



Day 38

Economy: Public Finance, Economic Survey and Budget

Following topics of Indian Economy have been at the forefront of the news headlines, and as UPSC always attempts to test the basics, a basic awareness is required. Questions from this topic are largely asked from static as well as current affairs portions. According to the trend observed, the facts, their contexts, basic background information can be asked by the UPSC from these topics.

Public Finance & Expenditure

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- [Transparent Taxation - Honoring the Honest](#)
- [Goods and Services Tax \(GST\)](#)
- [Forex Reserves For Economic Stimulus](#)
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- [Current Account Deficit](#)
- [GST Council and Corporate Tax](#)
- [Public Spending Council](#)
- [Currency-to-GDP Ratio](#)
- [Return of Inflation](#)
- [GDP Growth](#)

Economic Survey

- [Gist of Economic Survey 2018-19](#)
- [Gist of Economic Survey 2019-20](#)
- [Economic Survey 2019-20: Social Infrastructure, Employment and Human Development](#)
- [Economic Survey 2019-20: Banking Sector, Credit and Capital Market](#)
- [Economic Survey 2019-20: Key Figures](#)
- [Economic Survey 2019-20: Highlights](#)

Budget

- [Union Budget 2020-21: Financial Sector and Governance](#)
- [Union Budget 2020-21: Social Sector and Infrastructure](#)
- [Union Budget 2020-21: Economy](#)
- [Union Budget 2020-21: Highlights](#)

Previous Year Questions

Q. With reference to India's decision to levy an equalization tax of 6% on online advertisement services offered by non-resident entities, which of the following statements is/are correct? (2018)

1. It is introduced as a part of the Income Tax Act.
2. Non-resident entities that offer advertisement services in India can claim a tax credit in their home country under the "Double Taxation Avoidance Agreements".

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**

Q. Consider the following statements: (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 statements given above is/are correct?

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

Q. Consider the following items: (2018)

1. Cereal grains hulled
2. Chicken eggs cooked
3. Fish processed and canned

4. Newspapers containing advertising material

Which of the above items is/are exempted under GST (Good and Services Tax)?

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

Q. Consider the following statements: (2017)

1. Tax revenue as a percent of GDP of India has steadily increased in the last decade.
2. Fiscal deficit as a percent of GDP of India 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**

Q. What is/are the most likely advantages of implementing 'Goods and Services Tax (GST)'? (2017)

1. It will replace multiple taxes collected by multiple authorities and will thus create a single market in India.
2. It will drastically reduce the 'Current Account Deficit' of India and will enable it to increase its foreign exchange reserves.
3. It will enormously increase the growth and size of economy of India and will enable it to overtake China in the near future.

Select the correct answer using the code given below:

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

Q. With reference to 'Financial Stability and Development Council', consider the following statements: (2016)

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

Which of the statements given above is/are correct?

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

(c) 2 and 3 only

(d) 1, 2 and 3

Q. Which of the following is/are included in the capital budget of the Government of India? (2016)

1. Expenditure on acquisition of assets like roads, buildings, machinery, etc.
2. Loans received from foreign governments
3. Loans and advances granted to the States and Union Territories

Select the correct answer using the code given below:

(a) 1 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

Q. There has been a persistent deficit budget year after year. Which of the following actions can be taken by the government to reduce the deficit? (2015)

1. Reducing revenue expenditure
2. Introducing new welfare schemes
3. Rationalizing subsidies
4. Expanding industries

Select the correct answer using the code given below:

(a) 1 and 3 only

(b) 2 and 3 only

(c) 1 only

(d) 1, 2, 3 and 4

Q. There has been a persistent deficit budget year after year. Which action/actions of the following can be taken by the Government to reduce the deficit? (2016)

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

Select the correct answer using the code given below:

(a) 1 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2, 3 and 4

Q. In India, deficit financing is used for raising resources for (2013)

(a) economic development

- (b) redemption of public debt
- (c) adjusting the balance of payments
- (d) reducing the foreign debt

Q. Which one of the following statements appropriately describes the “fiscal stimulus”? (2011)

(a) It is a massive investment by the Government in the manufacturing sector to ensure the supply of goods to meet the demand surge caused by rapid economic growth.

(b) It is an intense affirmative action of the Government to boost economic activity in the country.

(c) It is the Government's intensive action on financial institutions to ensure disbursement of loans to agriculture and allied sectors to promote greater food production and contain food inflation.

(d) It is an extreme affirmative action by the Government to pursue its policy of financial inclusion.

Q. Consider the following actions by the Government:(2010)

1. Cutting the tax rates
2. Increasing the government spending
3. Abolishing the subsidies

In the context of economic recession, which of the above actions can be considered a part of the “fiscal stimulus” package?

(a) 1 and 2 only

(b) 2 only

(c) 1 and 3 only

(d) 1, 2 and 3

Q. In the context of governance, consider the following:(2010)

1. Encouraging Foreign Direct Investment inflows
2. Privatization of higher educational Institutions
3. Down-sizing of bureaucracy
4. Selling/offloading the shares of Public Sector Undertakings

Which of the above can be used as measures to control the fiscal deficit in India?

(a) 1, 2 and 3

(b) 2, 3 and 4

(c) 1, 2 and 4

(d) 3 and 4 only

