

IASbaba's Daily Prelims Test [Day 22]

Topic- Economy/Environment/S&T/Current Affairs

1. Broad money M3, is most commonly used measure of money supply. Which of the following is/are part of broad money?

1. Currency held by the public.
2. Demand deposits of the public held by commercial banks.
3. Interbank demand deposits held by commercial banks.
4. Time deposits of the public held by commercial banks.

Select the correct code from below.

1. 1 and 4 only.
2. 1, 2 and 4 only.
3. 1, 2 and 3 only.
4. Allthe above.

Ans: (2)

Explanation:

Broad money M3= M1 + Time deposits of the public held by commercial banks.

M1 = CU + DD

Where CU is the Currency held by the public and DD is net Demand deposits held by commercial banks. The word 'net' implies that only deposits of the public held by the banks are to be included in money supply. *The interbank deposits*, which a commercial holds in other commercial banks, are *not regarded as money supply*.

2. Recently RBI revamped "priority sector lending" norms. Which of the following are considered as priority sectors?

1. Micro and small enterprises
2. Medium enterprises
3. Export credit
4. Renewable energy
5. Social infrastructure
6. Personal loans

Select the correct code from below.

1. 1, 2, 4 and 5 only.
2. 1, 2, 3, 5 and 6 only.
3. 1, 2, 3, 4 and 5 only.
4. All the above.

Ans: (3)

Explanation:

Priority sector refers to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation. Typically, these are small value loans to farmers for agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections.

Priority Sector includes the following categories:

- (i) Agriculture
- (ii) Micro and Small Enterprises
- (iii) Education
- (iv) Housing
- (v) Export Credit
- (vi) Others

The Reserve Bank of India (RBI) has revamped priority sector lending (PSL) norms. Now, loans to sectors such as social infrastructure, renewable energy and medium enterprises will also be treated as PSL.

For more details:

<https://www.rbi.org.in/scripts/FAQView.aspx?id=87>

http://www.business-standard.com/article/finance/rbi-revamps-priority-sector-lending-norms-115042400043_1.html

3. Consider the following statements regarding Regional Rural Banking.

1. Contribution to the share capital of the RRBs by the 'sponsored bank' is 50%.
2. The RRBs are also come under the ambit of priority sector lending.

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

1. 1 only
2. 2 only
3. Both 1 and 2
4. Neither 1 nor 2

Ans: (2)

Explanation:

The Government of India, the concerned State Government and the bank, which had sponsored the RRB contributed to the share capital of RRBs in the proportion of 50%, 15% and 35%, respectively.

The RRB's have also been brought under the ambit of priority sector lending on par with the commercial banks.

For more details: [http://arthapedia.in/index.php?title=Regional Rural Banks](http://arthapedia.in/index.php?title=Regional_Rural_Banks)

4. Which of the following statement is *not* correct regarding Urjit Patel committee recommendations on Monetary Policy Reform?

1. WPI should be used as the nominal anchor for inflation targeting.
2. Administered prices and interest rates should be eliminated.
3. Monetary policy should be decided by a Committee.
4. An independent Debt Management Office (DMO) should be setup.

Ans: (1)

Explanation:

Urjit Patel committee recommended that *CPI (combined)* should be used as the nominal anchor for a flexible inflation targeting (FIT) framework. The choice of CPI as nominal anchor was mainly on account of the fact that the CPI closely reflects cost of living and has larger influences on inflationary expectations than other anchors.

It also recommended that Administered prices and interest rates should be eliminated as they act as impediments to monetary policy transmission and achievement of price stability.

Monetary policy decisions should be vested in a Monetary Policy Committee (MPC) comprising the Governor, the Deputy Governor and Executive Director in charge of monetary policy and two external full-time members. The decisions of the MPC will be by voting.

The Patel Committee endorses the setting up of an independent Debt Management Office (DMO).

<https://rbi.org.in/scripts/PublicationReportDetails.aspx?UrlPage=&ID=750>

<http://www.thehindubusinessline.com/opinion/columns/s-s-tarapore/a-new-framework-for-monetary-policy/article5661119.ece>

5. Consider the following statements regarding recently launched MUDRA bank.

1. In lending, MUDRA bank focuses on enterprises set up by the under-privileged sections of the society.
2. MUDRA is setup as a refinance institution.
3. Regulation of micro finance institutions (MFIs) is not the mandate of MUDRA bank.

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

1. 1 and 2 only
2. 2 and 3 only
3. 1 and 3 only
4. All the above

Ans: (1)

Explanation:

This Bank would be responsible for regulating and refinancing all Micro-finance Institutions (MFI) which are in the business of lending to micro/small business entities engaged in manufacturing, trading and services activities.

In lending, MUDRA proposes to give priority to enterprises set up by the under-privileged sections of the society particularly those from the scheduled caste / tribe (SC/ST) groups, first generation entrepreneurs and existing small businesses.

MUDRA Bank will refinance Micro-Finance Institutions through a *Pradhan Mantri Mudra Yojana*.

For more details:

[http://www.arthapedia.in/index.php?title=Micro Units Development Refinance Agency \(MUDRA\) Bank](http://www.arthapedia.in/index.php?title=Micro_Units_Development_Refinance_Agency_(MUDRA)_Bank)

<http://pib.nic.in/newsite/PrintRelease.aspx?relid=116209>

6. Consider the following statements regarding Statutory Liquidity Ratio (SLR)?

1. It is the ratio of total deposit of the bank which is kept with RBI.
2. It is maintained in non-cash form.

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

1. 1 only
2. 2 only
3. Both 1 and 2
4. Neither 1 nor 2

Ans: (2)

Explanation:

The statutory liquidity ratio (SLR) is the ratio (fixed by the RBI) of the total deposits of a bank which is to be maintained by the bank with itself in non-cash form prescribed by the Government.

The cash reserve ratio (CRR) is the ratio (fixed by the RBI) of the total deposits of a bank in India which is kept with the RBI in cash form.

7. "Chit Fund" is in news because of Saradha Chit Fundscam. Which of the following statement/s is/are correct regarding chit funds in India?

1. Under Chit Funds Act, 1982, chit funds are regulated RBI.
2. FDI is prohibited in chit funds under the Government Route as well as the Automatic Route.
3. Chit fund comes under the Concurrent List of the Indian Constitution.

Select the correct code from below.

1. 1 and 2 only
2. 2 and 3 only
3. 1 and 3 only
4. All the above

Ans: (2)

Explanation:

Chit Funds Act, 1982: In 1982, the Ministry of Finance enacted the Chit Funds Act to regulate the sector. Under the Act, the central government can choose to notify the Act in different states on different dates; if the Act is notified in a state, then the state act would be repealed. States are responsible for notifying rules and have the power to exempt certain chit funds from the provisions of the Act.

Classifying chit funds as contracts, the Supreme Court has read chit funds as being part of the Concurrent List of the Indian Constitution; hence both the centre and state can frame legislation regarding chit funds.

The Reserve Bank of India (RBI) is the regulator for banks and other non banking financial companies (NBFCs) but **does not** regulate the chit fund business.

FDI in chit funds is prohibited under the Government Route as well as the Automatic Route.

8. An advance of banks is considered as Non Performing Asset (NPA) when

1. Interest and/or principal remains overdue for two harvest seasons but for a period not exceeding two-and-a-half years in the case of agricultural loans.
2. Interest and/or principal remain overdue for a period more than 90 days in respect of a term loan.

Select the correct code from below.

1. 1 only
2. 2 only
3. Both 1 and 2
4. Neither 1 nor 2

Ans: (1)

Explanation:

Non-Performing Assets (NPAs) are bad debts of banks/Financial Institutions defined as follows

An advance of banks/FIs where—

(i) Interest and/or installment or principal remains overdue for a period more than **180 days** in respect of a term loan.

(ii) Interest and/or installment or principal remains overdue for two harvest seasons but for a period not exceeding two-and-a-half years in the case of agricultural loans.

9. Consider the following statements regarding “small finance banks”.

1. Minimum paid-up capital requirement for setting up small finance bank is Rs.100 crores.
2. Foreign shareholding in small finance bank is not allowed.
3. The small finance banks will be required to extend 75 per cent of its net credit to the priority sector lending (PSL).

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

1. 1 and 2 only
2. 2 and 3 only
3. 1 and 3 only
4. All the above

Ans: (3)

Explanation:

The objectives of setting up of small finance banks will be to further financial inclusion. The small finance banks will be required to extend 75 per cent of its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by the Reserve Bank.

The foreign shareholding in the small finance bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks.

The minimum paid-up equity capital for small finance banks shall be Rs. 100 crore.

Resident individuals/professionals with 10 years of experience in banking and finance; and companies and societies owned and controlled by residents will be eligible to set up small finance banks. Existing Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), and Local Area Banks (LABs) that are owned and controlled by residents can also opt for conversion into small finance banks.

https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=32614

10. Activities of Non Banking Financial Companies (NBFC) are akin to that of banks but there are a few differences. Which of the following are correct regarding NBFCs?

1. NBFC cannot accept demand deposits.
2. Deposit insurance facility is not available to depositors of NBFCs.
3. NBFCs are part of the payment and settlement system.

Select the correct code from below.

1. 2 and 3 only
2. 1 and 3 only
3. 1 and 2 only
4. All the above

Ans: (3)

Explanation:

Major difference between Banks and NBFCs are as follows:

- i. NBFC cannot accept demand deposits.
- ii. NBFCs *do not* form part of the payment and settlement system and cannot issue cheques drawn on itself.
- iii. Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

Environment/Science and Tech/Current Affairs

11. Recently India launched its first Air Quality Index. What are the chief pollutants under AQI?

1. Ozone
2. Sea Spray
3. Sulphur dioxide
4. Nitrogen dioxide
5. Elementary Carbon

Select the correct code

1. 1, 3, 4 and 5
2. 2, 3, 4 and 5
3. 1, 2, 3, 4 and 5
4. 1, 3 and 4

Solution- 3

Sea spray refers to aerosol particles that are formed directly from the ocean. Sea spray is a form of Particulate Matter. Elementary carbon is also known as Black Carbon-a PM. So, all of the above are chief pollutants under AQI

12. Consider the following regarding 'Game theory'

1. It's based on strategic decision making
2. It finds application in psychology, economics, mathematics and biology also.
3. It finds immense potential in Artificial Intelligence

Select the correct code

1. 1 and 3
2. 2 and 3
3. 1 and 2
4. 1, 2 and 3

Solution- 4

Google it- Basic

13. Addition of which of the following has harmful effect in the process of filtration of water?

1. Silver
2. Titanium Oxide
3. Carbon nanotube

Select the correct code

1. 1 and 2
2. Only 2
3. 1, 2 and 3
4. None

Solution- 4

All are used in Superior water filtration.

Silver- leaches in water and when the ions so released kill the bacteria by destroying the integrity of the cell and by damaging the cell proteins and terminating the DNA replication.

Titanium oxide- also kills bacteria. Though its antibacterial property is best in the presence of UV light, the present study did not use UV light.

Carbon Nanotubes- kill the bacteria through direct physical contact—and the roughness of the nanotubes also kills the bacteria.

14. Consider the following

1. Isoniazid
2. Ethambutol
3. Streptomycin
4. Fluoroquinolones
5. p-Amino salicylic acid

Which of the above are Second-line anti-Tb drugs?

1. 1, 3, 4 and 5
2. 2 and 3
3. 4 and 5
4. All

Solution- 3

Others are first-line

15. Consider the following

1. Hay fever
2. Cancer
3. HIV
4. Parkinson's disease
5. Alzheimer

Which of the above diseases are as a result of inflammation?

1. 2, 4 and 5
2. 1,2,3 and 4
3. 4 and 5 only
4. 1, 2, 4 and 5

Solution- 4

HIV is not caused by inflammation. Rests of them are result of high or low inflammation of tissues.

16. Which of the following are 'Raptors' to be found in India?

1. Forest Owlets
2. Red headed Vulture
3. Long Tailed Macaque
4. Amur Falcons

Select the correct code

1. 1 and 3
2. 1 and 2
3. 2, 3 and 4
4. 1, 2 and 4

Solution- 4

There are primarily two kinds of raptors — diurnal (day flying) and nocturnal (night flying). Out of the 333 species of diurnal birds of prey found in the world, 101 species can be found in the Indo-Malayan region. India's bio-geographical regions support 69 species of kites, vultures, eagles, harriers, hawks, buzzards and falcons in different habitats.

Among these raptors, the Indian White-backed Vulture, the Long Billed Vulture, the Slender Billed Vulture, the Red headed Vulture and the Forest Owlet are in the 'critically endangered' category, and the Egyptian Vulture and the Saker are in the 'endangered' list of the International Union for Conservation of Nature's (IUCN) 'Red List.'

Some of the interesting and lesser-known species of raptors include Andaman Serpent Eagle and Great Nicobar Serpent Eagle which can only be found in the Andaman and the Great Nicobar islands respectively.

Other birds of prey like Amur Falcon, Buffy Fish Owl, Great Spotted Eagle and Chinese Sparrow hawk are also included in the book.

17. Consider the following statements

1. It is a tropical grass which is considered a sacred material in Vedic scriptures and is said to purify the offerings during such rituals.
2. It has been identified as an eco-friendly food preservative.
3. It also acts as disinfectant

Select the correct term for above statements

1. Darbha grass
2. Bamboo grass
3. Bermuda grass
4. Lemon grass

Solution- 1

<http://www.thehindu.com/news/cities/Tiruchirapalli/darbha-grass-a-natural-preservative/article7000098.ece>