicative planning is a form of national economic planning in which a target is set for the growth of national output over a series of years, usually about five. Quantitative estimates are made of what might happen to particular industries and sectors of the economy (e.g. private consumption, public consumption, investment), if the global expansion is achieved.

Therefore, option (b) is the correct answer.

2. With reference to India's Five-Year Plans, which of the following statements is/are correct?

UPSC CSE (Pre) 2019

1. From the Second Five-Year Plan, there was a determined thrust towards substitution of basic and capital good industries.
2. The Fourth Five-Year Plan adopted the objective of correcting the earlier trend of increased concentration of wealth and economic power.

3. In the Fifth Five-Year Plan, for the first time, the financial sector was included as an integral part of the Plan.

Select the correct answer using the code given below:

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

Answer: (a)

Explanation:

- ❑ India adopted the strategy of Import Substitution Industrialization (ISI) in the fifties. The chief objective was to build a self-reliant economy. From the Second Five Year Plan, there was determined thrust towards substitution of basic and capital goods industries. **Hence, statement 1 is correct.**
- ❑ The Fourth Five Year Plan emphasised on reduction of concentration of incomes, wealth and economic power to achieve social equality and justice. **Hence, statement 2 is correct.**
- ❑ The Fifth Five Year Plan was aimed at the removal of poverty and achievement of self-reliance. The Eighth Plan focussed on financial sector reforms. **Hence, statement 3 is not correct.**

Therefore, option (a) is the correct answer.

3. Which one of the following statements with regard to economic models is **not** correct? **CDS Exam (II) 2019**

- (a) They involve simplification of complex processes.
(b) They represent the whole or a part of a theory.
(c) They can be expressed only through equations.
(d) They help in gaining an insight into cause and effect.

Answer: (c)

Explanation:

- ❑ An economic model is a simplified description of reality, designed to yield hypothesis about economic behavior that can be tested. An important feature of an economic model is that it is necessarily subjective in design because there are no objective measures of economic outcomes. There are two broad classes of economic models—theoretical and empirical. These models help to represent the whole or a part of theory.

- ❑ Theoretical models seek to derive verifiable implications about economic behavior under the assumption that agents maximize specific objectives subject to constraints that are well defined in the model (for example, an agent's budget). They provide qualitative answers to specific question, whereas empirical models aim to verify the qualitative predictions of theoretical models and convert these predictions to precise, numerical outcomes.
- ❑ For example, a theoretical model of an agent's consumption behavior would generally suggest a positive relationship between expenditure and income. The empirical adaptation of the theoretical model attempts to assign a numerical value to the average amount expenditure increases when income increases.
- ❑ Economic models generally consist of a set of mathematical equations that describe a theory of economic behavior. They help in gaining an insight into cause and effect.

Therefore, option (c) is the correct answer.

4. Which of the following was called as Economic cabinet of India by Ashok Chandra? **UPPCS (Pre) 2018**
- (a) Planning Commission
 - (b) Finance Commission
 - (c) Central Cabinet
 - (d) Administrative Reform Commission

Answer: (a)

Explanation:

Planning Commission which was established in 1950 by the resolution of the Government of India, was called the Economic cabinet of India by Ashok Chandra. It was neither a constitutional body nor a statutory body.

Therefore, option (a) is the correct answer.

5. In India which of the following Five Year Plans was launched with a focus on sustainable growth? **UPPCS (Pre) 2018**
- (a) 9th
 - (b) 10th
 - (c) 11th
 - (d) 12th

Answer: (d)

Explanation:

- ❑ The theme of the Twelfth Five Year Plan was "faster, sustainable and more inclusive growth". The basic component was to enhance the capacity for rapid growth in various sectors of the economy.
- ❑ This Plan was commenced at a time when the global economy was going through a second financial crisis, precipitated by the sovereign debt problems of the Eurozone, which erupted in the Eleventh Plan.

- ❑ The crisis affected all countries, including India, which resulted in slowed down growth to 6.2% in 2011-12. The Twelfth Plan, therefore, focused on bringing the economy back to rapid growth while ensuring that the growth is both inclusive and sustainable.

Therefore, option (d) is the correct answer.

6. The Nehru-Mahalanobis Strategy of Development was implemented for the first time by which one of the following Five-Year Plans? **NDA & NA Exam (II) 2018**
- (a) First Five-Year Plan
 - (b) Second Five-Year Plan
 - (c) Third Five-Year Plan
 - (d) Seventh Five-Year Plan

Answer: (b)

Explanation:

The Nehru – Mahalanobis Strategy of Development was implemented by Second Five Year Plan (1956 - 61) which focused on rapid industrialization- heavy & basic industries , advocated huge imports through foreign loans, etc.

Therefore, option (b) is the correct answer.

7. Consider the following statements about the Second Five-Year Plan: **CDS Exam (I) 2017**
1. It was drafted under the leadership of K.N. Raj.
 2. It proposed that industries like electricity, railways, steel, machineries and communication could be developed in the public sector.
 3. The drafters found balancing industry and agriculture very difficult.
 4. The drafters found balancing industry and agriculture really easy.
- Which of the statement(s) given above is/are correct?
- (a) 1 only
 - (b) 1 and 2 only
 - (c) 2 and 3 only
 - (d) 3 and 4 only

Answer: (c)

Explanation:

- ❑ The Second Five Year Plan model was prepared by Professor P.C. Mahalanobis. **Hence, statement 1 is not correct.**
- ❑ The fundamental objective of this plan was to initiate industrialization in the country. The Industrial Policy, 1956 was based on the establishment of a socialistic pattern of society as a goal of economic policy. Also, it proposed that industries like electricity, railways, steel, machineries and communication could be developed in the public sector. **Hence, statement 2 is correct.**

4

Growth & Development

1. Which one of the following educational development indicators is currently used by the United Nations Development Program (UNDP) to construct the Human Development Index (HDI)? **CAPF (ACs) Exam 2020**
- (a) Level of Literacy
 - (b) Gross Enrolment Ratio
 - (c) Mean Years of Schooling
 - (d) Dropout rate

Answer: (c)

Explanation:

- ❑ The HDI incorporates information on the level of income per person of a country, as well as indicators measuring achievements in health and education.
- ❑ With the first Human Development Report (HDR) in 1990, UNDP proposed to measure development progress by countries with the Human Development Index (HDI).
- ❑ Mean Years of Schooling indicates the average number of completed years of education of a country's population; excluding years spent repeating individual grades.
- ❑ Mean Years of Schooling estimates mean year of schooling, covering the population aged 25 years and older, which is the indicator used in the calculation of the HDI.

Therefore, option (c) is the correct answer.

2. Which of the following are considered to be the four pillars of human development? **CDS Exam (I) 2020**
- (a) Equity, inclusion, productivity and empowerment
 - (b) Equity, productivity, empowerment and sustainability
 - (c) Productivity, gender, inclusion and equity
 - (d) Labour, productivity, inclusion and equity

Answer: (b)

Explanation:

- ❑ Human development refers to the type of development that will raise the choices of an individual along with the standard of their living.
- ❑ There are four pillars of human development: equity, productivity, empowerment and sustainability.

- ❑ Equity refers to making equal access to opportunities available to everybody. The opportunities available to people must be equal, irrespective of their gender, race, income and caste.
- ❑ Productivity here means human labour productivity or productivity in terms of human work.
- ❑ Empowerment means to have the power to make choices. Such power comes from increasing freedom and capability.
- ❑ Sustainability means continuity in the availability of opportunities. To have sustainable human development, each generation must have the same opportunities.

Therefore, option (b) is the correct answer.

3. Which one among the following is **not** covered under Integrated Child Development Programme? **UPPCS (Pre) 2020**
- (a) Supplementary Nutrition
 - (b) Immunization
 - (c) Nutrition and Health Education
 - (d) Family Planning

Answer: (d)

Explanation:

- ❑ Launched in 1975, the Integrated Child Development Services (ICDS) Scheme is one of the flagship programmes of the Government of India and represents one of the world's largest and unique programmes for early childhood care and development.
- ❑ The beneficiaries under the scheme are children in the age group of 0-6 years, pregnant women and lactating mothers.
- ❑ The ICDS Scheme offers a package of six services, viz.:
 - Supplementary Nutrition
 - Pre-school non-formal education
 - Nutrition & health education
 - Immunization
 - Health check-up
 - Referral services

Therefore, option (d) is the correct answer.

4. Which one of the following is **not** a dimension of the Human Development Index? **CDS Exam (II) 2019**
- A long and healthy life
 - Knowledge
 - Access to banking and other financial provisions
 - A decent standard of living

Answer: (c)

Explanation:

- ❑ Human Development Index (HDI) is designed to reflect average achievements in three basic aspects of human development – leading a long and healthy life, being knowledgeable and enjoying a decent standard of living.
- ❑ Instead of bringing additional dimensions and indicators into the HDI, other composite indices were introduced – Inequality-adjusted HDI, Gender Inequality Index and Gender Development Index.
- ❑ HDI does not include dimensions of participation, access to banking and other financial provisions, gender and equality, etc.

Therefore, option (c) is the correct answer.

5. Who among the following has given the concept of Human Development? **CDS Exam (II) 2019**
- Amartya Sen
 - Mahbub-ul-Haq
 - Sukhamoy Chakravarty
 - G.S. Chaddha

Answer: (b)

Explanation:

- ❑ The Human Development Concept was developed by an economist, Mahbub-ul-Haq.
- ❑ Human Development can be defined as an expansion of human capabilities, a widening of choices, an improvement of freedom and a fulfillment of human rights.
- ❑ Income is not the sum-total of human life. Along with income, growth, health, education, physical environment and freedom are also essential. Human Development should embrace human rights and socio-eco-political freedoms. Human Development Index (HDI) is constructed based on the notion of human development. It serves as a more humane measure of development than a strictly income-based benchmark of per capita Gross National Product.

Therefore, option (b) is the correct answer.

6. Physical Quality of Life Index (PQLI) is developed by: **UPPCS (Pre) 2019**
- Morris D. Morris
 - UNDP
 - Mehbub-ul-Haq
 - None of the above

Answer: (a)

Explanation:

- ❑ The Physical Quality of Life Index (PQLI) was the most serious challenge to Gross National Product (GNP) per capita as the index of development. It was invented by Morris D. Morris in 1979.
- ❑ He constructed a composite Physical Quality of Life Index (PQLI) related to developing countries for a comparative study. He combined three components to measure performance in meeting the most basic needs of the people including:
 - Infant Mortality Rate
 - Life Expectancy at Age One
 - Basic Literacy Rate
- ❑ If the indicators of life expectancy and basic literacy rate are positive, the best performance is shown as the maximum and the worst as the minimum. Infant mortality rate being a negative indicator, for this the best indicator is shown as the minimum and the worst as the maximum.

Therefore, option (a) is the correct answer.

7. Given below are two statements, one is labelled as Assertion (A) and the other as Reason (R):

UPPCS (Pre) 2019

Assertion (A): There is a positive relation between Human Development Index (HDI) and Sustainable Development Goals (SDG) ranking of Indian State.

Reason (R): The underlying dimension of SDG targets are closely related to education and health aspect.

Select the Correct answer from the codes given below:

Codes:

- Both (A) and (R) are true and (R) is the correct explanation of (A)
- Both (A) and (R) are true but (R) is not the correct explanation of (A)
- (A) is true, but (R) is false
- (A) is false, but (R) is true

Answer: (a)

Explanation:

- ❑ Human Development Index (HDI) is based on three dimensions namely: Health, Education and Living Standards. These dimensions overlap with the Sustainable Development Goals (SDG), due to which there is a positive correlation between HDI and SDG rankings of Indian States. **Hence, Assertion (A) is true.**

5

Money & Banking

1. If you withdraw ₹1,00,000 in cash from your Demand Deposit Account at your bank, the immediate effect on aggregate money supply in the economy will be

UPSC CSE (Pre) 2020

- (a) to reduce it by ₹1,00,000
- (b) to increase it by ₹1,00,000
- (c) to increase it by more than ₹1,00,000
- (d) to leave it unchanged

Answer: (d)

Explanation:

- ❑ The total stock of money in circulation among the public at a particular point of time is called money supply. It needs to be noted that total stock of money is different from total supply of money.
- ❑ Supply of money is only that part of total stock of money which is held by the public at a particular point of time.
- ❑ The circulating money involves the currency, printed notes, money in the deposit accounts and in the form of other liquid assets.
- ❑ RBI publishes figures for four alternative measures of money supply, viz. M1, M2, M3 and M4.
 - $M1 = CU + DD$
 - $M2 = M1 + \text{Savings deposits with Post Office savings banks}$
 - $M3 = M1 + \text{Net time deposits of commercial banks}$
 - $M4 = M3 + \text{Total deposits with Post Office savings organisations (excluding National Savings Certificates)}$
 - CU is currency (notes plus coins) held by the public and DD is net demand deposits held by commercial banks.
- ❑ M1 and M2 are known as narrow money. M3 and M4 are known as broad money. Their order of liquidity is: $M1 > M2 > M3 > M4$.
- ❑ M1 is a narrow measure of the money supply that includes physical currency, demand deposits, traveler's checks, and other checkable deposits.
- ❑ M1 is the most liquid and easiest for transactions. Hence, on the withdrawal of cash from the Demand Deposit

Account, there will be no immediate effect on aggregate money supply in the economy.

Therefore, option (d) is the correct answer.

2. Consider the following statements: **UPSC CSE (Pre) 2020**

1. In terms of short-term credit delivery to the agriculture sector, District Central Cooperative Banks (DCCBs) deliver more credit in comparison to Scheduled Commercial Banks and Regional Rural Banks.
2. One of the most important functions of DCCBs is to provide funds to the Primary Agricultural Credit Societies.

Which of the statements given above is/are correct?

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

Answer: (b)

Explanation:

- ❑ Cooperative bank is an institution established on the cooperative basis and deals in ordinary banking business.
 - ❑ In rural India, there exists a 3-tier rural cooperative structure.
 - **Tier-I:** It includes state cooperative banks (StCBs) at the state level;
 - **Tier-II:** It includes central cooperative banks (CCBs) at the district level; and
 - **Tier-III:** It includes primary agricultural credit societies (PACs).
 - ❑ According to a report of the RBI, in 2016-17, scheduled commercial banks contributed the major share (78-80%) in agricultural and allied credit. Cooperative institutions also play a significant role in extending agricultural credit and the share of all cooperative banks/institutions (i.e. StCBs, DCCBs and PACs put together) constituted 15-16%. The RRBs contributed the remaining 5% of the agricultural credit. **Hence, statement 1 is not correct.**
 - ❑ The most significant function of the district central cooperative bank is to provide financial support to the primary cooperative societies that are affiliated to it in the district and primary agricultural credit societies. **Hence, statement 2 is correct.**
- Therefore, option (b) is the correct answer.**

3. The Cash Reserve Ratio refers to: **CDS Exam (I) 2020**
- the share of Net Demand and Time Liabilities that banks have to hold as liquid assets.
 - the share of Net Demand and Time Liabilities that banks have to hold as balances with the RBI.
 - the share of Net Demand and Time Liabilities that banks have to hold as part of their cash reserves.
 - the ratio of cash holding to reserves of banks.

Answer: (b)

Explanation:

- ❑ Cash Reserve Ratio is the average daily balance that a scheduled Commercial bank is required to maintain with the Reserve Bank as a share of per cent of its Net Demand and Time Liabilities (NDTL). The reserve percentage varies from time to time and is decided by the Monetary Policy Committee.
- ❑ This is done to ensure that no bank is 'over lending'. This is a legal requirement and is binding on the banks.

Therefore, option (b) is the correct answer.

4. The Service Area Approach was implemented under the purview of **UPSC CSE (Pre) 2019**
- Integrated Rural Development Programme
 - Lead Bank Scheme
 - Mahatma Gandhi National Rural Employment Guarantee Scheme
 - National Skill Development Mission

Answer: (b)

Explanation:

- ❑ The Lead Bank Scheme was introduced in 1969. It envisages assignment of lead roles to individual banks (both in public sector and private sector) for the districts allotted to them. A bank having a relatively large network of branches in the rural areas of a given district and endowed with adequate financial and manpower resources has generally been entrusted with the lead responsibility for that district.
- ❑ Under the Lead Bank Scheme, the Service Area Approach was introduced in 1989 for planned and orderly development of rural and semi-urban areas. Each bank branch in rural and semi-urban area was designated to serve an area of 15 to 25 villages and the branch was responsible for meeting the needs of bank credit of its service area.
- ❑ The lead bank acts as a leader for coordinating the efforts of all credit institutions in the allotted districts to increase the flow of credit to agriculture, small-scale industries and other economic activities included in the priority

sector in the rural and semi-urban areas, with the district being the basic unit in terms of geographical area.

Therefore, option (b) is the correct answer.

5. Which of the following is **not** included in the assets of a commercial bank in India? **UPSC CSE (Pre) 2019**
- Advances
 - Deposits
 - Investments
 - Money at call and short notice

Answer: (b)

Explanation:

- ❑ The assets of the commercial bank in India include cash in hand, investments, money at call or short notice, loans, advances, and bills discounted and purchased.
- ❑ Deposits and borrowings are the examples of liabilities of a commercial bank, since they must return their lenders the amount they owe to them.

Therefore, option (b) is the correct answer.

6. What was the purpose of Inter-Creditor Agreement signed by Indian banks and financial institutions recently? **UPSC CSE (Pre) 2019**
- To lessen the Government of India's perennial burden of fiscal deficit and current account deficit
 - To support the infrastructure projects of Central and State Governments
 - To act as independent regulator in case of applications for loans of ₹50 crore or more
 - To aim at faster resolution of stressed assets of ₹50 crore or more which are under consortium lending

Answer: (d)

Explanation:

- ❑ In July 2018, seventeen public sector banks, five private sector banks and two other financial institutions have signed the Inter-Creditor Agreement (ICA) that aimed to fast-track the resolution of bad loans (stressed assets).
- ❑ The Agreement was framed under the aegis of the Indian Banks' Association (IBA) as a part of Project Sashakt, a five-pronged strategy to resolve bad loans, proposed by a committee led by Punjab National Bank's non-executive chairman Sunil Mehta.
- ❑ The ICA is applicable to all corporate borrowers who have availed loans for an amount of ₹50 crore or more under consortium lending/multiple banking arrangements.
- ❑ Under the ICA, the lender with the highest exposure to a stressed borrower is authorised to formulate the resolution plan, which will be presented to all lenders for their approval.

Therefore, option (d) is the correct answer.

1. If the RBI decides to adopt an expansionist monetary policy, which of the following would it not do?

UPSC CSE (Pre) 2020

1. Cut and optimize the Statutory Liquidity Ratio
2. Increase the Marginal Standing Facility Rate
3. Cut the Bank Rate and Repo Rate

Select the correct answer using the code given below:

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

Answer: (b)

Explanation:

- ❑ Expansionary monetary policy, or easy monetary policy, is when a central bank uses its tools to stimulate the economy. It increases the money supply, lowers interest rates, and increases demand. It therefore, boosts the economic growth.
- ❑ Statutory Liquidity Ratio (SLR) is a monetary policy tool that the Reserve Bank of India (RBI) uses to assess the liquidity at the banks' disposal. It is the minimum percentage of deposits that a commercial bank has to maintain in the form of cash, gold or other securities. It is basically the reserve requirement that banks are expected to keep before offering credit to customers.
- ❑ Raising SLR makes the banks park more money in government securities and reduce the level of cash in the economy. Doing the opposite, helps maintain cash flow in the economy. Reducing SLR leaves more liquidity with banks, which in turn can fuel growth and demand in the economy. **Hence, statement 1 is not correct.**
- ❑ Marginal standing facility (MSF) is a window for scheduled banks to borrow overnight from the RBI, in an emergency situation when interbank liquidity dries up completely. With the increase of MSF Rate, cost of borrowing increases for the banks, resulting in reduced available resources to lend. **Hence, statement 2 is correct.**
- ❑ Repo Rate, or repurchase rate, is a key monetary policy. It is the rate of interest at which the central bank or the Reserve Bank of India (RBI) lends short term money to banks, against the collateral of government and other approved securities under the liquidity adjustment facility (LAF).

- ❑ Bank Rate is the interest rate which the RBI charges on its long-term lendings. Under expansionary monetary policy, RBI reduces repo rate and bank rate to increase liquidity in the banking sector. **Hence, statement 3 is not correct.**

Therefore, option (b) is the correct answer.

2. The money multiplier in an economy increases with which one of the following? UPSC CSE (Pre) 2019

- (a) Increase in the cash reserve ratio
- (b) Increase in the banking habit of the population
- (c) Increase in the statutory liquidity ratio
- (d) Increase in the population of the country

Answer: (b)

Explanation:

- ❑ The money-multiplier is the maximum amount of broad money (M3 money) that could be created by the commercial banks for a given fixed amount of base money or reserve ratios. Or simply, it can be understood as the maximum amount of money that the banking system generates with each rupee of reserves.
- ❑ So, more people linked with the banking system or have the habit of banking, more will be the money in use in the form of loans, credits, deposits, etc. It results in an increase in economic activity. Thus, it will directly help in increasing money multiplier in an economy.

Therefore, option (b) is the correct answer.

3. Which one of the following is not the most likely measure the Government/RBI takes to stop the slide of Indian rupee? UPSC CSE (Pre) 2019

- (a) Curbing imports of non-essential goods and promoting exports
- (b) Encouraging Indian borrowers to issue rupee denominated Masala Bonds
- (c) Easing conditions relating to external commercial borrowing
- (d) Following an expansionary monetary policy

Answer: (d)

Explanation:

- ❑ Currency depreciation is a fall in the value of a currency in a floating exchange rate system. Currency depreciation can occur due to factors such as economic fundamentals, interest rate differentials, political instability or risk aversion among investors. India follows the floating exchange rate system.
- ❑ Curbing imports of non-essential goods will lessen the demand for Dollars and promoting export will help in increasing the flow of Dollars into the country. Thus, it helps in controlling rupee depreciation.
- ❑ The Masala Bond is directly pegged to the Indian currency. If Indian borrowers issue more rupee denominated Masala Bonds, it would increase liquidity in the market or increase the rupee stock against few currencies in the market. This would help in supporting the rupee.
- ❑ External Commercial Borrowing (ECB) is a type of loan in foreign currencies, made by non-resident lenders. Thus, easing conditions of ECBs helps in receiving more loans in foreign currencies, that would increase the inflow of forex, leading to rupee appreciation.
- ❑ Expansionary monetary policy is set of policy measures used by the RBI to stimulate the economy. It leads to the money supply in an economy. However, it may not influence the variations of rupee value.

Therefore, option (d) is the correct answer.

4. Which one of the following best describes the term "Merchant Discount Rate" sometimes seen in news?

UPSC CSE (Pre) 2018

- (a) The incentive given by a bank to a merchant for accepting payments through debit cards pertaining to that bank.
- (b) The amount paid back by banks to their customers when they use debit cards for financial transactions for purchasing goods or services.
- (c) The charge to a merchant by a bank for accepting payments from his customers through the bank's debit cards.
- (d) The incentive given by the Government to merchants for promoting digital payments by their customers through Point of Sale (PoS) machines and debit cards.

Answer: (c)

Explanation:

- ❑ Merchant Discount Rate (MDR) is the fee charged from a merchant by the bank for accepting payments from customers, through credit and debit cards in their establishments.

- ❑ The MDR compensates the bank issuing the card, the bank which puts up the swiping machine (Point-of-Sale or PoS terminal) and network providers such as Mastercard or Visa for their services.
- ❑ MDR charges are usually shared in a pre-agreed proportion. In India, the RBI specifies the maximum MDR charges that can be levied on every card transaction.
- ❑ A low MDR holds key to popularise the cash-less economy in India.

Therefore, option (c) is the correct answer.

5. Which of the following statement(s) is/are correct regarding the Monetary Policy Committee (MPC)?

UPSC CSE (Pre) 2017

- 1. It decides the RBI's benchmark interest rates.
- 2. It is a 12-member body including the Governor of RBI and is reconstituted every year.
- 3. It functions under the chairmanship of the Union Finance Minister.

Select the correct answer using the code given below:

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

Answer: (a)

Explanation:

- ❑ The Reserve Bank of India Act, 1934 (RBI Act) has been amended by the Finance Act, 2016, to provide for a statutory and institutionalised framework for a Monetary Policy Committee (MPC), for maintaining price stability; while keeping in mind the objective of growth.
 - ❑ The MPC would be entrusted with the task of fixing the benchmark policy rate (repo rate) required to contain inflation within the specified target level. **Hence, statement 1 is correct.**
 - ❑ The meetings of the MPC shall be held at least 4 times a year and it shall publish its decisions after each such meeting. As per the provisions of the RBI Act, it would be a six member committee, out of which three members are from the RBI and the other three members of the MPC are appointed by the Central Government. **Hence, statement 2 is not correct.**
 - ❑ The Governor of RBI is the ex-officio Chairperson of MPC. **Hence, statement 3 is not correct.**
- Therefore, option (a) is the correct answer.**

1. What is the importance of the term “Interest Coverage Ratio” of a firm in India? **UPSC CSE (Pre) 2020**

1. It helps in understanding the present risk of a firm that a bank is going to give loan to.
2. It helps in evaluating the emerging risk of a firm that a bank is going to give loan to.
3. The higher a borrowing firm’s level of Interest Coverage Ratio, the worse is its ability to service its debt.

Select the correct answer using the code given below:

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

Answer: (a)

Explanation:

- ❑ The Interest Coverage Ratio (ICR) is a debt ratio and profitability ratio used to determine how easily a company can pay interest on its outstanding debt. It measures how many times a company can cover its current interest payment with its available earnings. It may be calculated by dividing a company’s earnings before interest and taxes (EBIT) during a given period by the company’s interest payments due within the same period. **Hence, statement 1 is correct.**

$$\text{Interest Coverage Ratio} = \frac{\text{Interest Expense}}{\text{EBIT}}$$

- ❑ ICR is commonly used by lenders, creditors and investors to determine the company’s risk relative to its current debt or for future borrowing. **Hence, statement 2 is correct.**
- ❑ The higher the interest coverage ratio, the better. The lower the ratio, the more the company is burdened by debt expense. When a company’s interest coverage ratio is only 1.5 or lower, its ability to meet interest expenses may be questionable. **Hence, statement 3 is not correct.**
Therefore, option (a) is the correct answer.

2. India aims to achieve the 5 trillion dollar economy by **UPPCS (Pre) 2020**

- (a) 2022 (b) 2024
(c) 2026 (d) 2030

Answer: (b)

Explanation:

The government’s goal of making India a US\$ 5 trillion economy is by 2024-25. India is strengthening the entire financial ecosystem through rapid structural reforms to achieve this goal.

Therefore, option (b) is the correct answer.

3. The Public Financial Management System (PFMS) is a web-based online software application designed, developed, owned and implemented by the

CDS Exam (II) 2019

- (a) Department of Financial Services
(b) Institute of Government Accounts and Finance
(c) Controller General of Accounts
(d) National Institute of Financial Management

Answer: (c)

Explanation:

- ❑ The Public Financial Management System (PFMS) is a web-based online software application developed and implemented by the Controller General of Accounts (CGA), Department of Expenditure, Ministry of Finance and Government of India.
- ❑ PFMS started during 2009 with the objective of tracking funds released under all Plan schemes of Government of India and real time reporting of expenditure at all levels of programme implementation.
- ❑ As the backbone of the payment system of the Government of India, PFMS is integrated with the Core Banking System in the country and hence, has the unique capability to first validate the account before pushing online payments to almost every beneficiary/vendor.
- ❑ PFMS is also the channel for payment, accounting and reporting under Direct Benefit Transfer. As such, every Department/Ministry of Government of India transfers funds electronically to beneficiary (individual or institution) through PFMS.
- ❑ Through the Direct Bank Transfer, the Government intends to achieve electronic transfer of benefits, reduce delays in payments and most importantly, accurate targeting of beneficiaries, thereby, curbing leakages and duplication.

Therefore, option (c) is the correct answer.

4. 'Fiscal policy' means

Engineering Services (Pre) Exam 2019

- (a) Balancing the revenue collection and expenditure
- (b) Establishing equilibrium between demand and supply of goods and services
- (c) Use of taxation, public borrowing and public expenditure by Government for purposes of 'stabilisation' or 'development'
- (d) Deficiency as an instrument of growth

Answer: (c)

Explanation:

- ❑ Fiscal policy, in simple terms is an estimate of taxation and government spending that impacts the economy. The policy is used to promote macroeconomic stability by sustaining aggregate demand and private sector incomes during an economic downturn and by moderating economic activity during periods of strong growth.
- ❑ Through the fiscal policy, the government of a country controls the flow of tax revenues and public expenditure to navigate the economy.
- ❑ If the government receives more revenue than it spends, it runs a surplus, while if it spends more than the tax and non-tax receipts, it runs a deficit. To meet additional expenditures, the government needs to borrow domestically or from overseas. Alternatively, the government may also choose to draw upon its foreign exchange reserves or print additional money.

Therefore, option (c) is the correct answer.

5. Consider the following statements:

UPSC CSE (Pre) 2018

1. The Fiscal Responsibility and Budget Management (FRBM) Review Committee Report has recommended a debt to GDP ratio of 60% for the general (combined) government by 2023, comprising 40% for the Central Government and 20% for the State Governments.
2. The Central Government has domestic liabilities of 21% of GDP as compared to that of 49% of GDP of the State Governments.
3. As per the Constitution of India, it is mandatory for a State to take the Central Government's consent for raising any loan if the former owes any outstanding liabilities to the latter.

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

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

Answer: (c)

Explanation:

- ❑ The Fiscal Responsibility and Budget Management (FRBM) Act was enacted in 2003. The purpose of the act is to set targets for the government to reduce fiscal deficits. The targets were put off several times. In May 2016, the government set up a committee under NK Singh to review the FRBM Act.
- ❑ The NK Singh Committee recommended that the government should target a fiscal deficit of 3% of the GDP in years up to March 31, 2020, 2.8% in 2020-21 and 2.5% by 2023.
- ❑ **Key Recommendations of FRBM Review Committee**
 - Combined debt-to-GDP ratio of the Centre and States should be brought down to 60% by 2023 (comprising 40% for the Centre and 20% for the States). **Hence, statement 1 is correct.**
 - For fiscal consolidation, the Centre should reduce its fiscal deficit from the current 3.5% (2017) to 2.5% by 2023.
 - The Committee also recommended that the Central government should reduce its revenue deficit steadily by 0.25 percentage (of GDP) points each year, to reach 0.8% by 2023, from a projected value of 2.3% in 2017.
 - It advocated formation of independent institutions to ensure fiscal prudence in accordance with the FRBM spirit.
 - It also recommended fiscal flexibilities to go above or below the fiscal deficit targets in the form of 'escape clauses'. The Committee set 0.5% as an escape clause for fiscal deficit target.
 - During higher economic growth, fiscal deficit should be reduced accordingly.
 - Fiscal consolidation should also be made by the States. They should bring down their debt target to 20% of GDP from the current 21%.
 - Both monetary and fiscal policies must ensure growth and macroeconomic stability in a complementary manner.
- ❑ **Government Liabilities:** As per the data of Union Ministry of Finance, Central Government liability stood at 46.5% of GDP at end-March 2018, which saw an increase from 46.1% at end-March 2017, on account of special securities issued for recapitalisation of PSBs. General Government Debt (as % of GDP) stood at 68.2% for the year 2017-18. Thus, implying that the debt of State governments stood at 21.7% of GDP. **Hence, statement 2 is not correct.**

1. Consider the following statements:

UPSC CSE (Pre) 2020

1. The weightage of food in Consumer Price Index (CPI) is higher than that in Wholesale Price Index (WPI).
2. The WPI does not capture changes in the prices of services, which CPI does.
3. Reserve Bank of India has now adopted WPI as its key measure of inflation and to decide on changing the key policy rates.

Which of the statements given above is/are correct?

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

Answer: (a)

Explanation:

- ❑ Wholesale Price Index (WPI) is a measure of the average change in the prices of goods in the wholesale market or at the wholesale level. It is published by the Office of Economic Advisor, Ministry of Commerce and Industry.
- ❑ Consumer Price Index (CPI) is the measure of changes in the price level of a basket of consumer goods and services bought by households. There are four types of CPI based on items basket which 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 Central Statistical Organisation (CSO) in the Ministry of Statistics and Programme Implementation.
- ❑ Weightage of items in CPI is based on average household expenditure taken from consumer expenditure surveys. The weightage of food in CPI is far higher (approx. 46%) than in WPI (approx. 24%). A significant proportion of WPI items basket represents manufacturing inputs and intermediate goods like minerals, basic metals, machinery, etc. **Hence, statement 1 is correct.**
- ❑ Moreover, WPI does not capture changes in the prices of services, which CPI does. **Hence, statement 2 is correct.**

- ❑ WPI is used as a key measure of inflation in some economies. However, the RBI no longer uses it for policy purposes including setting repo rates. In April 2014, the RBI adopted the CPI or retail inflation as a key measure of inflation to set the monetary and credit policy. **Hence, statement 3 is not correct.**

Therefore, option (a) is the correct answer.

2. Which of the following goods are included to estimate food inflation in India? **CAPF (ACs) Exam 2020**

1. Wheat 2. Paddy
3. Tobacco 4. Sugar

Select the correct answer using the code given below:

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

Answer: (d)

Explanation:

- ❑ Two main factors determine the contribution of different commodities to food inflation: the weight of each commodity in the overall food basket and the change in prices of these commodities.
- ❑ To begin with, we look at broad trends in inflation of primary and manufactured food items. Primary food items constitute a bigger weight in the Indian food basket. At the same time, the inflation rate for primary food items is also always typically higher than for manufactured items.
- ❑ The findings suggest that animal source foods (milk, fish), processed food (sugar, edible oils), fruits and vegetables (onions) and cereals (rice, wheat) are typically the primary drivers of food inflation in India. **Hence, 1, 2 and 4 are correct.**
- ❑ Food inflation is measured as the year-on-year difference in the CPI-food price index.
- ❑ In accordance with the data given by Ministry of Statistics and Programme Implementation (MoSPI), food inflation accelerated to 3.87% in February, 2021 from 1.89% in January which was the lowest since May, 2019. Cost of pulses jumped 12.54% while vegetables fell at a slower rate of 6.24%.

Therefore, option (d) is the correct answer.

3. As per the use-based classification of the Index of Industrial Production (IIP), the maximum weight has been assigned to:

CDS Exam (II) 2020

- (a) primary goods
- (b) intermediate goods
- (c) consumer durables
- (d) consumer non-durables

Answer: (a)

Explanation:

- ❑ Index of Industrial Production or IIP as it is commonly called, is an index that tracks manufacturing activity in different sectors of an economy. The IIP number measures the industrial production for the period under review, usually a month, as against the reference period.
- ❑ As per the use-based classification of the Index of Industrial Production (IIP), the maximum weight has been assigned to primary goods.

Sector	Weightage (%)
Primary Goods	34.05
Intermediate Goods	17.22
Consumer non-durables	15.33
Consumer durables	12.84
Infrastructure/Construction goods	12.34
Capital Goods	8.22

Therefore, option (a) is the correct answer.

4. Which one of the following reflects an intrinsic or true value for factors or products?

Engineering Services (Pre) Exam 2020

- (a) Price inflation
- (b) Economy pricing
- (c) Penetration pricing
- (d) Shadow price

Answer: (d)

Explanation:

- ❑ Shadow price refers to the estimated price of a commodity which is not normally priced or sold in the market. It is used in the cost-benefit analysis of intangible goods.
- ❑ It can also be used to reveal the true price or value of a factor or product in the sense of equilibrium prices or by economists to put a price tag on externalities.

Therefore, option (d) is the correct answer.

5. Which one of the following indices is now used by the Reserve Bank of India to measure the rate of inflation in India?

CDS Exam (I) 2017

- (a) NASDAQ Index
- (b) BSE Index
- (c) Consumer Price Index
- (d) Wholesale Price Index

Answer: (c)

Explanation:

Index	Features
NASDAQ Index	<ul style="list-style-type: none"> ❑ It is the market capitalization-weighted index. ❑ It has over 2,500 common equities listed on the Nasdaq stock exchange. ❑ It has common stocks, Real Estate Investment Trusts (REITs), tracking stocks as well as limited partnership interests except derivatives, preferred shares, funds, Exchange-Traded Funds (ETFs) or debenture securities.
BSE Index	<ul style="list-style-type: none"> ❑ It is also known as S&P (Standard & Poor's), Bombay Stock Exchange, Sensitive Index or SENSEX. ❑ It is a free-floating market-weighted stock market index. ❑ It has 30 well-established and financially sound listed companies. ❑ It was published on 1st January, 1986. It is regarded as the pulse of the domestic stock market in India.
Consumer Price Index (CPI)	<ul style="list-style-type: none"> ❑ It calculates the weighted average of prices of the basket of goods and services. ❑ RBI uses CPI to measure inflation along with identifying the periods of inflation or deflation.
Wholesale Price Index (WPI)	<ul style="list-style-type: none"> ❑ It measures the changes in price before retail level (goods sold in bulk).

Therefore, option (c) is the correct answer.

6. Surge pricing takes place when a service provider:

NDA & NA Exam (I) 2017

- (a) raises the price of its product or service as demand outstrips supply
- (b) follows preset prices immune to demand and supply dynamics
- (c) fixes a minimum price for its services
- (d) fixes an average price on the basis of transactions earned over a day

Answer: (a)

1. With reference to the Indian economy, consider the following statements: **UPSC CSE (Pre) 2020**

1. 'Commercial Paper' is a short-term unsecured promissory note.
2. 'Certificate of Deposit' is a long-term instrument issued by the Reserve Bank of India to a corporation.
3. 'Call Money' is a short-term finance used for interbank transactions.
4. 'Zero-Coupon Bonds' are the interest bearing short-term bonds issued by the Scheduled Commercial Banks to corporations.

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

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

Answer: (c)

Explanation:

- Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note and held in a dematerialized form through any of the depositories approved by and registered with SEBI. **Hence, statement 1 is correct.**
- Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Usance Promissory Note, for funds deposited at a bank or other eligible financial institution for a specified time period. CDs can be issued by (i) scheduled commercial banks excluding Regional Rural Banks (RRBs) and Local Area Banks (LABs); and (ii) select all-India Financial Institutions (FIs) that have been permitted by RBI to raise short-term resources within the umbrella limit fixed by RBI. **Hence, statement 2 is not correct.**
- Call money is a short term finance repayable on demand, with a maturity period of one day to fifteen days, used for inter-bank transactions. **Hence, statement 3 is correct.**
- A zero-coupon bond is a debt security that does not pay interest but instead trades at a deep discount, rendering a profit at maturity, when the bond is redeemed for its full face value. **Hence, statement 4 is not correct.**
Therefore, option (c) is the correct answer.

2. In the context of the Indian economy, non-financial debt includes which of the following? **UPSC CSE (Pre) 2020**

1. Housing loans owed by households
2. Amounts outstanding on credit cards
3. Treasury bills

Select the correct answer using the code given below:

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

Answer: (d)

Explanation:

- Debts are contractual obligations to repay monetary loans, often with related interest expenses.
- Non-financial debt:**
 - It consists of credit instruments issued by governmental entities, households and businesses that are not included in the financial sector.
 - It includes industrial or commercial loans, Treasury bills and credit card balances.
 - They share most of the same characteristics with financial debt, except the issuers are non-financial.

Hence, 1, 2 and 3 are correct.

Therefore, option (d) is the correct answer.

3. Which one of the following risks can be reduced by investing in projects or acquiring other firms that have a negative correlation with the earnings of the firm?

Engineering Services (Pre) Exam 2020

- (a) Investment risk (b) Business risk
(c) Financial risk (d) Portfolio risk

Answer: (d)

Explanation:

- Negative correlation of investments is used with portfolio risk management to decide how to allocate assets. Investors and portfolio managers believe that some of the risks associated with the portfolio would be diversified if they can be assembling a portfolio of negatively correlated assets.
- Portfolio risk refers to a chance that assets or units within the investments of investors, fail to meet the required objectives. Each investment within a portfolio carries its own risk, with higher potential return meaning higher risk.

- ❑ This risk can be reduced by investing in projects or acquiring other firms that have a negative correlation with the earnings of the firm.

Therefore, option (d) is the correct answer.

4. An individual investor who invests in the e-project usually during an early stage is:

Engineering Services (Pre) Exam 2020

- (a) corporate strategic investor
- (b) founder capital
- (c) angel investor
- (d) venture capital

Answer: (c)

Explanation:

- ❑ An angel investor also known as a private investor, seed investor or angel funder is a high-net-worth individual who provides financial backing for small startups entrepreneurs, typically in exchange of ownership equity in the company.
- ❑ The fund that angel investors provide may be a one time investment to help the company through difficult early stages.

Therefore, option (c) is the correct answer.

5. Which of the following is issued by registered foreign portfolio investors to overseas investors who want to be part of the Indian stock market without registering themselves directly? **UPSC CSE (Pre) 2019**

- (a) Certificate of Deposit
- (b) Commercial Paper
- (c) Promissory Note
- (d) Participatory Note

Answer: (d)

Explanation:

- ❑ A Participatory Note or P-note is an instrument issued by a registered Foreign Institutional Investor (FII) to an overseas investor who wishes to invest in Indian stock markets without registering themselves with the market regulator, the Securities and Exchange Board of India (SEBI).
- ❑ A Certificate of Deposit is a savings certificate with a fixed maturity date and specified fixed interest rate that can be issued in any denomination aside from minimum investment requirements.
- ❑ Commercial Paper is an unsecured money market instrument issued in the form of a Promissory Note. It was introduced in India in 1990 with a view to enable highly rated corporate borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors.

- ❑ A Promissory Note is a financial instrument that contains a written promise by one party (the note's issuer or maker) to pay another party (the note's payee) a definite sum of money, either on demand or at a specified future date.

Therefore, option (d) is the correct answer.

6. Which one of the following is a viable alternative to term-loans and are instruments for raising debt finance by large publicly traded firms?

Engineering Services (Pre) Exam 2019

- (a) Shares
- (b) Debentures
- (c) Asset loans
- (d) Gold loans

Answer: (b)

Explanation:

- ❑ Debentures are the debt instruments that are not backed by any collateral or physical assets and have a term greater than 10 years. It is used by firms or companies to raise money for financing projects.
- ❑ These are backed by credit worthiness and reputation of the issuer, and are not backed by any collateral.
- ❑ Both corporations and governments frequently issue this type of bond to secure capital. It is a viable alternative to term loans.

Therefore, option (b) is the correct answer.

7. The cheapest method of marketing of securities with the only cost incurred being on sending 'letters of rights' to existing holders is:

Engineering Services (Pre) Exam 2019

- (a) Public issue through prospectus method
- (b) Offer for sale method
- (c) Rights issue
- (d) Subscription by inside coterie method

Answer: (c)

Explanation:

- ❑ Rights issue refers to the invitation to the shareholder for purchasing the additional shares in the company. With this right, the shareholders can purchase new shares at discount to the market price on stated future date.
- ❑ A company would offer a rights issue in order to raise capital which can be used to clear its debt obligations, acquire assets, or facilitate expansion without having to take out a loan from a bank.

10

Poverty, Unemployment & Inequality

1. Which of the following methods has/have been used to estimate poverty in India? **UPPCS (Pre) 2020**

1. Head Count Ratio
2. Calorie intake
3. Household Consumption Expenditure
4. Per Capita Income

Select the correct answer from the codes below:

Codes:

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

Answer: (b)

Explanation:

- ❑ A common method used to estimate poverty in India is based on the consumption levels and if the consumption falls below a given minimum level, then the household is said to be Below the Poverty Line (BPL). Besides, Household Consumption Expenditure, Head Count Ratio, Calorie Intake, etc., are other methods that have been used to estimate poverty in India.
- ❑ Poverty estimation in India is carried out by NITI Aayog's task force through the calculation of poverty line based on the data captured by the National Sample Survey Office under the Ministry of Statistics and Programme Implementation (MoSPI).

Therefore, option (b) is the correct answer.

2. Human Development Report 1997 introduced the concept of Human Poverty Index (HPI) but Human Development Report replaced it with Multidimensional Poverty Index (MPI) in the year. **UPPCS (Pre) 2020**

- | | |
|----------|----------|
| (a) 1999 | (b) 2005 |
| (c) 2010 | (d) 2015 |

Answer: (c)

Explanation:

- ❑ The global Multidimensional Poverty Index (MPI) is an international measure of acute multidimensional poverty covering over 100 developing countries. It complements traditional monetary poverty measures by capturing the acute deprivations in health, education, and living standards that a person faces simultaneously.

- ❑ The global MPI was developed by Oxford Poverty & Human Development Initiative (OPHI) with the UN Development Programme (UNDP) for inclusion in UNDP's flagship Human Development Report in 2010. It has been published annually by OPHI and in the Human Development Reports (HDRs) ever since.

Therefore, option (c) is the correct answer.

3. The idea of 'Cultural Poverty' was given by:

UPPCS (Pre) 2020

- | | |
|------------------|-------------------|
| (a) Oscar Lewis | (b) Gunnar Myrdal |
| (c) Aashish Bose | (d) Amartya Sen |

Answer: (a)

Explanation:

The idea of 'Cultural Poverty' was given by the anthropologist Oscar Lewis in his ethnographic realist books on family life among Urban Poor, during the 1960.

Therefore, option (a) is the correct answer.

4. Which of the following Committees recommended a poverty line based on nutritional requirements exclusively? **UPPCS (Pre) 2020**

- (a) Alagh Committee
- (b) Lakdawala Committee
- (c) Tendulkar Committee
- (d) Rangarajan Committee

Answer: (a)

Explanation:

- ❑ Poverty is a social as well as a multidimensional phenomenon. According to the World Bank, "Poverty is a pronounced deprivation in well-being".
- ❑ In 1979, Alagh Committee, a task force was setup by the Planning Commission for the purpose of poverty estimation. The committee derived a poverty line for both rural and urban areas on the basis of nutritional requirements.

Therefore, option (a) is the correct answer.

5. In a given year in India, official poverty lines are higher in some States than in others because

UPSC CSE (Pre) 2019

- (a) poverty rates vary from State to State
- (b) price levels vary from State to State
- (c) Gross State Product varies from State to State
- (d) quality of public distribution varies from State to State

Answer: (b)

Explanation:

- ❑ In India, poverty is estimated at absolute level or the minimum money required for subsistence. Presently, the poverty line is defined as the minimum money required for maintaining a per capita caloric intake of 2,100 calories in an urban area, and 2,400 calories in a rural area.
- ❑ Thus, the Poverty Estimates of any given year states that, the poverty lines may vary from State to State because the price of per capita goods varies due to inter state price differentials.

Therefore, option (b) is the correct answer.

6. Consider the following statements:

UPSC CSE (Pre) 2019

As per the Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018

1. if rules for fixed-term employment are implemented, it becomes easier for the firms/companies to lay off workers
2. no notice of termination of employment shall be necessary in the case of temporary workman

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

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

Answer: (c)

Explanation:

- ❑ The Central Government notified fixed term employment for all sectors through an amendment to the Industrial Employment (Standing Orders) Central Rules, 1946.
- ❑ As per the Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018, "fixed term employment workman is a workman who has been engaged on the basis of a written contract of employment for a fixed period". No workman employed on fixed term employment basis as a result of non-renewal of contract or employment or on its expiry shall be entitled to any notice or pay in lieu thereof, if his services are terminated. Hence, statement 1 is correct.

- ❑ Fixed-term employment for all sectors will make it easier for companies to hire-and-fire workers along with reducing the role of middlemen.

- ❑ No notice of termination of employment shall be necessary in the case of a temporary workman whether monthly rated, weekly rated or piece rated and probationers or Badli workmen. Hence, statement 2 is correct.

Therefore, option (c) is the correct answer.

7. Gini Coefficient or Gini Ratio can be associated with which one of the following measurements in an economy?

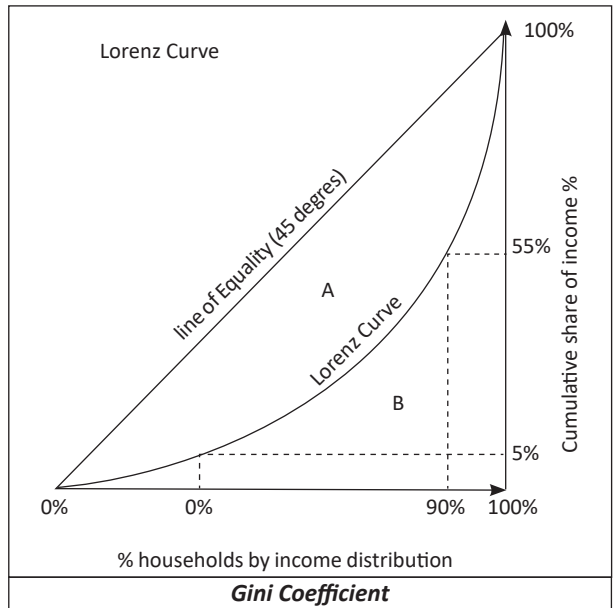
CDS Exam (I) 2019

- (a) Rate of inflation
- (b) Poverty index
- (c) Income inequality
- (d) Personal income

Answer: (c)

Explanation:

- ❑ The Gini coefficient is a measure of the distribution of income across a population. This ratio or coefficient was developed by the Italian statistician Corrado Gini in 1912.
- ❑ It is often used to measure income distribution, economic inequality or less commonly, wealth distribution among a population.
- ❑ The Gini Coefficient is equal to the area between the actual income distribution curve (Lorenz curve) and the line of perfect income equality.
- ❑ It is also known as Gini Index, which is expressed as a number between 0 and 1. Gini Coefficients can be used to compare the income distribution of a country over time as well.



Therefore, option (c) is the correct answer.

1. Which of the following sectors contribute to the deterioration of asset quality of commercial banks by way of Non-Performing Assets? **CAPF (ACs) Exam 2020**

1. Agriculture and allied sector
2. Industrial sector
3. Infrastructure sector
4. Information technology sector

Select the correct answer using the code given below:

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

Answer: (b)

Explanation:

- ❑ The issue of Non-Performing Assets (NPAs) in the Indian banking sector has become the subject of much discussion and scrutiny.
- ❑ Banks give loans and advances to borrowers. Non-Performing Assets (NPAs) are loans and advances where the borrower has stopped making interest or principal repayments for over 90 days.

- ❑ The Standing Committee on Finance recently released a report on the banking sector in India, where it observed that banks' capacity to lend has been severely affected because of mounting NPAs.

- ❑ The Industrial sector and the infrastructure sector contribute to the deterioration of the asset quality of commercial banks by way of Non-Performing Assets.

Therefore, option (b) is the correct answer.

2. Which one of the following Central Public Sector Undertakings (CPSUs) is recognized as Miniratna?

CAPF (ACs) Exam 2020

- (a) Airport Authority of India
- (b) Indian Oil Corporation Limited
- (c) Hindustan Aeronautics Limited
- (d) Steel Authority of India Limited

Answer: (a)

Explanation:

The Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises grants Ratna status to CPSEs.

Ratna Status to CPSEs		
Ratna	Criteria	Examples
Maharatna	<ul style="list-style-type: none"> ❑ The CPSEs meeting the following criteria are eligible to be considered for grant of Maharatna status: <ul style="list-style-type: none"> ○ It should have a Navratna status ○ Listed on Indian stock exchange with minimum prescribed public shareholding under SEBI regulations ○ An average annual turnover of more than ₹25,000 crore during the last 3 years ○ An average annual net worth of more than ₹15,000 crore during the last 3 years ○ An average annual net profit after tax of more than ₹5,000 crore during the last 3 years ○ Should have significant global presence/international operations. 	<ol style="list-style-type: none"> 1. Bharat Heavy Electricals Limited 2. Bharat Petroleum Corporation Limited 3. Coal India Limited 4. GAIL (India) Limited 5. Hindustan Petroleum Corporation Limited 6. Indian Oil Corporation Limited 7. NTPC Limited 8. Oil & Natural Gas Corporation Limited 9. Power Grid Corporation of India Limited 10. Steel Authority of India Limited

Contd...

Ratna Status to CPSEs		
Ratna	Criteria	Examples
Navratna	<p>❑ The CPSEs which are Miniratna I, Schedule 'A' and have obtained 'excellent' or 'very good' MOU (Memorandum of understanding) rating in three of the last five years and having composite score of 60 or above in following six selected performance indicators, are eligible to be considered for grant of Navratna status.</p> <ol style="list-style-type: none"> 1. Net Profit to Net worth (25) 2. Manpower Cost to total Cost of Production or Cost of Services (15) 3. PBDIT to Capital employed (15) 4. PBIT to Turnover (15) 5. Earning Per Share (10) 6. Inter Sectoral Performance (20) 	<ol style="list-style-type: none"> 1. Bharat Electronics Limited 2. Container Corporation of India Limited 3. Engineers India Limited 4. Hindustan Aeronautics Limited 5. Mahanagar Telephone Nigam Limited 6. National Aluminium Company Limited 7. NBCC (India) Limited 8. NMDC Limited 9. NLC India Limited 10. Oil India Limited 11. Power Finance Corporation Limited 12. Rashtriya Ispat Nigam Limited 13. Rural Electrification Corporation Limited 14. Shipping Corporation of India Limited
Miniratna Category-I status	<p>❑ The CPSEs which have made profit in the last three years continuously, pre-tax profit of ₹30 crores or more in at least one of the three years and have a positive net worth are eligible to be considered for grant of Miniratna-I status.</p>	<ol style="list-style-type: none"> 1. Airports Authority of India 2. Antrix Corporation Limited 3. Balmer Lawrie & Co. Limited 4. Bharat Coking Coal Limited 5. Bharat Dynamics Limited 6. BEML Limited 7. Bharat Sanchar Nigam Limited 8. Bridge & Roof Company (India) Limited 9. Central Warehousing Corporation 10. Central Coalfields Limited 11. Central Mine Planning & Design Institute Limited 12. Chennai Petroleum Corporation Limited and many others.
Miniratna Category-II status	<p>❑ The CPSEs which have made profit for the last three years continuously and have a positive net worth are eligible to be considered for grant of Miniratna-II status.</p> <ul style="list-style-type: none"> ○ Miniratna CPSEs should have not defaulted in the repayment of loans/interest payment on any loans due to the Government. ○ Miniratna CPSEs shall not depend upon budgetary support or Government guarantees. 	<ol style="list-style-type: none"> 1. Artificial Limbs Manufacturing Corporation of India 2. Bharat Pumps & Compressors Limited 3. Broadcast Engineering Consultants India Limited 4. Central Railside Warehouse Company Limited 5. Engineering Projects (India) Limited 6. FCI Aravali Gypsum & Minerals India Limited 7. Ferro Scrap Nigam Limited 8. HMT (International) Limited 9. Indian Medicines & Pharmaceuticals Corporation Limited 10. MECON Limited and many others.

Therefore, option (a) is the correct answer.

1. In India, which of the following can be considered as public investment in agriculture? **UPSC CSE (Pre) 2020**

1. Fixing Minimum Support Price for agricultural produce of all crops
2. Computerization of Primary Agricultural Credit Societies
3. Social Capital development
4. Free electricity supply to farmers
5. Waiver of agricultural loans by the banking system
6. Setting up of cold storage facilities by the governments

Select the correct answer using the code given below:

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

Answer: (c)

Explanation:

- ❑ Public investment is an investment by the State (Central, state and local governments or through publicly owned companies) to build the nation's capital stock by devoting resources to the basic physical infrastructure (such as roads, bridges, rail lines, airports, and water distribution), innovative activity (basic research), green investments (clean power sources), and education that leads to higher productivity and/or higher living standards.
- ❑ Minimum Support Price (MSP) provides a market intervention mechanism to work as an insurance policy for the farmers to save them from price falls. It is not helping in enhancing productivity in the agriculture sector. Thus, fixing the MSP for agricultural produce of all crops does not add to national capital stock or lead to higher productivity. **Hence, 1 is not correct.**
- ❑ Computerization of Primary Agricultural Credit Societies will enhance productivity in the agricultural sector, as there will be easy and timely access of credit. Similar will be the impact of setting up cold storage facilities. **Hence, 2 and 6 are correct.**

- ❑ Social capital is the value that can be created through networking and trust built within and between people and organisations. Building cohesiveness within a community lowers the transaction costs of working together and enhanced trust can enable communities to overcome societal dilemmas. Strong social networks can serve as safety nets to help resource poor individuals or communities cope with shocks, especially when formal types of risk management such as credit or insurance are unavailable. Within farming communities, social capital can also improve productivity because it is a pre-requisite for the management of natural resources or the adoption of new practices and technologies. Building social capital for smallholders can also positively impact the adoption of new technologies such as the use of improved seeds, soil and water conservation practices, and agroforestry. **Hence, 3 is correct.**

- ❑ Free electricity to farmers has, apart from financial stress on the state, resulted in excessive use of water, encouragement of installation of more pump sets and depleting groundwater table. **Hence, 4 is not correct.**
 - ❑ Waiver of agricultural loans is not investment as it affects the health of the banking sector. **Hence, 5 is not correct.**
- Therefore, option (c) is the correct answer.**

2. Under the Kisan Credit Card scheme, short-term credit support is given to farmers for which of the following purposes? **UPSC CSE (Pre) 2020**

1. Working capital for maintenance of farm assets
2. Purchase of combine harvesters, tractors and mini trucks
3. Consumption requirements of farm households
4. Post-harvest expenses
5. Construction of family house and setting up of village cold storage facility

Select the correct answer using the code given below:

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

Answer: (b)

Explanation:

- ❑ The Kisan Credit Card (KCC) scheme was introduced in 1998 for providing adequate and timely credit support from the banking system under a single window with flexible and simplified procedure to the farmers for their cultivation and other needs like purchase of agriculture inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs.
- ❑ The scheme was further extended in the year 2004 for the investment credit requirement of farmers viz allied and non-farm activities.
- ❑ **Kisan Credit Card is provided with the following objectives:**
 - The short term credit requirements for cultivation of crops
 - Post harvest expenses. **Hence, 4 is correct.**
 - Produce marketing loan.
 - Consumption requirements of farmer household. **Hence, 3 is correct.**
 - Working capital for maintenance of farm assets and activities allied to agriculture, like dairy animals, inland fishery, etc. **Hence, 1 is correct.**
 - Investment credit requirement for agriculture and allied activities like pumpsets, sprayers, dairy animals, etc.
- ❑ The Kisan Credit Card Scheme is implemented by Commercial Banks, RRBs, Small Finance Banks and Cooperatives.

Therefore, option (b) is the correct answer.

3. Which of the following factors/policies were affecting the price of rice in India in the recent past?

UPSC CSE (Pre) 2020

1. Minimum Support Price
2. Government's trading
3. Government's stockpiling
4. Consumer subsidies

Select the correct answer using the code given below:

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

Answer: (d)

Explanation:

- ❑ Minimum Support Price (MSP) is a floor price decided by the government at which it procures crops from farmers. MSP's aim is to protect farmers against the sharp decline in the agricultural prices during good harvest seasons. However, the MSP fixed on any crop attracts farmers to produce that specific crop which may lead to its over-production. MSP also distorts the

market because the government procurement agencies buy 70-80% rice by forcing out private players. If the government sets MSP higher than the market rates, then private players won't buy crops from farmers and the crops are procured by the government. Which creates inefficiencies in the markets. The farmers usually do not prefer producing other crops on which there is no fixed MSP eventually leading to price rise of those crops. **Hence, 1 is correct.**

- ❑ Government in India typically buys more than a third of the country's rice output at a fixed price, which has a direct impact on price of rice. **Hence, 2 is correct.**
 - ❑ In India, the government stockpiles cereals like wheat and rice for distribution to poor which impacts the price of rice. The government sells the procured crops through the Public Distribution System at subsidised rates. **Hence, 3 is correct.**
 - ❑ A subsidy means the government pays part of the cost. It can be provided both to the producer as well as the consumer. In India, subsidized food grains are distributed through TPDS which impacts the price of food grains sold through Fair Price Shops. **Hence, 4 is correct.**
- Therefore, option (d) is the correct answer.**

4. Consider the following statements:

UPSC CSE (Pre) 2020

1. In the case of all cereals, pulses and oil-seeds, the procurement at Minimum Support Price (MSP) is unlimited in any State/UT of India.
2. In the case of cereals and pulses, the MSP is fixed in any State/UT at a level to which the market price will never rise.

Which of the statements given above is/are correct?

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

Answer: (d)

Explanation:

- ❑ The Government of India announces Minimum Support Prices (MSP) for 22 major agricultural commodities each year in both the crop seasons after taking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP).
- ❑ CACP recommends MSP for twenty two (22) crops and Fair & Remunerative Price (FRP) for sugarcane.
 - 7 cereals (paddy, wheat, maize, sorghum, pearl millet, barley and ragi),
 - 5 pulses (gram, tur, moong, urad, lentil),
 - 7 oilseeds (groundnut, rapeseed-mustard, soyabean, seasmum, sunflower, safflower, nigerseed), and
 - 4 commercial crops (copra, sugarcane, cotton and raw jute).

1. Which of the following are relevant factors regarding quality in service sector?

Engineering Services (Pre) Exam 2019

1. Timeliness of service
2. Customer participation
3. Company personnel motivation
4. Company culture

Select the correct answer using the codes given below:

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

Answer: (c)

Explanation:

- ❑ Service sector is the tertiary sector that includes various services produced in an economic system such as telecommunication, transportation, information & technology sector, railways, etc.
- ❑ The relevant factors regarding quality in service sector are:
 - **Timeliness of service:** In terms of servicing the needs of clients, government agencies or private firms need to provide services, not only at least cost and of acceptable quality, but also in a timely manner. **Hence, 1 is correct.**
 - **Customer participation:** Active involvement of customers during service encounters, consequently will affect the specificity, production, delivery and outcomes of the provided service. **Hence, 2 is correct.**
 - **Company personnel motivation:** It is one of the important elements of enterprise personnel management which implies the growth in the productivity of the employee. **Hence, 3 is correct.**
 - **Company culture:** It is a system of values, attitudes, norms, rules and beliefs that can be expressed via performance. The objective of each company is effectiveness. **Hence, 4 is correct.**

Therefore, option (c) is the correct answer.

2. Under the PRASAD Tourism Scheme, which one of the following has **not** been identified as a religious site for development?

CDS Exam (II) 2018

- (a) Ajmer (Rajasthan)
- (b) Haridwar (Uttarakhand)
- (c) Somnath (Gujarat)
- (d) Velankanni (Tamil Nadu)

Answer: (b)

Explanation:

- ❑ The 'National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation Drive' (PRASAD) was launched by the Ministry of Tourism in the year 2014-15 with the objective of holistic development of identified pilgrimage destinations.
- ❑ The name of the scheme was changed from PRASAD to "National Mission on Pilgrimage Rejuvenation and Spiritual, Heritage Augmentation Drive (PRASHAD)" in October 2017. After the discontinuation of the HRIDAY scheme of the Ministry of Housing and Urban Affairs, the development of Heritage destinations was included in the PRASAD Scheme, changing it to PRASHAD.
- ❑ PRASHAD scheme offers a tremendous opportunity to undertake infrastructure developments at the important pilgrimage and heritage destinations/cities in an inclusive, integrated and sustainable manner that focuses on livelihoods, skills, cleanliness, security, accessibility and service delivery.
- ❑ The pilgrimage destinations are selected on the basis of pilgrimage lineage, pilgrim footfall while the heritage cities are selected on the basis of high heritage values of the city, tourist footfall, number of monuments and their accreditations.
- ❑ It was launched with 12 identified sites namely Ajmer (Rajasthan), Amritsar (Punjab), Amaravati (Andhra Pradesh), Dwarka (Gujarat), Gaya (Bihar), Kedarnath (Uttarakhand), Kamakhya (Assam), Kanchipuram (Tamil Nadu), Mathura (Uttar Pradesh), Puri (Odisha), Varanasi (Uttar Pradesh) and Velankanni (Tamil Nadu).

- ❑ During 2015-16, Patna (Bihar) and in 2016-17, 12 more sites were added to the scheme for development namely Ayodhya (Uttar Pradesh), Badrinath (Uttarakhand), Belur (West Bengal), Deoghar (Jharkhand), Guruvayur (Kerala), Hazratbal and Katra (Jammu & Kashmir), Omkareshwar (Madhya Pradesh), Somnath (Gujarat), Srisailem and Tirupati (Andhra Pradesh), Trimbakeshwar (Maharashtra).

Therefore, option (b) is the correct answer.

3. The development of the concept of 'Global Village' is based on **UPPCS (Pre) 2018**
- (a) Social development
 - (b) Political development

- (c) Transport and Communication Development
- (d) International organizations

Answer: (c)

Explanation:

- ❑ Marshall McLuhan coined the phrase "global village" in his book "The Gutenberg Galaxy".
- ❑ Due to the rapid development in the Transport and Communication sector, the world has become a Global Village and the people all over the world are interconnected with each other. They are being brought together by the internet and other electronic communication interconnections.

Therefore, option (c) is the correct answer.

PRACTICE QUESTIONS

1. With reference to the growth of the Service Sector in India, consider the following statements:
1. The contribution of the service sector to the Indian Economy is highest of all other sectors.
 2. The labour market arbitrage gets less importance in the current growth of the service sector in India.

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

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

Answer: (c)

Explanation:

- ❑ The growth of the Service Sector in India is a unique example of leap-frogging traditional model of economic growth. The significance of service sector in the Indian economy has been steady, with the sector now accounting for over 54% of the economy and almost four-fifths of total FDI inflows. However, it employs 28% of the labour force. Consequently, agriculture sector has maximum share of working force at nearly 53% while secondary sector share is nearly 18%. **Hence, statement 1 is correct.**
 - ❑ The current growth of the service sector in India is based mainly on labour market arbitrage. The labour market arbitrage has played a crucial role in the whole process of growth of the service sector in India. The Indian Services are offering platform into sectors beyond the traditional IT/ ITeS by identifying the global demand for such services, and meeting these demands based on our natural competencies and comparative advantages. **Hence, statement 2 is not correct.**
- Therefore, option (c) is the correct answer.

2. Which of the following statement(s) is/are correct about the characteristics of the service sector of an economy?
1. These are the activities that do not directly produce a good.
 2. Essential services are not considered as a part of this sector.

Select the correct answer using the code given below:

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

Answer: (a)

Explanation:

- ❑ Transport, storage, communication, banking, trade are some of the examples of tertiary activities also known as service sector. These are the activities that help in the development of the primary and secondary sectors. These activities, by themselves, do not produce a good but they are an aid or a support for the production process. **Hence, statement 1 is correct.**
- ❑ Service sector also includes some essential services that may not directly help in the production of goods. For example, we require teachers, doctors, and those who provide personal services such as washermen, barbers, cobblers, lawyers, and people to do administrative and accounting works. In recent times, certain new services based on information technology such as internet cafes, ATM booths, call centers, software companies, etc., have become important. **Hence, statement 2 is not correct.**

Therefore, option (a) is the correct answer.

3. Consider the following occupations:

- 1. Priest
- 2. Courier
- 3. Tailor
- 4. Lawyer

1. According to India's National Policy on Biofuels, which of the following can be used as raw materials for the production of biofuels? **UPSC CSE (Pre) 2020**

1. Cassava
2. Damaged wheat grains
3. Groundnut seeds
4. Horse gram
5. Rotten potatoes
6. Sugar beet

Select the correct answer using the code given below:

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

Answer: (a)

Explanation:

- ❑ The National Policy on Biofuels, 2018, allows production of ethanol from damaged food grains like wheat, broken rice, etc., which are unfit for human consumption.
- ❑ The Policy also allows conversion of surplus quantities of food grains to ethanol, based on the approval of the National Biofuel Coordination Committee.
- ❑ The Policy expands the scope of raw material for ethanol production by allowing use of sugarcane juice, sugar containing materials like sugar beet, sweet sorghum, starch containing materials like corn, cassava, damaged food grains like wheat, broken rice, rotten potatoes, unfit for human consumption for ethanol production. **Hence, 1, 2, 5 and 6 are correct.**

Therefore, option (a) is the correct answer.

2. The term 'West Texas Intermediate', sometimes found in news, refers to a grade of **UPSC CSE (Pre) 2020**

- (a) Crude oil
- (b) Bullion
- (c) Rare earth elements
- (d) Uranium

Answer: (a)

Explanation:

- ❑ West Texas intermediate (WTI), also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing.
- ❑ WTI is described as light crude oil because of its relatively low density, and sweet because of its low sulfur content.
- ❑ It is sourced from US oil fields, primarily in Texas, Louisiana, and North Dakota.

Therefore, option (a) is the correct answer.

3. In India, the term "Public Key Infrastructure" is used in the context of **UPSC CSE (Pre) 2020**

- (a) Digital security infrastructure
- (b) Food security infrastructure
- (c) Health care and education infrastructure
- (d) Telecommunication and transportation infrastructure

Answer: (a)

Explanation:

Public Key Infrastructure (PKI) is a technology for authenticating users and devices in the digital world. Under this system, one or more trusted parties digitally sign documents certifying that a particular cryptographic key belongs to a particular user or device. The key can then be used as an identity for the user in digital networks.

Therefore, option (a) is the correct answer.

4. Singapore is known as Port of Call because:

CAPF (ACs) Exam 2020

- (a) it deals in the processing and shipping of oil
- (b) it is a deep water port built away from the actual port
- (c) it is on main sea route where ships use to anchor for refueling, watering and taking food items
- (d) it serves the parent ports by receiving the ships which are unable to approach due to their large size

Answer: (c)

Explanation:

- ❑ Singapore became a key Port of Call for steam vessels and sailing in their passage along Asian sea routes.

- ❑ The Port of Call is a port that serves as the calling point on main sea routes where ships anchor for refueling, watering and taking food items.
- ❑ According to the Shipping Monitoring, Reporting and Verification (MRV) regulation, a 'Port of Call' is defined as the port of a country where cargo or a cruise ship halts to load/unload cargo or to embark/disembark passengers. For e.g., Aden, Honolulu and Singapore.

Therefore, option (c) is the correct answer.

5. The Trans-Siberian Railway runs from:
CISF AC (EXE) LDCE 2020

- (a) Moscow to Vladivostok.
- (b) St. Petersburg to Moscow.
- (c) St. Petersburg to Vladivostok.
- (d) Moscow to Sochi.

Answer: (a)

Explanation:

- ❑ The Trans-Siberian Railway runs across Russia connecting east and west from Moscow over the Urals across the endless steppe and alongside the shore of the world's largest freshwater lake, lake Baikal.
- ❑ It covers a length of 9,289 kilometres from Moscow to Vladivostok.



Therefore, option (a) is the correct answer.

6. The railway network in India is divided into:
CISF AC (EXE) LDCE 2020

- (a) 8 zones.
- (b) 10 zones.
- (c) 17 zones.
- (d) 20 zones.

Answer: (c)

Explanation:

- ❑ For administrative purposes, Indian Railways is divided into 17 zones. Each division is headed by Divisional Railway Manager (DRM). A DRM is assisted by one or two Additional Divisional Railway Managers (ADRM) in the working of the division.
- ❑ Divisional officers heading all departments viz. stores, engineering, mechanical, electrical, signal and telecommunication, accounts, personnel, operating, commercial, safety, medical, security branches and report to the Divisional Railway Manager.

Therefore, option (c) is the correct answer.

7. The first 'Kisan Rail' of India started its journey on 8th August, 2020 between which of the following two stations?
UPPCS (Pre) 2020

- (a) Ghaziabad and Howrah
- (b) Devlali (Maharashtra) and Danapur (Bihar)
- (c) Nasik and New Delhi
- (d) Nasik and Ahmedabad

Answer: (b)

Explanation:

The first 'Kisan Rail' of India started its journey on 8th August, 2020 between Devlali (Maharashtra) and Danapur (Bihar), which was further extended upto Muzaffarpur.

Therefore, option (b) is the correct answer.

8. Given below are two statements, one is labelled as Assertion (A) and other as Reason (R): UPPCS (Pre) 2020

Assertion (A): Government has launched the 'National Infrastructure Pipeline (NIP)' for period of 2020-30.

Reason (R): The objective of NIP is to provide equitable access to infrastructure for all.

Select the correct answer using the codes given below:

Codes:

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) (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

Answer: (d)

Explanation:

- ❑ Government has launched the 'National Infrastructure Pipeline (NIP)' for a period of 2019-20 to 2024-25. **Hence, Assertion (A) is false.**
- ❑ The main objective of NIP is stepping-up annual infrastructure investment to achieve the Gross Domestic Product (GDP) of \$5 trillion by 2024-25.

1. If another global financial crisis happens in the near future, which of the following actions/policies are most likely to give some immunity to India?

UPSC CSE (Pre) 2020

- Not depending on short-term foreign borrowings
- Opening up to more foreign banks
- Maintaining full capital account convertability

Select the correct answer using the code given below:

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

Answer: (a)

Explanation:

- Foreign debt is money borrowed by a government, corporation or private household from another country's government or private lenders. Total foreign debt can be a combination of short-term and long-term liabilities.
- In comparison to long term foreign debts, short term foreign debts are more volatile and can cause liquidity crunch in the times of global crisis. Therefore, not depending on short-term foreign borrowings can certainly give some immunity to India in times of global crisis. **Hence, statement 1 is correct.**
- Foreign banks have been instrumental in introducing Indian customers to ATMs and credit cards. Besides, with Indian firms increasingly looking for investments overseas, foreign banks can play a critical role in raising money for them, connecting them with a global clientele and consumers. However, Foreign Portfolio Investors (FPIs) today are the biggest shareholders of many foreign banks, meaning in the event of global crisis, the FPIs will withdraw their money and park it somewhere else, thus, creating volatility and a cash crunch in the market. **Hence, statement 2 is not correct.**
- Capital account convertibility is the freedom of foreign investors to purchase Indian assets (such as equity, bonds, property) and that of the domestic citizens to purchase foreign financial assets. Some of the disadvantages of full capital account convertibility include higher volatility, an increased burden of foreign debt, and an effect on the balance of trade and exports.

Thus, allowing full capital account convertibility will disturb the economy in the times of global crisis. **Hence, statement 3 is not correct.**

Therefore, option (a) is the correct answer.

2. "Gold Tranche" (Reserve Tranche) refers to

UPSC CSE (Pre) 2020

- a loan system of the World Bank
- one of the operations of a Central Bank
- a credit system granted by WTO to its members
- a credit system granted by IMF to its members

Answer: (d)

Explanation:

Gold Tranche or Reserve Tranche is the component of a member country's quota with the International Monetary Fund (IMF) i.e. in the form of gold or foreign currency. For any member country, out of the total quota, 25% should be paid in the form of foreign currency or gold. Hence, this is called a reserve tranche or gold tranche. The remaining 75% can be in domestic currencies and it is called credit tranche. It is basically an emergency account that IMF members can access without agreeing to conditions or paying a service fee.

Therefore, option (d) is the correct answer.

3. Consider the following statements:

UPSC CSE (Pre) 2020

- The value of Indo-Sri Lanka trade has consistently increased in the last decade.
- "Textile and textile articles" constitute an important item of trade between India and Bangladesh.
- In the last five years, Nepal has been the largest trading partner of India in South Asia.

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

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

Answer: (b)

Explanation:

- As per data from the Department of Commerce, Indo-Sri Lanka bilateral trade value for a decade (2007 to 2016) was 3.0, 3.4, 2.1, 3.8, 5.2, 4.5, 5.3, 7.0, 6.3, 4.8 (in billion USD).

It reflects continuous fluctuation in the trend of trade value. There has been an overall increase but the same cannot be said as consistent rise in trade value. **Hence, statement 1 is not correct.**

- ❑ Bangladesh has been a major textile trading partner for India, with a share of more than 5% in exports and over 7% in imports. While annual textile exports to Bangladesh averages \$2,000 million, imports are worth \$400 (Year: 2016-17).
- ❑ The major items of exports are fibre and yarn of cotton, man-made staple fibres and man-made filaments while major import items include apparel and clothing, fabric and other made up textile articles. **Hence, statement 2 is correct.**
- ❑ According to the data, in 2016-17, Bangladesh is India's largest trading partner in South Asia, followed by Nepal, Sri Lanka, Pakistan, Bhutan, Afghanistan and Maldives. The level of Indian exports also follows the same order. **Hence, statement 3 is not correct.**

Therefore, option (b) is the correct answer.

4. With reference to Foreign Direct Investment in India, which one of the following is considered its major characteristic? **UPSC CSE (Pre) 2020**
- (a) It is the investment through capital instruments essentially in a listed company.
 - (b) It is a largely non-debt creating capital flow.
 - (c) It is the investment which involves debt-servicing.
 - (d) It is the investment made by foreign institutional investors in the Government securities.

Answer: (b)

Explanation:

- ❑ Foreign Direct Investment (FDI) is the investment through capital instruments by a person resident outside India in:
 - An unlisted Indian company or;
 - 10% or more of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company.
- ❑ Therefore, FDI can be in a listed or unlisted company.
- ❑ The capital invested in India via FDI is non-debt creating and not allowed to serve debt.
- ❑ An investment is called Foreign Portfolio Investment, if the investment made by a person (or institutional investors) resident outside India in capital instruments is:
 - less than 10% of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company, or
 - less than 10% of the paid-up value of each series of capital instruments of a listed Indian company.

Therefore, option (b) is the correct answer.

5. With reference to the international trade of India at present, which of the following statement(s) is/are correct? **UPSC CSE (Pre) 2020**

1. India's merchandise exports are less than its merchandise imports.
2. India's imports of iron and steel, chemicals, fertilisers and machinery have decreased in recent years.
3. India's exports of services are more than its imports of services.
4. India suffers from an overall trade/current account deficit.

Select the correct answer using the code given below:

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

Answer: (d)

Explanation:

- ❑ According to the Ministry of Commerce and Industry, data 2020, India's merchandise exports were USD 22.70 billion and merchandise imports were USD 29.47 billion which clearly means that merchandise exports are less than its merchandise imports. **Hence, statement 1 is correct.**
- ❑ As per the Economic Survey 2020, India's imports of iron and steel have decreased but imports of chemicals, fertilizers and machinery have increased. **Hence, statement 2 is not correct.**
- ❑ As of April-August 2020-21, the service exports are estimated at USD 84.47 billion as compared to the estimated service imports of USD 49.56 billion. This means, India's exports of services are more than its import of services. **Hence, statement 3 is correct.**
- ❑ Trade deficit is a situation when the exports of goods is less than its imports whereas the current account deficit is a situation when the overall trade in goods and services is on the negative side (i.e. country imported more than it exported). As of now, India's exports of goods are less than its imports but the exports of services is more than its imports. Moreover, the overall trade balance is negative because of high trade deficit. Therefore, India suffers from an overall trade/current account deficit. **Hence, statement 4 is correct.**

Therefore, option (d) is the correct answer.

6. Consider the following statements:

UPSC CSE (Pre) 2019

1. Most of India's external debt is owed by governmental entities.
2. All of India's external debt is denominated in US dollars.

1. With reference to the Indian economy after the 1991 economic liberalization, consider the following statements:

UPSC CSE (Pre) 2020

1. Worker productivity (Rs. per worker at 2004-05 prices) increased in urban areas while it decreased in rural areas.
2. The percentage share of rural areas in the workforce steadily increased.
3. In rural areas, the growth in non-farm economy increased.
4. The growth rate in rural employment decreased.

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

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

Answer: (b)

Explanation:

A 2017 NITI Aayog Report, "Changing Structure of Rural Economy of India Implications for Employment and Growth", provides the following information regarding the rural economy:

- ❑ Worker productivity has increased for both rural and urban areas. For rural areas, it was ₹37273 in 2004-05 and ₹101755 in 2011-12 while for urban areas, it was ₹120419 in 2004-05 and ₹282515 in 2011-12. **Hence, statement 1 is not correct.**
- ❑ The rural share in the total workforce declined steadily from 76.1% in 1999-00 to 70.9% in 2011-12. **Hence, statement 2 is not correct.**
- ❑ One of the significant changes in the rural production structure is the growing share of the non-farm sector which increased from 37% in 1980-81 to 65% in 2009-10 and, thus, showing that in terms of value of production, rural is no longer merely agricultural. **Hence, statement 3 is correct.**
- ❑ Rural employment showed 2.16% annual growth rate during the pre-reform period which decelerated in the post-reform period to 1.45% and turned negative (-0.28%) in the period of economic acceleration. **Hence, statement 4 is correct.**

Therefore, option (b) is the correct answer.

2. Which one of the following control policies leaves *no* freedom to private enterprise to buy plant, machinery, raw materials from the country of its choice?

Engineering Services (Pre) Exam 2020

- (a) Import control (b) Export control
(c) Exchange control (d) Physical control

Answer: (a)

Explanation:

- ❑ Import control refers to the regulations put on the value, volume and type of goods produced in one country to enter into the importer's country.
- ❑ The main import restrictions are:
 - Import duties or taxes imposed on the imported goods to make them costlier.
 - Import licenses/quotas that restrict the total amount of goods imported across the world or imported from a specific country (which gives no freedom to private enterprise to buy plant, machinery, raw materials from country of its choice). Prohibition that prevents entry of illegal or harmful items.

Therefore, option (a) is the correct answer.

3. Consider the following statements:

Engineering Services (Pre) Exam 2019

1. Greenfield Privatization or Incremental Privatization denotes encouragement to private sector in areas hitherto reserved for Public Enterprises.
2. Cold Privatization refers to measures taken to distance Public Enterprises from the Government.

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

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

Answer: (c)

Explanation:

- ❑ Greenfield Privatization and Cold Privatization are adopted by India to improve the performance of the State Owned Enterprises (SOEs).
- ❑ Greenfield Privatization refers to a condition where a private sector is allowed to come and compete in areas hitherto reserved for public sector. **Hence, statement 1 is correct.**

- ❑ Cold Privatization refers to granting greater autonomy to managers of the State Owned Enterprises (SOEs) with Memorandum of Understanding (MoU). It is a measure taken to distance public enterprises from government. **Hence, statement 2 is correct.**

Therefore, option (c) is the correct answer.

4. Which of the following has/have occurred in India after its liberalization of economic policies in 1991?

UPSC CSE (Pre) 2017

1. Share of agriculture in GDP increased enormously.
2. Share of India's exports in world trade increased.
3. FDI inflows increased.
4. India's foreign exchange reserves increased enormously.

Select the correct answer using the codes given below:

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

Answer: (b)

Explanation:

- ❑ Economic reforms in India refer to the neo-liberal policies introduced by the government in 1991 and in the later years. The central points of the reforms were the liberalization of the economy, simplifying regulations and giving more role to the private sector. The New Industrial Policy of 1991 is the heart of the new economic reforms.
- ❑ Following are the main features of New Economic Reforms:
 - De-reservation of the industrial sector.
 - Industrial de-licensing policy.
 - Opening up of the economy to foreign competition – the economic reforms introduced extensive liberalization of foreign trade and foreign investment. The import substitution and import restriction policies were abandoned and instead, import liberalization and export promotion policies were introduced. This increased India's share in export. **Hence, 2 is correct.**
 - Liberalization of trade and investment.
- ❑ However, there was a gradual decline in the agriculture sector's contribution to the Indian economy. Presently, agriculture contributes about 17% to the GDP, down from 29% in 1991. **Hence, 1 is not correct.**
- ❑ Foreign investment was almost negligible before 1991. On the investment front, the economic reforms mark the era of capital mobility in the country. Foreign capital

in the form of FDI (Foreign Direct Investment) and FPI (Foreign Portfolio Investment) entered into the country. **Hence, 3 is correct.**

- ❑ India's poor state of forex reserves was also one of the factors that forced the government to bring in economic reforms of 1991. Presently, forex reserve of India is on a record high in comparison to that in 1991. **Hence, 4 is correct.**

Therefore, option (b) is the correct answer.

5. In which of the following years, 'National Land Records Modernization Programme' was launched?

UPPCS (Pre) 2016

- (a) 2008 A.D. (b) 2009 A.D.
(c) 2010 A.D. (d) 2011 A.D.

Answer: (a)

Explanation:

- ❑ The National Land Records Modernization Programme (NLRMP) was launched by the Government of India in 2008.
- ❑ It was aimed to modernize management of land records, minimize the scope of land/property disputes, enhance transparency in the land records maintenance system and facilitate moving eventually towards guaranteed conclusive titles to immovable properties in the country.
- ❑ The main objective of the NLRMP is to develop a modern, comprehensive and transparent land records management system in the country with the aim to implement a conclusive land-titling system with a title guarantee.
- ❑ The major components of the programme are:
 - Computerization of all land records including mutations.
 - Digitization of maps and integration of textual and spatial data.
 - Survey/re-survey and updation of all survey and settlement records including the creation of original cadastral records wherever necessary.
 - Computerization of registration and its integration with the land records maintenance system.
 - Development of core Geospatial Information System (GIS) and capacity building.

Therefore, option (a) is the correct answer.

6. Which of the following is **not** a characteristic of globalization? **CAPF (ACs) Exam 2014**

- (a) Fragility of national barriers for the flow of capital and goods
(b) Rapid flow of information, capital and goods
(c) Network of cultural, economic and political relations
(d) Global infrastructure of formal and informal institutional arrangements

1. The formulation of policy in respect to Intellectual Property Rights (IPRs) is the responsibility of:

CDS Exam (I) 2020

- (a) the Ministry of Law and Justice
- (b) the Department of Science and Technology
- (c) the Department for Promotion of Industry and Internal Trade
- (d) the Ministry of Human Resource Development

Answer: (c)

Explanation:

- ❑ The National Intellectual Property Rights (IPRs) Policy 2016 was adopted in May 2016 as a vision document to guide future development of IPRs in the country. Its clarion call is "Creative India; Innovative India".
- ❑ It encompasses and brings to a single platform all IPRs taking into account all inter-linkages and, thus, aims to create and exploit synergies between all forms of intellectual property (IP), concerned statutes and agencies.
- ❑ It sets in place an institutional mechanism for implementation, monitoring and review. It aims to incorporate and adapt global best practices to the Indian scenario.
- ❑ The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India, has been appointed as the nodal department to coordinate, guide and oversee the implementation and future development of IPRs in India.
- ❑ The 'Cell for IPR Promotion & Management (CIPAM)', setup under the aegis of DPIIT, is to be the single point of reference for implementation of the objectives of the National IPR Policy.
- ❑ India's IPR regime is in compliance with the WTO's agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Therefore, option (c) is the correct answer.

2. Information used in a business, generally unknown to the public, that the company has taken strong measures to keep confidential is called:

Engineering Services (Pre) Exam 2019

- (a) A patent
- (b) A copyright
- (c) A trade secret
- (d) A trade mark

Answer: (c)

Explanation:

- ❑ Proprietary information is information which company wishes to keep confidential. It is also known as a trade secret.
- ❑ It can include secret formulas, processes and methods used in production. It can also include a company's business and marketing plans, salary structure, customer lists, contracts and details of its computer systems.
- ❑ The special knowledge and skills that an employee has learned on the job are also considered to be a company's proprietary information in some cases.

Therefore, option (c) is the correct answer.

3. Which of the following are the salient features of the Patent Act 1970?

Engineering Services (Pre) Exam 2019

- 1. It codifies inventions which are not patentable
- 2. It provides for endorsement of patent with the words 'license of right'
- 3. It provides for revocation of patents in public interest
- 4. It has provision for validity period also for the patents

Select the correct answer using the codes given below:

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

Answer: (a)

Explanation:

- ❑ Intellectual Property Rights (IPRs) are the rights given to people over the creations of their minds such as inventions, literary works, artistic works, symbols, names and images used in commerce. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time.

- ❑ Intellectual property rights are customarily divided into two main areas which are as follows:
 - Rights related to copyright.
 - Industrial property: It can be divided into two main areas, i.e., trademarks and geographical indications; industrial designs and trade secrets which are protected by patents.
- ❑ Some of the salient features of the Patent Act, 1970 are:
 - Product and process patent.
 - 20 years as validity term of the patent. **Hence, 4 is correct.**
 - On request examination of the patent.
 - Codification of inventions not patentable. **Hence, 1 is correct.**
 - Fast track mechanism of quick disposal of appeals.
 - Endorsement of patent with words 'license of right'. **Hence, 2 is correct.**
 - Pre and post-grant opposition is allowed.
 - Protection of biodiversity and traditional knowledge.
 - Publication of application after 18 months of date of filing patent application.
 - Revocation of patents in public interest. **Hence, 3 is correct.**

Therefore, option (a) is the correct answer.

4. India enacted the Geographical Indications of Goods (Registration and Protection) Act, 1999 in order to comply with the obligations to **UPSC CSE (Pre) 2018**
- (a) ILO (b) IMF
(c) UNCTAD (d) WTO

Answer: (d)

Explanation:

- ❑ Geographical Indications (GIs) are a type of intellectual property (IP).
- ❑ The World Trade Organisation (WTO) recognises intellectual property rights under TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement.
- ❑ Under Article 22(1) of the TRIPS Agreement, the GIs are defined as "indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographic origin".
- ❑ The GIs act as source identifiers as well as quality indicators. GIs let consumers know that the goods come from an area where a given quality, reputation or other characteristic of the goods is essentially attributable to their geographic origin.

- ❑ Further, GIs as intellectual property rights enable relief from the acts of infringement and/or unfair competition.
- ❑ Following TRIPS Agreement, the Geographical Indications of Goods (Registration and Protection) Act, 1999 was passed by the Government of India. The Act aims to provide protection by granting GI tags to agricultural goods, natural goods or manufactured goods or any goods of handicraft or goods of industry including food stuff.

Therefore, option (d) is the correct answer.

5. IPR protects the use of informatics an idea that are of:
- Engineering Services (Pre) Exam 2018**
- (a) Ethical value (b) Moral value
(c) Social value (d) Commercial value

Answer: (d)

Explanation:

- ❑ Intellectual Property Rights (IPRs) are the rights given to people over the creations of their minds such as inventions, literary and artistic works and symbols, names and images used in commerce. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time.
- ❑ These rights are outlined in Article 27 of the Universal Declaration of Human Rights which provides for the right to benefit from the protection of moral and material interests resulting from authorship of scientific, literary or artistic productions.
- ❑ The importance of intellectual property was first recognized in the Paris Convention for the Protection of Industrial Property (1883) and the Berne Convention for the Protection of Literary and Artistic Works (1886). Both treaties are administered by the World Intellectual Property Organization (WIPO).

Therefore, option (d) is the correct answer.

6. With reference to the 'National Intellectual Property Rights Policy', consider the following statements:

UPSC CSE (Pre) 2017

1. It reiterates India's commitment to the Doha Development Agenda and the TRIPS Agreement.
2. Department of Industrial Policy and Promotion is the nodal agency for regulating intellectual property rights in India.

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

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

Answer: (c)

Explanation:

18

International Economic Organizations

1. In which one of the following groups are all the four countries members of G20? **UPSC CSE (Pre) 2020**
- Argentina, Mexico, South Africa and Turkey
 - Australia, Canada, Malaysia and New Zealand
 - Brazil, Iran, Saudi Arabia and Vietnam
 - Indonesia, Japan, Singapore and South Korea

Answer: (a)

Explanation:

- ❑ The G20 is an informal group of 19 countries and the European Union, with representatives of the International Monetary Fund and the World Bank.
- ❑ In order to achieve a robust global economic growth, the member countries which represent and contribute more than 80% of the global GDP came at the premier forum for international economic cooperation, which was agreed by leaders at the Pittsburgh Summit in Pennsylvania (USA) in September 2009.
- ❑ The G20 members include Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union (EU).

Therefore, option (a) is the correct answer.

2. With reference to Trade-Related Investment Measures (TRIMS), which of the following statements is/are correct? **UPSC CSE (Pre) 2020**
- Quantitative restrictions on imports by foreign investors are prohibited.
 - They apply to investment measures related to trade in both goods and services.
 - They are not concerned with the regulation of foreign investment.

Select the correct answer using the code given below:

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

Answer: (c)

Explanation:

- ❑ Under the Agreement on Trade-Related Investment Measures (TRIMS) of the World Trade Organization (WTO), commonly known as the TRIMS Agreement (negotiated during the Uruguay Round 1986-1994), WTO members have agreed not to apply certain investment measures that discriminate against foreign goods that restrict or distort trade (national treatment under GATT Article III) or leads to quantitative restrictions (Article XI), both of which violate basic WTO principles. **Hence, statement 1 is correct.**
- ❑ This agreement applies only to measures that affect trade in goods. **Hence, statement 2 is not correct.**
- ❑ The Agreement is not concerned with the regulation of foreign investment. The disciplines of the TRIMS Agreement focus on investment measures that infringe GATT Articles III and XI. In other words, it focuses on investment measures that discriminate between imported and exported products. **Hence, statement 3 is correct.**

Therefore, option (c) is the correct answer.

3. With reference to Asian Infrastructure Investment Bank (AIIB), consider the following statements:

UPSC CSE (Pre) 2019

- AIIB has more than 80 member nations.
 - India is the largest shareholder in AIIB.
 - AIIB does not have any members from outside Asia.
- Which of the statement(s) given above is/are correct?

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

Answer: (a)

Explanation:

- ❑ Headquartered in Beijing, AIIB is a multilateral development bank that aims to support the building of infrastructure in the Asia-Pacific region. Its members are divided into three categories, namely Regional, Non-Regional and Prospective (Regional and Non-Regional) with 103 approved members worldwide. It was officially launched in January 2016. **Hence, statement 1 is correct.**

- ❑ As a regional bank, the AIIB's regional members hold the majority of capital stock—a minimum of 75%. At present, China is the largest shareholder, followed by India and Russia. **Hence, statement 2 is not correct.**
 - ❑ The Non-Regional member countries which hold considerable amount of shares of the bank; some of these countries are Germany, France, UK, Italy, Spain, Netherlands, Canada, Poland, Switzerland, Egypt, etc. **Hence, statement 3 is not correct.**
- Therefore, option (a) is the correct answer.**

4. Which one of the following countries is **not** a founding member of the New Development Bank?

CDS Exam (II) 2019

- (a) Brazil
- (b) Canada
- (c) Russia
- (d) India

Answer: (b)

Explanation:

- ❑ New Development Bank (NDB) is a multilateral development bank jointly founded by the BRICS countries (Brazil, Russia, India, China and South Africa) at the 6th BRICS Summit in Fortaleza, Brazil in 2014.
- ❑ It was formed to support infrastructure and sustainable development efforts in BRICS and other underserved, emerging economies for faster development through innovation and cutting-edge technology.
- ❑ Its ownership structure is unique, as the BRICS countries have an equal share and no country has any veto power. It is headquartered in Shanghai, China.
- ❑ In 2018, the NDB received observer status in the United Nations General Assembly, establishing a firm basis for active and fruitful cooperation with the United Nations.
- ❑ All members of the United Nations could be members of the bank, however the share of the BRICS nations can never be less than 55% of the voting power.

Therefore, option (b) is the correct answer.

5. Who has propounded the concept of 'Limit to Growth'?

UPPCS (Pre) 2019

- (a) Club of Rome
- (b) UNESCO
- (c) Brundtland Commission
- (d) Agenda 21

Answer: (a)

Explanation:

- ❑ The concept of "Limit to Growth" is propounded by Club of Rome.

- ❑ In 1970, an international team of researchers at the Massachusetts Institute of Technology (MIT) began a study of the implications of continued worldwide growth. They examined the five basic factors that determine and, in their interactions, ultimately limit growth on this planet including population increase, agricultural production, non-renewable resource depletion, industrial output, and pollution generation.
- ❑ The MIT team fed data on these five factors into a global computer model and then tested the behavior of the model under several sets of assumptions to determine alternative patterns for mankind's future. The Limits to Growth is the non-technical report of their findings.

Therefore, option (a) is the correct answer.

6. Consider the following countries: **UPSC CSE (Pre) 2018**

- | | |
|--------------|-----------|
| 1. Australia | 2. Canada |
| 3. China | 4. India |
| 5. Japan | 6. USA |

Which of the above are among the 'free-trade partners' of ASEAN?

- (a) 1, 2, 4 and 5
- (b) 3, 4, 5 and 6
- (c) 1, 3, 4 and 5
- (d) 2, 3, 4 and 6

Answer: (c)

Explanation:

- ❑ Association of Southeast Asian Nations (ASEAN) has free trade agreements with six partners, namely the People's Republic of China, Republic of Korea, Japan, India as well as Australia and New Zealand. **Hence, 1, 3, 4 and 5 are correct.**
- ❑ ASEAN was established on 8th August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the founding fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam joined on 7th January 1984, Vietnam on 28th July 1995, Lao PDR and Myanmar on 23rd July 1997, and Cambodia on 30th April 1999, making up what is today the ten member states of ASEAN.

Therefore, option (c) is the correct answer.

7. The first BRICS Summit, after the inclusion of South Africa, was held at: **CDS Exam (I) 2018**

- (a) Brasilia
- (b) Sanya
- (c) Yekaterinburg
- (d) Durban

Answer: (b)

1. In India, under cyber insurance for individuals, which of the following benefits are generally covered, in addition to payment for the loss of funds and other benefits?

UPSC CSE (Pre) 2020

1. Cost of restoration of the computer system in case of malware disrupting access to one's computer.
2. Cost of a new computer if some miscreant willfully damages it, if proved so.
3. Cost of hiring a specialized consultant to minimize the loss in case of cyber extortion.
4. Cost of defence in the Court of Law if any third party files a suit.

Select the correct answer using the code given below:

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

Answer: (b)

Explanation:

- ❑ Cyber Insurance is designed to guard businesses from the potential effects of cyber-attacks. It helps an organisation mitigate risk exposure by offsetting costs, after a cyber-attack/breach has happened. In simple terms, cyber insurance is designed to cover the fees, expenses and legal costs associated with cyber breaches.
- ❑ **Coverage includes:**
 - Response to breach events (notification, call centre service, breach resolution, mitigation services, public relation and crisis management).
 - Investigation and fines including lawyers, professional fees, administration cost, etc.
 - Expenses such as forensic, IT audit, crisis management, legal costs.
 - Privacy and data liability
 - Loss of personal identifiable information.
 - Loss of corporate confidential information.
 - Network liability such as distributed denial-of-service (DDoS) attacks.
 - Multimedia covers including copyright issues.
 - Business Interpretation
 - Income loss, business interruption cost, system damage and restoration cost, any extra expenses.

- Cyber theft
- Fund transfer frauds
- E-theft loss
- E-communication loss
- Cyber extortion

Hence, benefits mentioned 1, 3 and 4 are correct.

Therefore, option (b) is the correct answer.

2. Which one of the following is **not** a feature of the Ayushman Bharat Scheme? **CDS Exam (I) 2020**

- (a) There is no cap on family size and age.
- (b) The scheme includes pre and post-hospitalization expenses.
- (c) A defined transport allowance per hospitalization will also be paid to the beneficiary.
- (d) The scheme provides a benefit cover of ₹10 lakh per family.

Answer: (d)

Explanation:

- ❑ Ayushman Bharat Programme is an umbrella health scheme of the Government of India. The Ayushman Bharat programme addresses health issues at all levels – primary, secondary, and tertiary. It has two components:
 - Pradhan Mantri Jan Arogya Yojana (PM-JAY), earlier known as the National Health Protection Scheme (NHPS)
 - Health and Wellness Centres (HWCs)
- ❑ NHPS could help country move towards universal health coverage and equitable access to healthcare which is one of the UN Sustainable Development Goals (SDG3: Good health and well-being).
- ❑ The HWCs are aimed at improving access to cheap and quality healthcare services at the primary level. PM-JAY will cover the financial protection for availing healthcare services at the secondary and tertiary levels.
- ❑ Ayushman Bharat is the largest government-funded health insurance scheme in the world and has been dubbed as 'Modicare'.
- ❑ The government-sponsored health insurance scheme will provide free coverage of up to ₹5 lakh per family per

year at any government or even empanelled private hospitals all over India for secondary and tertiary medical care facilities.

- ❑ Under the process, 80% of beneficiaries, based on the Socio-Economic Caste Census (SECC) data in the rural and the urban areas, have been identified. There is no restriction on the basis of family size, age or gender.
- ❑ All kinds of diseases are covered under Ayushman Bharat policy. The benefits of the scheme cover both pre and post-hospitalization expenses.
- ❑ The expenditure incurred in premium payment will be shared between Central and State Governments in a specified ratio. The funding for the scheme shared 60:40 for all states and UTs with their own legislature, 90:10 in North-East states and three Himalayan states of Jammu and Kashmir, Himachal and Uttarakhand and 100% Central funding for UTs without legislature.
- ❑ The NHPM (National Health Protection Mission) will pay for the hospitalisation costs of its beneficiaries through strategic purchasing from public and private hospitals.

Therefore, option (d) is the correct answer.

3. The Ministry of Heavy Industries and Public Enterprises consists of: **CDS Exam (I) 2020**
- (a) the Department of Heavy Industry and the Department for Promotion of Industry and Internal Trade.
 - (b) the Department of Public Enterprises and the Department for Promotion of Industry and Internal Trade.
 - (c) the Department of Scientific and Industrial Research and the Department of Heavy Industry.
 - (d) the Department of Heavy Industry and the Department of Public Enterprises.

Answer: (d)

Explanation:

- ❑ The Ministry of Heavy Industries and Public Enterprises is responsible for the development and growth of capital goods and engineering industry.
- ❑ Besides this, the ministry also deals with framing policy guidelines for Central Public Sector enterprises (PSEs) and administratively dealing with other Central PSEs.
- ❑ The ministry comprises the Department of Heavy Industry and the Department of Public Enterprises.

Therefore, option (d) is the correct answer.

4. Saubhagya, a Government of India Scheme, relates to which of the following areas? **CDS Exam (I) 2020**
- (a) Achieving universal household electrification
 - (b) Providing clean cooking fuel to poor households
 - (c) Rationalizing subsidies on LPG
 - (d) Stopping female foeticide

Answer: (a)

Explanation:

- ❑ Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya) aims to provide last mile electrical connectivity and ensure electrification of all the willing rural and urban households. It mandates the states and union territories to complete all household electrification.
- ❑ The scheme is in line with the Government's agenda to provide 24/7 power. The funds will be provided largely by the central government to all the States and Union Territories.
- ❑ It was launched in September, 2017 with a target to electrify all households by December, 2018. This target was moved forward to March 31st, 2019, and eventually, the Centre declared that all 'willing' homes have been provided with electricity connections.
- ❑ Since the Saubhagya scheme has no allocation in the latest Budget, the new connections will be funded through the Integrated Power Development Scheme (IPDS) and Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY).

Therefore, option (a) is the correct answer.

5. Which one of the following is **not** an objective of the MGNREGA? **CDS Exam (I) 2020**
- (a) Providing up to 100 days of skilled labour in a financial year.
 - (b) Creation of productive assets.
 - (c) Enhancing livelihood security.
 - (d) Ensuring empowerment to women.

Answer: (a)

Explanation:

- ❑ MGNREGA is one of the largest work guarantee programmes in the world. The Mahatma Gandhi National Rural Employment Guarantee Act, (MGNREGA) was notified in 2005.
- ❑ The objectives of MGNREGA includes:
 - Guaranteed 100 days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work.
 - It resulted in creation of productive assets of prescribed quality and durability to strengthen the livelihood resources base of the poor.
 - **Legal Right to Work:** Unlike earlier employment guarantee schemes, the act aims at addressing the causes of chronic poverty through a rights-based framework that enhances livelihood security. It supports the concept of legal right to work.
 - At least one-third of beneficiaries have to be women.
 - Wages must be paid according to the statutory minimum wages specified for agricultural labourers in the state, under the Minimum Wages Act, 1948.



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