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[IASBABA'S 60 DAYS PLAN-COMPILATION (ECONOMICS)]

Born with the vision of "Enabling a person located at the most remote destination a chance at cracking AIR 1 in IAS".

Q.1) Which of the following are the measures to control inflation?

1. Enforce the Essential Commodities Act, 1955 & the Prevention of Black-marketing and Maintenance of Supplies of Essential Commodities Act, 1980.
2. Price Stabilization Fund (PSF)
3. Higher Minimum Support Price (MSP)

Select the correct answer using the codes given below.

- a) 1 and 2 only
- b) 1 and 3 only
- c) 2 and 3 only
- d) All the above

Q.1) Solution (d)

Central Government monitors the price situation on a regular basis as controlling inflation is a priority area. It has taken a number of measures to control inflation especially food inflation which, inter alia, include the following:

- Advisories are being issued, as and when required, to State Governments to take strict action against hoarding & black marketing and effectively enforce the **Essential Commodities Act, 1955 & the Prevention of Black-marketing and Maintenance of Supplies of Essential Commodities Act, 1980** for commodities in short supply.
- **Higher MSP has been announced so as to incentivize production** and thereby enhance availability of food items which may help moderate prices.
- A scheme titled **Price Stabilization Fund (PSF)** is being implemented to control price volatility of agricultural commodities like pulses, onions, etc.
- Government approved enhancement **in buffer stock of pulses from 1.5 lakh MT to 20 Lakh MT to enable effective market intervention for moderation of retail prices.** Accordingly, a dynamic buffer stock of pulses of up to 20 lakh tonnes has been built under the **Price Stabilization Fund (PSF) Scheme through both domestic procurement as well as imports.** Of this, 3.26 lakh MT has been released for market intervention and buffer management.

Do you know?

- Export of edible oils was allowed only in branded consumer packs of up to 5 kg. with a minimum export price of USD 900 per MT. With a view to incentivizing domestic production **this restriction has been removed on oil except for palm oil, mustard oil and sunflower oil.**

THINK!

- Measures to check Inflation.

Q.2) Which of the following defines inflationary gap?

- When the potential GDP is higher than the real GDP, the gap is referred to as a inflationary gap.
- It is the difference between inflation and deflation.
- The real GDP exceeding the potential GDP, resulting in an inflationary gap.
- None.

Q.2) Solution (c)

An inflationary gap is a macroeconomic concept that describes the difference between the current level of **real gross domestic product (GDP)** and the **anticipated GDP** that would be experienced if an economy is at full employment, also referred to as the potential GDP. For the gap to be considered inflationary, the current real GDP must be the higher of the two metrics.

The inflationary gap exists when the demand for goods and services exceeds production due to factors such as higher levels of overall employment, increased trade activities or increased government expenditure. **This can lead to the real GDP exceeding the potential GDP, resulting in an inflationary gap.** The inflationary gap is so named because the relative increase in real GDP causes an economy to increase its consumption, which causes prices to rise in the long run.

Do you know?

A government may choose to use fiscal policy to help reduce an inflationary gap, often through decreasing the number of funds circulating within the economy. This can be accomplished through

- Reductions in government spending,
- Tax increases,
- Bond and securities issues,
- Interest rate increases and
- Transfer payment reductions.

THINK!

- Deflationary gap.

Q.3) The base year of All-India WPI has been revised from 2004-05 to 2011-12 by the Office of Economic Advisor (OEA), Consider the following statements about new series of WPI.

1. The new series of WPI strives to remove the impact of fiscal policy.
2. A new “WPI Food Index” will be compiled to capture the rate of inflation in food items.
3. The item basket has been revised with inclusion of new items and exclusion of old ones.

Which of the above statements is/are correct?

- a) 1 only
- b) 1 and 2 only
- c) 3 only
- d) All the above

Q.3) Solution (d)

The Government periodically reviews and revises the base year of the macroeconomic indicators as a regular exercise to capture structural changes in the economy and improve the quality, coverage and representativeness of the indices. **In this direction, the base year of All-India WPI has been revised from 2004-05 to 2011-12 by the Office of Economic Advisor (OEA),** Department of Industrial Policy and Promotion, Ministry of Commerce and Industry to align it with the base year of other macroeconomic indicators like the Gross Domestic Product (GDP) and Index of Industrial Production (IIP).

- Updated item basket and weighting structure conforming to the structure of economy in 2011-12.
- Increase in number of items from 676 to 697. In all 199 new items have been added and 146 old items have been dropped.
- The new series is more representative with increase in number of quotations from 5482 to 8331, an increase by 2849 quotations (52%).

New Features

- In the new series of WPI, prices used for compilation do not include indirect taxes in order to remove impact of fiscal policy. **This is in consonance with international practices and will make the new WPI conceptually closer to ‘Producer Price Index’.**
- A new “WPI Food Index” will be compiled to capture the rate of inflation in food items.
- Seasonality of fruits and vegetables has been updated to account for more months as these are now available for longer duration.

- Item level aggregates for new WPI are compiled using Geometric Mean (GM) following international best practice and as is currently used for compilation of All India CPI.
- A high level Technical Review Committee has been set up for the first time to carry out dynamic review process in order to keep pace with the changing structure of the economy.

Do you know?

- A new “Food Index” is being compiled combining the “Food Articles” under “Primary Articles” and “Food Products” under “Manufactured Products”. Together with the Consumer Food Price Index released by Central Statistics Office, this would help monitor the price situation of food items better.

THINK!

- CPI and IIP

Q.4) Which of the following increases the inflation?

1. Increase in the Forex reserve.
2. Higher revenue deficits and fiscal deficits.
3. Increase in crude oil prices.

Select the correct answer using the codes given below.

- a) 1 and 3 only
- b) 2 only
- c) 2 and 3 only
- d) All the above

Q.4) Solution (d)

Once the foreign exchange (Forex) reserves started increasing with a faster pace by the early 2000–01 fiscal, its cost of maintenance has been translated into higher prices, as the RBI purchases the foreign currencies it supplies into equivalent rupees into the economy, **which creates extra demand and the prices go up (inflation).**

The higher revenue deficits (driven by high interest payments, subsidies, salaries and pensions, basically) **and fiscal deficits make the government supply** more money which push the inflation in the upward direction.

Oil price increases are generally thought to increase inflation and reduce economic growth. In terms of inflation, oil prices directly affect the prices of goods made with petroleum

products. Oil prices indirectly affect costs such as transportation, manufacturing, and heating. **The increase in these costs can in turn affect the prices of a variety of goods and services, as producers may pass production costs on to consumers.** The extent to which oil price increases lead to consumption price increases depends on how important oil is for the production of a given type of good or service.

Do you know?

- The survey said that the oil price is expected to grow by average 12% in the FY19. The Economic Survey estimated that **every \$10 per barrel increase in the price of oil reduces growth by 0.2-0.3 percentage points, increases WPI inflation by about 1.7 percentage points and worsens the CAD by about \$9-10 billion dollars.** India imports 82% of its total oil requirement and Brent crude oil makes up around 28% of India's total imports.

THINK!

- Monsoon and inflation.

Q.5) Which of the following are the measures to be adopted to recover from recession?

1. Direct and indirect taxes should be cut down.
2. Salaries and wages should be revised by the government.
3. The government usually goes on to follow a dear money supply policy.
4. Tax breaks are announced for new investments in the productive areas, etc.

Select the correct answer using the codes given below.

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

Q.5) Solution (c)

What may a government do to rescue the economy from the phase of recession?

The usual remedies are given below:

- **Direct and indirect taxes should be cut down**, so that the consumers have higher disposable incomes (income after paying direct tax, i.e., income tax) on the one hand and the goods should become cheaper on the other hand, thus there is hope that the demand might pick up.

- The burden of direct taxes, especially the income tax, dividend tax, interest tax **are slashed to enhance the disposable income** (i.e, income after direct tax payment)—
- **Salaries and wages should be revised** by the government to encourage general spending by the consumers (as the Government of India implemented the recommendations of the fifth pay commission without much deliberation in 1996–97).
- Indirect taxes such as custom duty, excise duty (cenvat), sales tax, etc., **should be cut down so that produced goods** reach the market at cheaper prices.
- The government usually goes on to follow a **cheap money supply policy by slashing** down interest rates across the board and the lending procedure is also liberalized.
- Tax breaks are announced for new investments in the productive areas, etc.

Do you know?

- **Recession is somewhat similar to the phase of 'depression'** — we may call it a mild form of depression — fatal for economies as this may lead to depression if not handled with care and in time. **The financial crises which followed the US 'sub-prime crisis' in almost the whole Euro-American economies** has basically brought in 'severe recessionary' trends there.

THINK!

- Boom and Recovery
- Dear Money and Cheap Money

Q.6) An inflation measure which excludes transitory or temporary price volatility as in the case of some commodities such as food items, energy products etc. It reflects the inflation trend in an economy, is called?

- a) Headline inflation
- b) Biflation
- c) Core inflation
- d) None

Q.6) Solution (c)

Core inflation: An inflation measure which excludes transitory or temporary price volatility as in the case of some commodities such as food items, energy products etc. It reflects the inflation trend in an economy.

A dynamic consumption basket is considered the basis to obtain core inflation. Some goods and commodities have extremely volatile price movements. Core inflation is calculated using the Consumer Price Index (CPI) by excluding such commodities.

If temporary price shocks are taken into account, they may affect the estimated overall inflation numbers in such a way that they are different from actual inflation. To eliminate this possibility, core inflation is calculated to gauge the actual inflation apart from temporary shocks and volatility.

Do you know?

- The inflation process in India is dominated to a great extent by supply shocks. The **supply shocks (e.g., rainfall, oil price shocks, etc.) are transitory in nature** and hence produce only temporary movements in relative prices. The headline CPI inflation in India tends to increase whenever there is a surge in food and fuel prices. Since monetary policy is a tool to manage aggregate demand pressures, the response of the policy to such temporary shocks is least warranted according to traditional wisdom.

THINK!

- Biflation

(Source: <https://www.livemint.com/Opinion/pTNOHKVn99I2GCqCBai6FK/Headline-versus-core-CPI-inflation-in-India.html>)

Q.7) Consider the following statements about Consumer Food Price Index (CFPI).

1. Consumer Food Price Index (CFPI) is a measure of change in retail prices of food products consumed by a defined population group in a given area with reference to a base year.
2. The Department of Consumer Affairs Ministry of Consumer Affairs, Food and Public Distribution started releasing Consumer Food Price Indices (CFPI).
3. Consumer Food Price Indices (CFPI) released for three categories -rural, urban and combined – separately.

Select the correct answer using the codes given below.

- a) 1 and 3 only
- b) 1 and 2 only
- c) 2 only
- d) All the above

Q.7) Solution (a)

Consumer Food Price Index (CFPI) is a measure of change in retail prices of food products consumed by a defined population group in a given area with reference to a base year.

The **Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MOSPI)** started releasing Consumer Food Price Indices (CFPI) for three categories -**rural, urban and combined - separately** on an all India basis with effect from May 2014.

Do you know?

Department of Consumer Affairs (DCA) is one of the two Departments under the Ministry of Consumer Affairs, Food & Public Distribution. It was constituted as a separate Department in June 1997 as it was considered necessary to have a separate Department to give a fillip to the nascent consumer movement in the country

The Department has been entrusted with the following work

- Internal Trade
- The Essential Commodities Act, 1955 (10 of 1955) (Supply, Prices and Distribution of Essential Commodities not dealt with specifically by any other Department).
- Prevention of Black Marketing and Maintenance of Supply of Essential Commodities Act, 1980(7 of 1980).
- Regulation of Packaged Commodities.
- Training in Legal Metrology.
- The Emblems and Names (Prevention of Improper Use) Act, 1952.
- Implementation of Standards of Weights and Measures - The Legal Metrology Act, 2009.
- Implementation of Bureau of Indian Standards Act, 1986.
- Laying down specifications, standards and codes and ensuring quality control of bio-fuels for end uses.
- Consumer Cooperatives
- Implementation of Consumer Protection Act, 1986.
- Monitoring of prices and availability of essential commodities.
- National Test House.

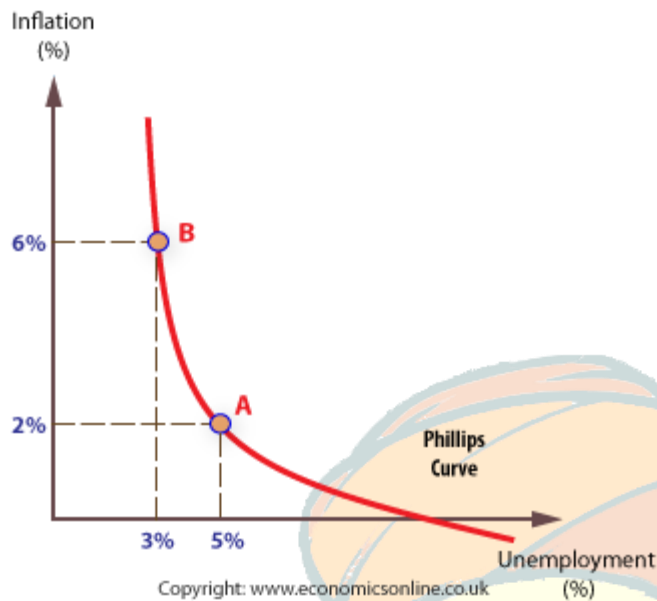
THINK!

- Impact of GST on inflation.

(Source: <http://www.financialexpress.com/opinion/gst-impact-on-inflation-here-is-all-you-want-to-know/749504/>)

Q.8) Which of the following relationships are represented by Philips curve?

- a) Inflation and unemployment
- b) GDP and growth
- c) Taxation and revenue receipts
- d) Inflation and growth

Q.8) Solution (a)

The concept behind the Phillips curve states the change in unemployment within an economy has a predictable effect on price inflation. The inverse relationship between unemployment and inflation is depicted as a downward sloping, concave curve, with inflation on the Y-axis and unemployment on the X-axis. Increasing inflation decreases unemployment, and vice versa. Alternatively, a focus on decreasing unemployment also increases inflation, and vice versa.

Q.9) Which of the following factors are responsible for demand pull inflation?

1. Increase in Per capita income
2. Deficit financing
3. Infrastructural deficiencies

Select the code from following:

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.9) Solution (a)

Demand pull inflation occurs when there is a money flow in the market. If people have higher disposable income their purchasing capacity will increase and a situation will arise of too much money chasing too few goods. This condition is called demand pull condition.

Deficit financing and increase in per capita income will increase the money supply in the market.

Infrastructural deficiencies will cause increase in the cost of production. This will cause cost push inflation.

Q.10) Which of the following statements are correct regarding 'Disinflation'?

1. Reduction in the rate of inflation is called disinflation.
2. During disinflation the prices of commodities always goes down.

Select the code from following:

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

Q.10) Solution (a)

Disinflation

Disinflation means decrease in the rate of inflation. For example the rate of inflation decreasing from 6% to 3%. It means that if prices were increasing at 6%, now they will increase at 3%.

Reduction in the level of prices means negative inflation. This is called Deflation and not disinflation.

Think

- Deflation
- Depreciation
- Devaluation

Q.11) Which of the following are the conditions of Stagflation?

1. High inflation in the market
2. High economic growth

3. High unemployment in the economy

Select the code from following:

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.11) Solution (c)

Stagflation

A condition of slow economic growth and relatively high unemployment – economic stagnation – accompanied by rising prices, or inflation, or inflation and a decline in Gross Domestic Product (GDP). Stagflation is an economic problem defined in equal parts by its rarity and by the lack of consensus among academics on how exactly it comes to pass.

Usually, when unemployment is high, spending declines, as do prices of goods. Stagflation occurs when the prices of goods rise while unemployment increases and spending declines. Stagflation can prove to be a particularly tough problem for governments to deal with due to the fact that most policies designed to lower inflation tend to make it tougher for the unemployed, and policies designed to ease unemployment raise inflation.

Q.12) Consider the following statements regarding the Monetary policy of India:

- 1. Monetary Policy is the responsibility of the Finance Ministry.
- 2. The main aim of the monetary policy in India is to increase growth of the economy.
- 3. According to monetary policy the inflation has to be maintained in the range of 4% +/- 2%.

Which of the above statements are NOT correct?

- a) 1 and 2
- b) 2 and 3
- c) 3 only
- d) All of the above

Q.12) Solution (a)

Monetary Policy

- Monetary policy refers to the policy of the central bank with regard to the use of monetary instruments under its control to achieve the goals specified in the Act.
- The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy. This responsibility is explicitly mandated under the Reserve Bank of India Act, 1934.

The goal(s) of monetary policy

- The primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth. Price stability is a necessary precondition to sustainable growth.
- In May 2016, the Reserve Bank of India (RBI) Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework.
- The amended RBI Act also provides for the inflation target to be set by the Government of India, in consultation with the Reserve Bank, once in every five years. Accordingly, the Central Government has notified in the Official Gazette **4 per cent Consumer Price Index (CPI) inflation as the target for the period from August 5, 2016 to March 31, 2021 with the upper tolerance limit of 6 per cent and the lower tolerance limit of 2 per cent.**
- The Central Government notified the following as factors that constitute failure to achieve the inflation target:(a) the average inflation is more than the upper tolerance level of the inflation target for any three consecutive quarters; or (b) the average inflation is less than the lower tolerance level for any three consecutive quarters.
- Prior to the amendment in the RBI Act in May 2016, the flexible inflation targeting framework was governed by an Agreement on Monetary Policy Framework between the Government and the Reserve Bank of India of February 20, 2015.

Think

- Fiscal Policy of India

Q.13) Which of the following are instruments of Monetary Policy?

1. Repo Rate
2. Liquidity adjustment Facility
3. Cash Reserve Ratio
4. Open Market Operations

Select the code from below:

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

Q.13) Solution (d)

Instruments of Monetary Policy

There are several direct and indirect instruments that are used for implementing monetary policy.

- **Repo Rate:** The (fixed) interest rate at which the Reserve Bank provides overnight liquidity to banks against the collateral of government and other approved securities under the liquidity adjustment facility (LAF).
- **Reverse Repo Rate:** The (fixed) interest rate at which the Reserve Bank absorbs liquidity, on an overnight basis, from banks against the collateral of eligible government securities under the LAF.
- **Liquidity Adjustment Facility (LAF):** The LAF consists of overnight as well as term repo auctions. Progressively, the Reserve Bank has increased the proportion of liquidity injected under fine-tuning variable rate repo auctions of range of tenors. The aim of term repo is to help develop the inter-bank term money market, which in turn can set market based benchmarks for pricing of loans and deposits, and hence improve transmission of monetary policy. The Reserve Bank also conducts variable interest rate reverse repo auctions, as necessitated under the market conditions.
- **Marginal Standing Facility (MSF):** A facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit at a penal rate of interest. This provides a safety valve against unanticipated liquidity shocks to the banking system.
- **Corridor:** The MSF rate and reverse repo rate determine the corridor for the daily movement in the weighted average call money rate.
- **Bank Rate:** It is the rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers. The Bank Rate is published under Section 49 of the Reserve Bank of India Act, 1934. This rate has been aligned to the MSF rate and, therefore, changes automatically as and when the MSF rate changes alongside policy repo rate changes.
- **Cash Reserve Ratio (CRR):** The average daily balance that a bank is required to maintain with the Reserve Bank as a share of such per cent of its Net demand and

time liabilities (NDTL) that the Reserve Bank may notify from time to time in the Gazette of India.

- **Statutory Liquidity Ratio (SLR):** The share of NDTL that a bank is required to maintain in safe and liquid assets, such as, unencumbered government securities, cash and gold. Changes in SLR often influence the availability of resources in the banking system for lending to the private sector.
- **Open Market Operations (OMOs):** These include both, outright purchase and sale of government securities, for injection and absorption of durable liquidity, respectively.
- **Market Stabilisation Scheme (MSS):** This instrument for monetary management was introduced in 2004. Surplus liquidity of a more enduring nature arising from large capital inflows is absorbed through sale of short-dated government securities and treasury bills. The cash so mobilised is held in a separate government account with the Reserve Bank.

https://www.rbi.org.in/scripts/fs_overview.aspx?fn=2752

Q.14) Which of the following statements correctly explains the Marginal Standing Facility (MSF)?

- a) It is the interest rate at which the Reserve Bank provides overnight liquidity to banks against the collateral of government
- b) It is a facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank
- c) It is the rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers.
- d) None of the above

Q.14) Solution (b)

Marginal Standing Facility (MSF):

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

Q.15) An increase in the Bank Rate generally indicates that the

- a) Central Bank is no longer making loans to commercial banks
- b) Central Bank is following an easy money policy
- c) Central Bank is following a tight money policy
- d) Market rate of interest is likely to fall

Q.15) Solution (c)

A bank rate is the interest rate at which a nation's central bank lends money to domestic banks, often in the form of very short-term loans. Managing the bank rate is a method by which central banks affect economic activity. Lower bank rates can help to expand the economy by lowering the cost of funds for borrowers, and higher bank rates help to reign in the economy when inflation is higher than desired.

Tight monetary policy: when RBI raises the rates to decrease liquidity.

Q.16) In the context of Indian economy which of the following is/are the purpose/purposes of 'Statutory Reserve Requirements'?

- 1. To enable the Central Bank to control the amount of advances the banks can create
- 2. To make the people's deposits with banks safe and liquid
- 3. To prevent the commercial banks from making excessive profits
- 4. To force the banks to have sufficient vault cash to meet their day-to-day requirements

Select the correct answer using the code given below.

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

Q.16) Solution (b)

RBI requires commercial banks to keep reserves in order to ensure that banks have a safe cushion of assets to draw on when account holders want to be paid.

Third statement is wrong - Reserve requirements are designed as "precautionary measures" and not to prevent banks from "excessive" profit. [so (c) and (d) can't be the answer]

Statutory liquidity ratio (SLR) is the Indian government term for reserve requirement that the commercial banks in India require to maintain in the form of gold, government approved securities before providing credit to the customers. Statutory Liquidity Ratio is determined by Reserve Bank of India and maintained by banks in order to control the expansion of bank credit.

Q.17) Consider the following statements with reference to taxation

1. Higher direct taxes help in controlling Inflation in the economy
2. Higher indirect taxes help in controlling the Inflation in the economy

Which of the above statements is/are correct?

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

Q.17) Solution (a)

Higher direct taxes will mean that the people will be left with smaller disposable incomes, lower disposable incomes do not generate higher demand. This causes the inflation to be controlled.

Whereas higher indirect taxes will increase the prices of the commodities because the cost of production will increase. This will lead to Cost-push inflation.

Q.18) Which of the following measures would result in an increase in the money supply in the economy?

1. Purchase of government securities from the public by the Central Bank
2. Deposit of currency in the commercial banks by the public
3. Borrowing by the government from the Central Bank
4. Sale of government securities to the public by the Central Bank

Select the correct answer using the codes given below:

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

Q.18) Solution (c)

Any money that flows out of RBI leads to increase in the money supply.

When the RBI purchases government securities from Public, the money flows out of RBI, this will increase the money supply. So statement 1 is correct.

When currency is deposited by public in commercial banks, its mere transfer of money from public to commercial banks. The net effect on the money supply is nil. So statement 2 is incorrect.

When the Government borrows from RBI, the money again flows out of RBI. To fulfill the demand of the Government, RBI will print new money and this leads to increase in the money supply thus statement 3 is also correct.

Q.19) Which of the following are not correctly matched?

1. Lorenz Curve – Poverty estimation
2. J Curve – Taxation
3. Laffer Curve – Devalutaion
4. Philip's Curve – Inflation and uemployment

Select the correct answer:

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

Q.19) Solution (c)

In economics, the Lorenz curve is a graphical representation of the distribution of income or of wealth. It was developed by Max O. Lorenz in 1905 for representing inequality of the wealth distribution.

The J-curve effect is seen in economics when a country's trade balance initially worsens following a devaluation or depreciation of its currency.

The Phillips curve represents the relationship between the rate of inflation and the unemployment rate.

In economics, the Laffer curve is a representation of the relationship between rates of taxation and the resulting levels of government revenue.

Q.20) Consider the below statements in regard to WPI and IIP –

1. WPI is published by Ministry of Commerce and Industries, prepared monthly and is touching the price data at wholesale level.
2. The IIP is about industrial production and is published on a monthly basis by the CSO.

Which of the statements given above is correct?

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

Q.20) Solution (c)

Both the given statements are correct. WPI is published by Ministry of Commerce and Industries, prepared monthly and is touching the price data at wholesale level. The IIP is about industrial production and is published on a monthly basis by the CSO.

Q.21) Consider the following statements regarding “core inflation”:

1. Core inflation is an indicator of long-term trend in the inflation.
2. While calculating core inflation transitory price changes are excluded.

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

Q.21) Solution (c)

Core inflation is the non food manufacturing inflation. Core inflation shows price rise in all goods and services excluding energy and food articles.

In India, it was first time used in the financial year 2000–01. This was criticized by experts on account of excluding food articles and energy out of the inflation and feeling satisfied on the inflation front. Basically, in the western economies, food and energy are not the problems for the masses, while in India these two segments play the most vital role for them.

Q.22) Consider the following statements about 'European Free Trade Association (EFTA)'

1. It is a trade agreement between non-EU countries, members of which are now mostly located in South-eastern Europe
2. They participate in the European Single Market
3. It was signed by the Visegrád Group countries

Select the correct statements

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

Q.22) Solution (b)

The European Free Trade Association (EFTA) is a regional trade organization and free trade area consisting of four European states: Iceland, Liechtenstein, Norway, and Switzerland. The organization operates in parallel with the European Union (EU), and all four member states participate in the European Single Market. They are not, however, party to the European Union Customs Union.

THINK!

- EFTA
- CEFTA
- CISFTA
- Visegrád Group

Source: <http://www.thehindu.com/business/Industry/switzerland-for-early-india-efta-pact/article19604210.ece>

Q.23) 'Global Human Capital Index' is released by

- a) World Economic Forum
- b) International Labour Organization
- c) World Bank
- d) None of the above

Q.23) Solution (a)

Global Human Capital Index is compiled by Geneva-based World Economic Forum (WEF) takes into account "the knowledge and skills people possess that enable them to create value in the global economic system" to measure the 'human capital' rank of a country.

India was ranked at 103.

Source: http://www.business-standard.com/article/current-affairs/india-at-103-rank-on-global-human-capital-index-lowest-among-brics-nations-117091300680_1.html

Q.24) Consider the following statements about Aggregate Measurement of Support (AMS)

1. It is the measure for domestic subsidies for agriculture under the WTO Agreement of Agriculture
2. It consists of Amber Box
3. It is associated with product specific subsidies only

Select the correct statements

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.24) Solution (a)

Aggregate measurement of support (AMS) is the indicator on which the domestic support discipline for the Uruguay Round Agreement on Agriculture is based. It is determined by calculating a market price support estimate for each commodity receiving such support, plus non-exempt direct payments or any other subsidy not exempted from reduction commitments, less specific agricultural levies or fees paid by producers.

The 'current aggregate measurement of support' (AMS) is the measure for domestic subsidies for agriculture under the WTO Agreement of Agriculture. It consists of the so-called Amber Box which includes all internal support measures considered to distort production and trade that are not excluded pursuant to other provisions of the Agreement.

AMS has two components viz., (i) 'product-specific' or the excess of price paid to farmers over international price or ERP (external reference price) multiplied by quantum of produce; (ii) 'non-product specific' or money spent on schemes to supply inputs such as fertilisers, seed, irrigation, electricity at subsidised rates.

Under Agreement on Agriculture (AoA), developing countries can give agricultural subsidies or aggregate measurement support (AMS) up to 10 per cent of the value of agricultural production.

Source: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=170392>

Q.25) Consider the following statements about 'Hortinet'

1. It is developed by the Agricultural and Processed Food Products Export Development Authority (APEDA)
2. It allows farmers to apply online to facilitate their farm registration
3. It provides for testing and certification of vegetables meant for export from India to the European Union

Select the correct statements

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

Q.25) Solution (d)

The Centre has launched a new mobile app (Hortinet) for facilitating farm registration, testing and certification of grape, pomegranate and vegetables meant for export from India to the European Union.

The mobile app, hortinet, developed by the Agricultural and Processed Food Products Export Development Authority (APEDA), allows farmers to apply online to facilitate their farm registration. It also helps track the status of applications and approvals by States and sampling by authorised laboratories. "This new mobile app will also assist State horticulture/ agriculture department to capture real-time details of farmers, farm location, products and details of inspections such as date of inspection and name of inspecting agency directly from the field."

Source: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=170439>

Q.26) Which of the following regulators regulate the NBFCs in India?

1. Reserve Bank of India
2. Security and Exchange Board of India

3. Insurance Regulatory Development Authority
4. National Housing Bank

Select the correct answer using the codes given below.

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

Q.26) Solution (d)

In terms of Section 45-IA of the RBI Act, 1934, no Non-banking Financial company can commence or carry on business of a non-banking financial institution without a) obtaining a certificate of registration from the Bank and without having a Net Owned Funds of ₹ 25 lakhs (₹ Two crore since April 1999).

However, in terms of the powers given to the Bank, **to obviate dual regulation**, certain categories of the NBFCs which are regulated by other financial regulators are **exempted from the regulatory control of the RBI:**

- Venture capital fund, merchant bank, stock broking firms (SEBI registers and regulates them);
- Insurance company (registered and regulated by the IRDA);
- Housing finance company (regulated by the National Housing Bank);
- Nidhi company (regulated by the Ministry of Corporate Affairs under the Companies Act, 1956);
- Chit fund company (by respective state governments under Chit Funds Act, 1982).

Do you know?

- RBI, the regulator of the NBFCs, has given a very wide definition of such companies (a kind of 'umbrella' definition)— "a financial institution formed as a company involved in receiving deposits or lending in any manner."

THINK!

- Some of the important **regulations relating to acceptance of deposits** by the NBFCs.

Q.27) Consider the following statements about Cash Reserve Ratio (CRR)

1. An increase in CRR sucks amount from the economy
2. A decrease in CRR injects amount into the economy

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.27) Solution (c)**CRR**

It is the percentage of cash deposits that banks need to keep with the Reserve Bank of India on a fortnightly basis.

Presently the CRR is 4% that is, for every Rs 100 deposited in the bank; bank will need to deposit Rs 4 with RBI. Hence, it has Rs 96 to lend.

Increasing the CRR also means banks have lesser money to lend. In the absence of enough liquidity in the financial system, banks have to increase their lending rates to decrease the demand for money.

On the other hand, a cut in CRR infuses more liquidity in the market and banks are pressurized to lend these funds. The lending interest rates to increase the demand for money.

Do you know?

- 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 noncash form prescribed by the government to be in the range of 25 to 40 per cent.

THINK!

- Bank Rate
- Repo Rate

Q.28) Consider the following statement about Call Money Market:

1. Borrowing and lending of funds take place on overnight basis.
2. Participants in the call money market in India currently include all the scheduled commercial banks (SCBs), cooperative banks, insurance.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.28) Solution (a)

The call money market is an important segment of the money market where **borrowing and lending of funds take place on overnight basis**.

Scheduled commercial banks (excluding RRBs), co-operative banks (other than Land Development Banks) and Primary Dealers (PDs), are permitted to participate in call/notice money market both as borrowers and lenders.

Prudential limits, in respect of both outstanding borrowing and lending transactions in the call money market for each of these entities, are specified by the RBI.

Do you know?

- Other than the institutions, **now individuals** will also be able to participate in **Open Market Operations** market (as per the Union Budget 2016–17).

THINK!

- Liquidity Adjustment Facility (LAF)
- Market Stabilisation Scheme (MSS)

Q.29) Consider the following statements about 'Willful Defaulter'.

1. A willful defaulter is financially capable to repay and yet does not do so.
2. One who diverts the funds for purposes other than what the fund was availed for.
3. With whom funds are not available in the form of assets as funds have been siphoned off.
4. Who has sold or disposed the property that was used as a security to obtain the loan.

Which of the above statements is/are correct?

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

Q.29) Solution (d)

According to the RBI, a willful defaulter is one who–

- is financially capable to repay and yet does not do so;
- or one who diverts the funds for purposes other than what the fund was availed for;
- or with whom funds are not available in the form of assets as funds have been siphoned off;
- or who has sold or disposed the property that was used as a security to obtain the loan.

Do you know?

- Diversion of fund includes activities such as using short-term working capital for long-term purposes, acquiring assets for which the loan was not meant for and transferring funds to other entities. Siphoning of funds means that funds were used for purposes that were not related to the borrower and which could affect the financial health of the entity.

THINK!

- SARFAESI Act, 2002

Q.30) Consider the following pairs.

Money	Components
1. Reserve Money	Currency in circulation + Bankers' Deposits with the RBI + 'Other' deposits with the RBI.
2. Narrow Money	Currency with the Public + Demand Deposits with the Banking System + 'Other' deposits with the RBI.
3. Broad Money	Currency in circulation + Bankers' Deposits with the RBI + 'Other' deposits with the RBI + Time Deposits with the Banking System.

Which of the pairs is/are correctly matched?

- 1 and 2 only
- 2 and 3 only
- 1 only
- All the above

Q.30) Solution (a)

Reserve Money (M0) = Currency in circulation + Bankers' Deposits with the RBI + 'Other' deposits with the RBI.

Narrow Money (M1) = Currency with the Public + Demand Deposits with the Banking System + 'Other' deposits with the RBI.

M2 = M1 + Savings Deposits of Post-office Savings Banks.

Broad Money (M3) = M1 + Time Deposits with the Banking System.

M4 = M3 + All deposits with Post Office Savings Banks (excluding National Savings Certificates).

Do you know?

- As we move from M1 to M4 the liquidity (inertia, stability, spend ability) of the money goes on decreasing and in the opposite direction, the liquidity increases.

THINK!

- High power money

Q.31) Which of the following are the Non-Banking Financial Company (NBFC) in India as per RBI?

1. Asset Finance Company (AFC)
2. Infrastructure Finance Company (IFC)
3. Peer to Peer (P2P) lending
4. Account Aggregators

Select the correct answer using the codes given below.

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

Q.31) Solution (d)

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.

A non-banking institution which is a company and has principal business of receiving deposits under any scheme or arrangement in one lump sum or in installments by way of contributions or in any other manner, is also a non-banking financial company (Residuary non-banking company).

Different types of NBFCs are as follows:

- Asset Finance Company (AFC)
- Investment Company (IC)
- Loan Company (LC)
- Infrastructure Finance Company (IFC)
- Infrastructure Debt Fund: Non- Banking Financial Company (IDF-NBFC)

Non-Banking Financial Companies (NBFCs) bring in diversity and efficiency to the financial sector and make it more responsive to the needs of the customers. **Peer to Peer (P2P) and Account Aggregators are the new categories of NBFC** that have been introduced recently.

Do you know?

- The Reserve Bank has introduced a new category of Non-Banking Financial Company (NBFC) called NBFC-P2P (NBFC- Peer to Peer Lending Platform) with light touch regulation and emphasis on adequate disclosures.

THINK!

- Chit funds.

Q.32) Which of the following manages FOREX and Gold reserves of India?

- a) SEBI
- b) All Nationalised Banks
- c) RBI
- d) All of the above

Q.32) Solution (c)

The Foreign exchange reserves of India are India's holdings of cash, bank deposits, bonds, and other financial assets denominated in currencies other than India's national currency, the Indian rupee. The reserves are managed by the Reserve Bank of India for the Indian government and the main component is foreign currency assets.

Foreign exchange reserves act as the first line of defense for India in case of economic slowdown, but acquisition of reserves has its own costs. Foreign exchange reserves facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

India's foreign exchange (Forex) reserve assets (FCA) stand at \$393.743 billion, gold reserves at \$20.421 billion, SDRs (Special Drawing Rights with the IMF) of \$ 1.544 billion and \$2.079 billion reserve position in IMF leading to total Forex reserves of US\$ 417.789 billion in the week to January 26, 2018, as per Reserve Bank of India's (RBI) weekly statistical supplement.

Think!

Difference between Market Forex rate and Purchasing Power Parity

Q.33) Agriculture is covered under the priority sector lending. Which of the following activities are covered under agriculture?

1. Farm credit
2. Agriculture Infrastructure
3. Ancillary Activities

Select the code from below:

- a) 1 only
- b) 1 and 2
- c) 2 and 3
- d) All of the above

Q.33) Solution (d)

Priority Sector Lending

Priority Sector Lending is an important role given by the Reserve Bank of India (RBI) to the banks for providing a specified portion of the bank lending to few specific sectors like agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections.. This is essentially meant for an all round development of the economy as opposed to focusing only on the financial sector.

Priority Sector includes the following categories:

- Agriculture
- Micro, Small and Medium Enterprises
- Export Credit
- Education
- Housing
- Social Infrastructure
- Renewable Energy
- Others

The activities covered under Agriculture are classified under three sub-categories viz. Farm credit, Agriculture infrastructure and Ancillary activities.

Think!

Difference between the priority sector lending of National and International Bank

Q.34) Consider the following statements regarding Regional Rural Banks:

1. RRBs have a statutory backing under RRB Act 1976.
2. Regional Rural Banks are regulated by National Bank for Agriculture and Rural Development (NABARD)
3. Their area of operation may include urban areas too.

Which of the above statements are correct?

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.34) Solution (d)

Regional Rural Banks (RRB)

Regional Rural Banks are scheduled commercial banks (Government bank) operating at regional level in different States of India. They have been created with a view to serve primarily the rural areas of India with basic banking and financial services. However, RRBs may have branches set up for urban operations and their area of operation may include urban areas too.

The area of operation of RRBs is limited to the area as notified by Government of India covering one or more districts in the State. RRBs also perform a variety of different functions. RRBs perform various functions in following heads:

- Providing banking facilities to rural and semi-urban areas.
- Carrying out government operations like disbursement of wages of MGNREGA workers, distribution of pensions etc.
- Providing Para-Banking facilities like locker facilities, debit and credit cards.

The rural banks had the legislative backing of the Regional Rural Banks Act 1976. This act allowed the government to set up banks from time to time wherever it considered necessary.

The RRBs were owned by three entities with their respective shares as follows:

- Central Government → 50%
- State government → 15%
- Sponsor bank → 35%

Regional Rural Banks were conceived as low cost institutions having a rural ethos, local feel and pro poor focus. Every bank was to be sponsored by a “Public Sector Bank”, however, they were planned as the self sustaining credit institution which were able to refinance their internal resources in themselves and were excepted from the statutory preemptions.

Regional Rural Banks are regulated by National Bank for Agriculture and Rural Development (NABARD).

Q.35) Which of the following statements are correct regarding T – Wallet?

1. It is the official digital wallet launched by Andhra Pradesh.
2. It is the first digital wallet launched by any State government.
3. It is available in Urdu and Telugu, apart from English.

Select the code from below:

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.35) Solution (b)

T Wallet

T Wallet is the official digital wallet of Telangana State, is launched by Hon'ble Minister of IT Shri. K. T. Rama Rao on June 01, 2017.

- T Wallet is available as a Any Time Any Where digital payment option for Everyone.
- Citizens can use T Wallet to make payments for both Government and Private transactions to avail services and is integrated with Government departments such as Mee Seva, GHMC, HMWSSB, TSNPDCL, TSSPDCL, RTA, TASK, CDMA, HMDA ORR Tolls.
- T Wallet serves through Online Web Browser, Smart Phone, Feature Phone and even No phone.
- Citizens with feature phone or no Phone can use Mee Seva centres to open T Wallet, Load money into wallet and make payments.
- Supports Telugu & Urdu besides English.
- No service charge for using T Wallet.

- T Wallet uses two factor authentication, through Aadhaar + Biometric or Aadhaar + OTP to Aadhaar linked mobile number, for feature phone and no phone users.
- Is hosted on Azure platform and designed for high and secure performance.
- Govt. payments such as Aasara Pensions, MNREGA payments will be pushed to eligible respective citizen's T Wallet.

Q.36) Which of the following are correct differences between a Payment bank and Small Finance Bank?

1. Small banks can accept all types of deposits like a commercial bank (savings, current, fixed deposits, recurring deposits etc) while Payment banks can take deposits only on current & savings account.
2. Small Finance bank can undertake lending activity while payment banks cannot lend money.

Select the code from below:

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

Q.36) Solution (c)

Similarities between Small Finance Banks & Payment Banks:

1. Minimum Paid Up capital should be 100cr.
2. FDI limit will be same as amended by govt time to time.
3. Initially The promoters share should be 40 percent. (Though different after some years).

DIFFERENCES b/w Payments & Small Finance Banks:

1. In Payment Banks , Promoters Share should be 40 % for first Five 5 years from the date of commencement of business Whereas In Small Finance Banks it should be 40% in starting Then can be gradually brought down to 26% in 12 years.
2. Small Finance Banks Are mainly For Lending In priority Sector Areas, Small Finance Banks will have to lend 75 % of their ANBC to PSL areas. Whereas payment Banks are not allowed to lend.

3. Small Finance Banks are just like Universal Banks so they can accept all type of deposits, FD, RD, Savings & Current. And also required to maintain SLR & CRR norms. Whereas the Payment Banks can only accept Demand Deposits and can hold 100,000 INR per person.
4. Payment Banks can Issue ATM, Debit cards but can't Issue Credit Card. Along with they can serve various banking products as Mutual funds Unit, insurance, etc.
5. Payment banks Would Have to Invest 75 % of their ANBC in government securities having maturity of One Year.
6. Small Finance Banks will be able to lend Advances Upto 25 Lakhs.

Q.37) Consider the following statements regarding Micro Units Development and Refinance Agency Bank (or MUDRA Bank):

1. It provides loans at low rates to micro-finance institutions and non-banking financial institutions which then provide credit to MSMEs.
2. The Tarun category under MUDRA bank is allowed a loan upto a limit of Rs 50 thousand.
3. The bank will function as a subsidiary of SIDBI

Which of the above statements are correct?

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.37) Solution (c)

MUDRA Bank

Micro Units Development and Refinance Agency Bank (or MUDRA Bank) is a public sector financial institution in India. It provides loans at low rates to micro-finance institutions and non-banking financial institutions which then provide credit to MSMEs.

The MUDRA banks were set up under the Pradhan Mantri MUDRA Yojana scheme. It will provide its services to small entrepreneurs outside the service area of regular banks, by using last mile agents. About 5.77 crore (57.6 million) small business have been identified as target clients using the NSSO survey of 2013. Only 4% of these businesses get finance from regular banks. The bank will also ensure that its clients do not fall into indebtedness and will lend responsibly.

The bank will have an initial capital of ₹200 billion (US\$3.1 billion) and a credit guarantee fund of ₹30 billion (US\$460 million). The bank will initially function as a non-banking financial company and a subsidiary of the Small Industries Development Bank of India (SIDBI). Later, it will be made into a separate company. However, it will regulate Micro Finance institutions.

The bank will classify its clients into three categories and the maximum allowed loan sums will be based on the category:

- Shishu: Allowed loans up to ₹50,000 (US\$770)
- Kishore: Allowed loans up to ₹5 lakh (US\$7,700)
- Tarun: Allowed loans up to ₹10 lakh (US\$15,000)

Government has decided to provide an additional fund of ₹1 trillion (US\$15 billion) to the market and will be allocated as

- 40% to shishu
- 35% to kishor
- 25% to Tarun

Those eligible to borrow from MUDRA bank are

- Small manufacturing unit
- Shopkeepers
- Fruit and vegetable vendors
- Artisans

<https://www.sidbi.in/mudra.php>

Q.38) The Department of Posts has launched the India Post Payment Banks(IPPB) as a Public sector company. Which of the following statements are correct regarding IPPB?

1. IPPB is offering demand deposits such as savings and current accounts up to a balance of Rs 1 Lakh.
2. It provides access to third-party financial services such as insurance, mutual funds, pension, credit products, forex etc.
3. Government of India has 100% equity in IPPB.

Select the code from below:

- a) 1 only
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.38) Solution (d)

India Post Payments Bank (IPPB)

The India Post Payments Bank (IPPB) has been incorporated as a public sector company under the Department of Posts with 100% GOI equity.

IPPB is offering demand deposits such as savings and current accounts up to a balance of Rs 1 Lac, digitally enabled payments and remittance services of all kinds between entities and individuals and also provide access to third-party financial services such as insurance, mutual funds, pension, credit products, forex, and more, in partnership with insurance companies, mutual fund houses, pension providers, banks, international money transfer organisations, direct benefit transfer, etc.

IPPB's objective is the last mile financial inclusion and connectivity to the remotest parts of the country with institutional finance for its people.

The four key features of IPPB are:

FINANCIAL LITERACY: Wealth creates wealth. Even a little saving can go a long way if channelized correctly. With trustworthy advice and services designed to include everybody, income can be invested correctly, more can be saved, and people can start moving forward, faster. IPPB aims to make India prosperous by ensuring that everyone has equal access to financial information and services, no matter who they are, what they earn and where they live.

STREAMLINING PAYMENTS: Beneficiaries can access income from government's DBT programs like MNREGA wages, Social Security Pensions and scholarships, directly from their IPPB bank account with near zero friction. They can also pay their utility bills, fees for educational institutions and much more from the same IPPB account. It ensures that wherever they are, they can make the most of the financial opportunities available to them.

FINANCIAL INCLUSION: Millions of Indians don't have access to banking facilities. They cannot avail of government benefits, loans and insurance, and even interest on savings. IPPB will reach the unbanked and the underbanked across all cross sections of society and geographies. Services offered by IPPB will help them take the first step towards prosperity.

EASE OF ACCESSIBILITY: IPPB is powered by the very postmen who deliver our letters. With over 1.54 lac post offices across the country, India Post enjoys the trust of Indians everywhere. The postal delivery system will make IPPB, India's most accessible banking network. IPPB will also offer services through the internet and mobile banking, and prepaid instruments like mobile wallets, debit cards, ATMs, PoS and MPoS terminals etc.

Q.39) Consider the following statements:

1. The sum total of all the foreign currencies an economy possesses at a particular time is its foreign currency assets/reserves.
2. Foreign exchange reserves act as the first line of defense for India in case of economic slowdown.
3. The foreign exchange reserves are managed by the Reserve Bank of India for the Indian government.

Which of the above statements is/are correct?

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

Q.39) Solution (d)

FOREIGN CURRENCY ASSETS

The sum total of all the foreign currencies an economy possesses at a particular time is its foreign currency assets/reserves.

The total capacity of an economy to manage liquid foreign exchange is its foreign exchange (Forex) reserve.

This contains basically three components—the foreign currency assets, the total gold reserves and the total special drawing rights (SDRs) of an economy in the IMF.

The reserves are managed by the Reserve Bank of India for the Indian government and the main component is foreign currency assets.

Foreign exchange reserves act as the first line of defense for India in case of economic slowdown. Foreign exchange reserves facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

Q.40) Consider the following statements regarding credit bureaus in India:

1. Currently, there are four credit bureaus in India — Moody's, Experian, Equifax and Standard and Poor's.
2. They are regulated by the RBI under the Credit Information Companies (Regulation) Act, 2005.

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.40) Solution (b)

Currently, there are **four credit bureaus** in India — **Credit Information Bureau (India) Limited (CIBIL), Experian, Equifax and CRIF Highmark**. Hence, statement (1) is wrong.

These bureaus are regulated by the RBI under the Credit Information Companies (Regulation) Act, 2005.

They provide credit scores and allied reports and services. As of now, their analysis reports are used for issuing credit cards and for taking decisions mainly on retail loans.

Do you know?

Moody's, along with Standard & Poor's and Fitch Group, is considered one of the Big Three **credit rating agencies**, not credit bureaus.

Q.41) Match the following statements with the related terms given below:

1. It is rate at which scheduled banks can borrow funds overnight from RBI against government securities.
2. It is amount that banks have to maintain a stipulated proportion of their net demand and time liabilities (NDTL) in form of liquid assets.
3. It is amount of funds that banks have to keep with RBI.
4. It is rate at which banks lend funds to RBI.

Terms:

- A. Reverse Repo Rate
- B. Repo Rate

- C. Marginal Standing Facility (MSF) Rate
- D. Cash Reserve Ratio (CRR)
- E. Statutory Liquidity Ratio (SLR)

Select the correct answer using the following codes:

- a) 1-E; 2-C; 3-B; 4-A
- b) 1-E; 2-C; 3-A; 4-B
- c) 1-C; 2-E; 3-D; 4-A
- d) 1-C; 2-E; 3-D; 4-B

Q.41) Solution (c)

Marginal Standing Facility (MSF) Rate: It is rate at which scheduled banks can borrow funds overnight from RBI against government securities. It is very short term borrowing scheme for scheduled banks.

Bank Rate: It is rate charged by central bank for lending funds to commercial banks. It influences lending rates of commercial banks. Higher bank rate will translate to higher lending rates by banks.

Cash Reserve Ratio (CRR): It is amount of funds that banks have to keep with RBI. The RBI uses CRR to drain out excessive money from system.

Statutory Liquidity Ratio (SLR): It is amount that banks have to maintain a stipulated proportion of their net demand and time liabilities (NDTL) in form of liquid assets like cash, gold and unencumbered securities, treasury bills, dated securities etc.

Repo rate: It is rate at which RBI lends to its clients generally against government securities.

Reverse Repo Rate: It is rate at which banks lend funds to RBI.

Q.42) Why maintaining Capital Adequacy Ratio (CAR) is/are must in banks?

1. Bank capital helps to prevent bank failure.
2. It acts as a cushion to lessen the chance of the bank turning insolvent.

Which of the above stated reasons is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2

d) Neither 1 nor 2

Q.42) Solution (c)

Why maintaining Capital Adequacy Ratio (CAR) is must in banks?

- Bank capital helps to prevent bank failure, which arises in case the bank cannot satisfy its obligations to pay the depositors and other creditors.
- The low capital bank has a negative net worth after the loss in its business. In other words, it turns into insolvent capital, therefore, acts as a cushion to lessen the chance of the bank turning insolvent.
- The amount of capital affects returns for the owners (equity holders) of the bank.

Q.43) With reference to regulation of pension products, consider the below statements:

1. Pension products floated by insurance companies or sold by mutual funds come under the purview of the Insurance Regulatory and Development Authority (IRDA).
2. The National Pension System (NPS) is a voluntary defined contribution pension system administered and regulated by the Pension Fund Regulatory and Development Authority (PFRDA).

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.43) Solution (b)

The Finance Ministry has set up a high-level committee to consolidate the regulation of pension products that is currently being done by three different watchdogs including the insurance and stock market regulators.

While the Pension Fund Regulatory and Development Authority (PFRDA) was set up with the intent of regulating all pension products, insurers and mutual funds continue to sell pension products outside its watch, creating confusion among consumers looking to build a retirement nest egg. The move to set up a panel was made after the issue was flagged at recent meetings of the Financial Stability and Development Council chaired by Finance Minister Arun Jaitley.

Pension products floated by insurance companies come under the purview of the Insurance Regulatory and Development Authority (IRDA) while those sold by mutual funds are overseen by the SEBI.

The National Pension System (NPS), which is a voluntary defined contribution pension system administered, is regulated by the Pension Fund Regulatory and Development Authority (PFRDA).

The Centre has formed a committee to look into the issue of bringing these companies which are offering pension plans under the purview of PFRDA.

The committee to be formed by the Department of Financial Services, would have representatives from all financial sector regulators — SEBI, IRDA, RBI and PFRDA.

Q.44) Which among the following is not SEBI regulated NBFC?

- a) Venture Capital Fund
- b) Merchant Banking companies
- c) Stock Broking companies
- d) Housing Loan companies

Q.44) Solution (d)

SEBI regulated NBFCs includes –

1. Venture Capital Fund
2. Merchant Banking companies
3. Stock Broking companies

Housing loan companies are regulated by **National Housing Bank**. Housing loan companies finance construction and purchase of house.

Q.45) Consider the following pairs:

1. Capital Adequacy Ratio (CAR) : : the ratio of liquid assets to net demand and time liabilities (NDTL)
2. Cash Reserve Ratio (CRR) : : minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank
3. Statutory Liquidity Ratio (SLR) : : expressed as a percentage of a bank's risk weighted credit exposures

Which of the pairs given above is/are not correct?

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

Q.45) Solution (b)

Statutory Liquidity Ratio (SLR)

- The ratio of liquid assets to net demand and time liabilities (NDTL) is called statutory liquidity ratio (SLR)
- Apart from Cash Reserve Ratio (CRR), banks have to maintain a stipulated proportion of their net demand and time liabilities in the form of liquid assets like cash, gold and unencumbered securities.
- Treasury bills, dated securities issued under market borrowing programme and market stabilisation schemes (MSS), etc also form part of the SLR. Banks have to report to the RBI every alternate Friday their SLR maintenance, and pay penalties for failing to maintain SLR as mandated.

Cash Reserve Ratio (CRR)

- CRR is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank. CRR is set according to the guidelines of the central bank of a country.
- The amount specified as the CRR is held in cash and cash equivalents, is stored in bank vaults or parked with the Reserve Bank of India.
- The aim here is to ensure that banks do not run out of cash to meet the payment demands of their depositors. CRR is a crucial monetary policy tool and is used for controlling money supply in an economy.
- CRR specifications give greater control to the central bank over money supply.
- Commercial banks have to hold only some specified part of the total deposits as reserves. This is called fractional reserve banking.

Capital Adequacy Ratio (CAR)

- The capital adequacy ratio (CAR) is a measure of a bank's capital. It is expressed as a percentage of a bank's risk weighted credit exposures.
- Also known as capital-to-risk weighted assets ratio (CRAR), it is used to protect depositors and promote the stability and efficiency of financial systems around the world.

Q.46) Consider the following statements about Insurance in India.

1. Insurance is the item of the concurrent list.
2. Insurance industry is regulated by Insurance Regulatory and Development Authority (IRDA) and Re-insurance industry is regulated by Finance Ministry.

Which of the statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.46) Solution (d)

Insurance in India refers to the market for insurance in India which covers both the public and private sector organizations. It is listed in the Constitution of India in the **Seventh Schedule as a Union List subject**, meaning it can only be legislated by the Central government.

The Insurance Regulatory and Development Authority (IRDA) was set up in 2000 (the Act was passed in 1999) with one chairman and five members (two as full time and three as part-time members) appointed and nominated by the government. **The authority is responsible for the regulation, development and supervision of the Indian insurance industry.**

Insurance is a very risky business. While the insurance companies offer insurance to its clients, they themselves get exposed to very high financial risks. Re-insurance business emerged out of this reality. **When an insurance company buys insurance cover for its insurance business, a new segment comes into being i.e., re-insurance. Reinsurance industry is regulated by the IRDA in the country**

Do you know?

- The growth in the insurance sector is internationally measured based on the standard of insurance penetration. **Insurance penetration** is defined as the ratio of premium underwritten in a given year to the gross domestic product (GDP).
- Likewise, **insurance density** is another well recognized benchmark and is defined as the ratio of premium underwritten in a given year to total population (measured in US dollars for convenience of comparison).

THINK!

- Health Insurance in India.

Q.47) The Minimum Alternate Tax (MAT) is a direct tax imposed on the 'zero tax' companies at the rate of 18.5 per cent on their book profit. Which of the following companies/sectors are exempted from MAT?

1. Infrastructure and Power Sectors
2. Free Trade Zones
3. Charitable Activities
4. Venture and Angel Funds

Select the correct answer using the codes given below

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

Q.47) Solution (d)

MAT is a way of making companies pay minimum amount of tax. It is applicable on all companies **except those engaged in infrastructure and power sectors, free trade zones, charitable activities, venture and angel funds.** Foreign companies with income sources in India also come under it. The Union Budget 2015–16 has rationalized the MAT provisions for the FIIs (Foreign Financial Institutions)—now they do not need to pay MAT on their profits from capital gains on transactions in securities (which are liable lower tax rate).

Do you know?

- The Union Budget 2017-18 announced to start phasing out the exemptions available to the companies on it from April 2017. So that companies are able to use MAT credit, the carry forward period has been also increased to 15 years.

THINK!

- Direct Tax Code.

Q.48) Consider the following statements about 'fiscal capacity'.

1. It's simply the government's ability to generate revenues.
2. Tax to GDP ratio is often taken as proxy for the fiscal capacity of a government.

Which of the statements is/are correct?

- a) 1 only

- b) 2 only
- c) Both 1 and 2
- d) None

Q.48) Solution (c)**What is Fiscal Capacity?**

It's simply the ability to generate revenues. As majority of the revenue of governments around the world is through taxes (other from various fees/user charges/ dividends etc.), **Tax to GDP ratio is often taken as proxy for the fiscal capacity of a government.**

Do you know?

- Govt can only spend as much as it earns (plus some limited amount of borrowings). So fiscal capacity i.e tax to GDP ratio also determines it's spending capacity.

THINK!

- Fiscal discipline.

Q.49) Which of the following are the components of 'revenue expenditure'?

1. Interest payment by the government on the internal and external loans.
2. Defense expenditures needed for smooth operation of the standing armed forces
3. Expenditures on social services.
4. Loans given by the government to Indian states and foreign countries.

Select the correct answer using the codes given below.

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

Q.49) Solution (b)**Revenue Expenditure**

All expenditures incurred by the government are either of revenue kind or current kind or compulsive kind. The basic identity of such expenditures is that they are **of consumptive kind and do not involve creation of productive assets.** They are either used in running of a

productive process or running a government. A broad category of things that fall under such expenditures in India are:

- Interest payment by the government on the internal and external loans;
- Salaries, Pension and Provident Fund paid by the government to government employees;
- Subsidies forwarded to all sectors by the government
- Defense expenditures by the government
- Postal Deficits of the government
- Law and order expenditures (i.e., police & paramilitary)
- Expenditures on social services (includes all social sector expenditures as education, health care, social security, poverty alleviation, etc.) and general services (tax collection, etc.)
- **Grants** (not loans) given by the government to Indian states and foreign countries.

Do you know?

- 'effective revenue deficit', which is the Revenue Deficit 'excluding' those revenue expenditures of the Government of India which were done in the form of GoCA (grants for creation of capital assets).

THINK!

- Capital Budget.

Q.50) Consider the following statements about fiscal deficit:

1. When balance of the government's total receipts and total expenditures turns out to be negative, it shows the situation of fiscal deficit.
2. The fiscal deficit excluding the interest liabilities for a year is the primary deficit.
3. The part of the fiscal deficit which was provided by the RBI to the government in a particular year is Monetized Deficit.
4. Printing currency is one of the best methods of deficit financing.

Which of the statements is/are correct?

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

Q.50) Solution (b)

When balance of the government's total receipts (i.e., revenue + capital receipts) and total expenditures (i.e., revenue + capital expenditures) turns out to be negative, it shows the situation of fiscal deficit.

- Budget deficit = Total Receipt - Total Expenditure.

Fiscal Deficit:

- the difference between total expenditure and total revenue receipts and capital receipts but excluding borrowings and other liabilities, or
- it is the Sum of Budget deficit plus Borrowings and other Liabilities.

The situation of fiscal deficit indicates that the government is spending beyond its means.

To be simpler, we may say that the government is spending more than its income (though in practice all receipts of the government are not income. Basically, receipts are all forms of money accruing to the government, be it income or borrowings).

The fiscal deficit excluding the interest liabilities for a year is the primary deficit, a term India started using since the fiscal 1997–98. It shows the fiscal deficit for the year in which the economy had not to fulfil any interest payments on the different loans and liabilities which it is obliged to—shown both in quantitative and percentage of GDP forms.

The part of the fiscal deficit which was provided by the RBI to the government in a particular year is Monetized Deficit, this is a new term adopted since 1997–98 in India.

The act/process of financing/supporting a deficit budget by a government is deficit financing. In this process, the government knows well in advance that its total expenditures are going to turn out to be more than its total receipts and enacts/follows such financial policies so that it can sustain the burden of the deficits proposed by it.

Printing Currency is the last resort for the government in managing its deficit. But it has the biggest handicap that with it the government cannot go for the expenditures which are to be made in the foreign currency. Even if the government is satisfied on this front, printing fresh currencies does have other damaging effects on the economy:

- It increases inflation proportionally.
- It brings in regular pressure and obligation on the government for upward revision in wages and salaries of government employees ultimately increasing the government expenditures necessitating further printing of currency and further inflation—a vicious cycle into which economies entangle themselves.

Do you know?

External Borrowings are the next best way to manage fiscal deficit with the condition that the external loans are comparatively cheaper and long-term.

Though external loans are considered an erosion in the nation's sovereign decision-making process, this has its own benefit and is considered better than the internal borrowings due to two reasons:

- External borrowing brings in foreign currency/hard currency which gives **extra edge to the government spending as by this the government may fulfil its developmental** requirements inside the country as well as from outside the country.
- **It is preferred over the internal borrowings due to 'crowding out effect'**. If the government itself goes on borrowing from the banks of the country, from where will others borrow for investment purposes?

THINK!

- Other means of deficit financing.

Q.51) Recently BHARAT 22 was in news, is related to?

- a) It is the web-based platform for the fiscal consolidation.
- b) Index based ETF to offer an investment opportunity in CPSEs.
- c) It is new standard for the jewelry industry.
- d) None

Q.51) Solution (b)

Government started using index-based ETF to offer an investment opportunity in CPSEs to pension funds and retail investors in India. **And pursuant to the announcement made in the Budget in this regard, a new ETF, namely BHARAT 22 was announced in August 2017.** The New Fund Offer of Bharat 22 launched in the month of November 2017 received an overwhelming response across all class of investors and the Government retained a portion of the oversubscription by increasing the issue size of the offer.

Do you know?

- The thrust of the Government is presently directed towards efficient management of its investment in CPSEs, with the overall focus on higher economic growth through consistent long-term policies as well as efficient and effective allocation of resources.
- Based on this philosophy, Budget 2016-17 focused on the need to migrate from the **'disinvestment-based approach' to 'investment-based approach' for CPSEs.** Accordingly, renaming the Department as 'DIPAM' with expanded mandate denotes

a paradigm shift in the thinking process of the Government on its strategy to manage its investment in CPSEs.

THINK!

- Policy initiatives on investment management in CPSEs.

Q.52) Consider the following recommendations of the FRBM Review Committee headed by former Revenue Secretary, NK Singh:

1. Public debt to GDP ratio should be considered as a medium-term anchor for fiscal policy in India.
2. Formation of Monetary Council to advise the government.
3. Escape Clause to accommodate counter cyclical issues.

Which of the above statements is/are correct?

- a) 1 and 3 only
- b) 2 and 3 only
- c) 3 only
- d) All the above

Q.52) Solution (a)

The FRBM Review Committee headed by former Revenue Secretary, NK Singh was appointed by the government to review the implementation of FRBM. In its report submitted in January 2017, titled, 'The Committee in its Responsible Growth: A Debt and Fiscal Framework for 21st Century India', the Committee suggested that a rule based fiscal policy by limiting government debt, fiscal deficit and revenue deficits to certain targets is good for fiscal consolidation in India.

- **Public debt to GDP ratio should be considered as a medium-term anchor for fiscal policy in India.** The combined debt-to-GDP ratio of the centre and states should be brought down to 60 per cent by 2023 (comprising of 40 per cent for the Centre and 20% for states) as against the existing 49.4 per cent, and 21per cent respectively.
- **Fiscal deficit as the operating target:** The Committee advocated fiscal deficit as the operating target to bring down public debt. For fiscal consolidation, the centre should reduce its fiscal deficit from the current 3.5% (2017) to 2.5% by 2023.
- **Revenue deficit target:** The Committee also recommends 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.
- **Formation of Fiscal Council to advise the government:** The Committee advocated formation of institutions to ensure fiscal prudence in accordance with the FRBM

spirit. It recommended setting up an independent Fiscal Council. The Council will provide several advisory functions. It will forecast key macro variables like real and nominal GDP growth, tax buoyancy, commodity prices. Similarly, it will do a monitoring role, besides advising about the use of escape clause and also specify a path of return.

- **Escape Clause to accommodate counter cyclical issues:** The NK Singh Committee points out that there are disadvantages with set fiscal deficit target if some economic instabilities like an external crisis affects the Indian economy. For example, the government has to spend more during the time of a recession and hence it need not restrict its borrowing to keep the fiscal deficit target. Hence, the committee advocates countercyclical covers in fiscal policy while following the FRBM.

Do you know?

What is escape clause?

- The flexibility to adjust with cyclical fluctuations (boom/recession) is incorporated under the “escape clause” (in the case of recession) where temporary and moderate deviations can be made from the baseline fiscal path. This can be permitted under exceptional circumstances and in reaction to external shocks. To ensure that these “escape” clauses are not mis-used, the Committee suggests several specific guidelines.

THINK!

- Probable situation that might cause to use escape clause.

Q.53) Ad Valorem tax is imposed on the basis of:

- a) The quantity of the commodity
- b) The monetary value of the commodity
- c) The Value added to the commodity
- d) It is a fixed amount by the Government

Q.53) Solution (b)

Ad Valorem Tax

Ad valorem tax, any tax imposed on the basis of the monetary value of the taxed item. Literally the term means “according to value.” Traditionally, most customs and excises had “specific” rates; the tax base was defined in terms of physical units such as gallons, pounds, or individual items.

Ad valorem rates, which have come into increased use, have the important advantage of adjusting the tax burden according to the amount the consumer spends on the taxed items. They thus avoid the serious discrimination of specific rates against the low-priced varieties of the commodities. The primary difficulty with the ad valorem taxation, especially in the case of tariffs, is in establishing a satisfactory value figure.

Sales taxes of broad scope must of necessity have ad valorem rates. Property taxes are sometimes considered ad valorem taxes, since the rates are applied to the value of the property.

Think

- Pigovian Tax

Q.54) Consider the following statements:

1. The term 'budget' is introduced in Article 112 of Constitution of India.
2. According to the Constitution it is the responsibility of the Finance Minister to get the Budget laid in the Parliament.

Which of the above statements are correct?

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

Q.54) Solution (d)

Note: The term budget is not there in the constitution. In the constitution it is called Annual Financial Statements.

Article 112 in The Constitution Of India 1949

112. Annual financial statement

(1) The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, in this Part referred to as the annual financial statement

(2) The estimates of expenditure embodied in the annual financial statement shall show separately

- a. the sums required to meet expenditure described by the Condition as expenditure charged upon the Consolidated Fund of India; and
- b. the sums required to meet other expenditure proposed to be made from the Consolidated Fund of India, and shall distinguish expenditure on revenue account from other expenditure.

Q.55) Consider the following statements regarding the recommendations Tax Administration Reforms Commission (TARC) headed by Dr Parthasarathi Shome:

1. A minimum of 10% of the tax administration's budget must be spent on taxpayer services.
2. Pre-filled tax returns should be provided to all individuals and they should have the option of accepting the tax return or modifying it.
3. CBDT and CBEC should be fully integrated under Central Board of Direct and Indirect Taxes.

Select the code from following:

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.55) Solution (d)

TARC made the following recommendations.

Consumer Focus:

- There should be a separate vertical for delivery of taxpayer services in each Board. A minimum of 10% of the tax administration's budget must be spent on taxpayer services.
- The decision of the Ombudsman with regard to redressing taxpayer grievances should be binding on tax officers.
- Pre-filled tax returns should be provided to all individuals. The taxpayer will have the option of accepting the tax return or modifying it.

Structure and Governance:

- CBDT and CBEC should be fully integrated in 10 years. Within the next 5 years, they should move towards a unified management structure under the Central Board of Direct and Indirect Taxes.
- The post of Revenue Secretary should be abolished and its functions should be assigned to the two Boards. A Governing Council to oversee the working of the two Boards, and a Tax Council to suggest policy and legislation should be set up.

Human Resource Development:

- There should be a focus on specialisation, including lateral entry of specialists in the Boards. Indian Revenue Service (IRS) officers should specialise in a particular tax administration areas.
- The Central Vigilance Commission should have a Member who has been an IRS officer. The policy of not taking cognizance of anonymous complaints should be strictly followed.

Dispute Resolution and Management:

- Retrospective legislation should be avoided.
- Both Boards should start a special drive for review and liquidation of cases currently clogging the system by setting up dedicated task forces.
- A separate dispute management vertical should be set up in each Board. In addition, the process of pre-dispute consultation before issuing a tax demand notice should be put into practice.

Internal Processes: The Permanent Account Number (PAN) should be developed as a Common Business Identification Number (CBIN), to be used by other departments such as customs, excise, etc.

Q.56) NITI Aayog has replaced the older planning commission. Which of the following statements are NOT correct regarding NITI Aayog?

1. NITI Aayog's recommendations are binding over the government unlike Planning Commission.
2. NITI Aayog has included Chief Ministers of all states as well as administrators of UTs.
3. The provision of regional council is there in Niti Aayog to address local / regional development issues.

Select the code from the following:

- a) 1 only
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.56) Solution (a)

Note: Incorrect option has been asked.

NITI Aayog

The National Institution for Transforming India, also called NITI Aayog, was formed via a resolution of the Union Cabinet on January 1, 2015. NITI Aayog is the premier policy 'Think Tank' of the Government of India, providing both directional and policy inputs. While designing strategic and long term policies and programmes for the Government of India, NITI Aayog also provides relevant technical advice to the Centre and States.

The Government of India, in keeping with its reform agenda, constituted the NITI Aayog to replace the Planning Commission instituted in 1950. This was done in order to better serve the needs and aspirations of the people of India. An important evolutionary change from the past, NITI Aayog acts as the quintessential platform of the Government of India to bring States to act together in national interest, and thereby fosters Cooperative Federalism.

At the core of NITI Aayog's creation are two hubs – Team India Hub and the Knowledge and Innovation Hub. The Team India Hub leads the engagement of states with the Central government, while the Knowledge and Innovation Hub builds NITI's think-tank capabilities. These hubs reflect the two key tasks of the Aayog.

Composition

The Prime Minister is the Ex-officio chairman. The permanent members of the governing council are all the state Chief Ministers, along with the Chief Ministers of Delhi and Puducherry, the Lieutenant Governor of Andaman and Nicobar, and a vice chairman nominated by the Prime Minister. In addition, temporary members are selected from leading universities and research institutions. These members include a chief executive officer, four ex-official members and two part-time members.

NOTE: The recommendations of NITI Aayog are advisory and are not binding.

Q.57) A 'Commercial Paper' is an important instrument in the money market. Which of the following statements are correct about 'Commercial Papers'?

1. *Commercial paper* is an unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities.
2. Commercial papers are usually sold at a discount from the face value.
3. It has to be backed by a collateral.

Select the code from the following:

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.57) Solution (a)

Commercial Paper

Commercial paper is a money-market security issued (sold) by large corporations to obtain funds to meet short-term debt obligations (for example, payroll), and is backed only by an issuing bank or company promise to pay the face amount on the maturity date specified on the note. Since it is not backed by collateral, only firms with excellent credit ratings from a recognized credit rating agency will be able to sell their commercial paper at a reasonable price. Commercial paper is usually sold at a discount from face value, and generally carries lower interest repayment rates than bonds due to the shorter maturities of commercial paper. Typically, the longer the maturity on a note, the higher the interest rate the issuing institution pays. Interest rates fluctuate with market conditions, but are typically lower than banks' rates.

Q.58) Which of the statements are correct regarding 'Tax Buoyancy'?

1. It is the relationship between tax revenue and changes in Tax rate.
2. Tax is called buoyant if tax revenue increases with increase in Tax rates.

Select the code from below:

- a) 1 only

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

Q.58) Solution (d)

Both the statements are incorrect

Tax Buoyancy

Tax buoyancy explains this relationship between the changes in government's tax revenue growth and the changes in GDP. It refers to the responsiveness of tax revenue growth to changes in GDP. When a tax is buoyant, its revenue increases without increasing the tax rate.

How tax buoyancy works?

A simple example in the context of our economy indicates the power of this concept. In 2007-08, everything was fine for the economy. GDP growth rate was nearly 9 per cent.

Tax revenue of the government, especially, that of direct taxes registered a growth rate of 45 per cent in 2007-08. We can say that the tax buoyancy was five (45/9).

Now in the next year, in the wake of the global financial crisis impact, GDP growth came down to six percent. Tax revenue growth also fell steeply; to 18 per cent. This means tax buoyancy was 3 for the year. We can imagine that had the GDP growth came down further in the next year, to say 4 per cent, tax revenue growth would have fell to 8 per cent; indicating a tax buoyancy of 2.

Tax elasticity

A similar looking concept is tax elasticity. It refers to changes in tax revenue in response to changes in tax rate. For example, how tax revenue changes if the government reduces corporate income tax from 30 per cent to 25 per cent indicate tax elasticity.

Q.59) Tax Terrorism has been in the news for quite sometime now. Which of the following statements correctly defines 'Tax Terrorism'?

- a) It is the act of tax evasion using illegal means.
- b) It is the term given for tax avoidance using loop holes in the Tax laws.
- c) It refers to unjustified demand of tax by the government to increase the tax revenue.
- d) It refers to the use of disposable income in funding terrorist activities.

Q.59) Solution (c)**Tax Terrorism**

The enthusiasm of the government to collect higher taxes has been dubbed by critics as **tax terrorism**.

A government imposes taxes on individuals and firms to generate revenue. And this revenue is used by the government to fund its own running expenses and to carry out development work in the country. While the government's intent is to maximize revenue, taxpayers look for lower rate of taxation and rules that are easy to comply. Therefore, it is important for the government that it avoids changing rates and rules frequently which causes inconvenience for taxpayers. For example, if the government arbitrarily changes tax laws and rate of taxation, it can discourage businesses as they will not be able to plan properly before making real investments in plant and machinery.

Q.60) Consider the following:

1. Market borrowing
2. G-Secs issued by the Government
3. Treasury Bills

Which of the above is/are not included in the 'internal debt' of India?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.60) Solution (d)

All are counted in the 'internal debt' of India. Here, while Treasury Bills are the short-term part of the internal debt, the other two, i.e., market borrowing and G-Secs are the long-term part.

Internal debt

Internal debt or domestic debt is the part of the total government debt in a country that is owed to lenders within the country. Internal debt's complement is external debt. Commercial banks, other financial institutions etc. constitute the sources of funds for the internal debts.

It is the money the government borrows from its own citizens. The government borrows by issuing the Government Bonds and T-Bills (Treasury Bills). It also includes the Market borrowings by the government. The government bonds and T-Bills are traded in the market which is also known as Gilt Market. When government borrows from the domestic sources, the increase in inflation is less in comparison to simply printing the money.

External Debt

External debt is owed to creditors outside the country. The outsider creditors can be foreign governments, International Financial Institutions such as World Bank, Asian Development Bank etc., corporate and foreign private households.

External debt may be of several kinds such as multilateral, bilateral, IMF loans, Trade credits, External commercial borrowings etc. When the non-resident Indians park their funds in India, it is also a type of external debt and is called NRI deposits. If the external debt is denominated in Indian Rupee, it is called Rupee Debt.

Q.61) Which of the below statements best describes the term 'Goldilocks economy'?

- a) An economy that is too hot with inflation and driven by market-friendly monetary policy.
- b) An economy that is struck between hot and cold, in other words doesn't sustain moderate economic growth and that has high inflation.
- c) An economy that's neither cold enough to support stimulus measures, nor hot enough to sustain growth.
- d) An economy that is not so hot that it causes inflation, and not so cold that it causes a recession, which allows a market-friendly monetary policy.

Q.61) Solution (d)

A Goldilocks economy is an economy that is not too hot or cold, in other words sustains moderate economic growth, and that has low inflation, which allows a market-friendly monetary policy.

A Goldilocks Economy describes an economy that is not so hot that it causes inflation, and not so cold that it causes a recession. The term describes an economy that is operating in an optimal state by providing full employment and economic stability.

An anti-goldilocks economy, however, is one that's neither cold enough to support stimulus measures, nor hot enough to sustain growth.

Is Goldilocks economy a reality?

- Such a state of economy may occur during the recovery phases. For example, the US economy of the later part of 90s was considered a Goldilocks economy because it was "not too hot, not too cold, but just right". Because we have business cycles, a Goldilocks economy should be considered a temporary state.

Q.62) Consider the below statements about Foreign Institutional investors (FIIs):

1. FIIs are entities established or incorporated outside India and make proposals for investments in India.
2. The nodal point for FII registrations is SEBI and hence all FIIs must register themselves with SEBI and should also comply with the exchange control regulations of the central bank.
3. In order to act as a banker to the FIIs, the SEBI has designated banks that are authorised to deal with them.

Select the correct statements from the codes given below:

- a) 1 only
- b) 1 and 2 only
- c) 1 and 3 only
- d) All of the above

Q.62) Solution (b)

Foreign Institutional investors (FIIs) are entities established or incorporated outside India and make proposals for investments in India. These investment proposals by the FIIs are made on behalf of sub accounts, which may include foreign corporates, individuals, funds etcetera. In order to act as a banker to the FIIs, the RBI (not SEBI) has designated banks that are authorised to deal with them.

FIIs can invest in the stocks and debentures of the Indian companies. In order to invest in the primary and secondary capital markets in India, they have to venture through the portfolio investment scheme (PIS).

In fact, recently SEBI allowed FIIs to invest in unlisted exchanges as well, which means both BSE and NSE can now allot shares to FIIs also.

The nodal point for FII registrations is SEBI and hence all FIIs must register themselves with SEBI and should also comply with the exchange control regulations of the central bank. Apart from being allowed to invest in securities in primary and secondary markets, FIIs can

also invest in mutual funds, dated government securities, derivatives traded on a recognised stock exchange and commercial papers.

Q.63) Match List I with List II and select the correct answer by using the codes given below the lists:

List I
(Five Year Plans)

- A. First FYP
- B. Second FYP
- C. Third FYP
- D. Fourth FYP
- E. Fifth FYP

List II
(Highest priority/emphasis given)

- 1. establishment of a socialistic pattern of society in India
- 2. agriculture including irrigation and power projects
- 3. Promotion of equity
- 4. Promotion of equality
- 5. achieve self-reliance, direct measures for poverty alleviation

A-B-C-D-E

- a) 1-5-3-4-2
- b) 1-2-5-3-4
- c) 2-1-4-3-5
- d) 2-1-5-4-3

Q.63) Solution (c)

First FYP : : agriculture including irrigation and power projects

Second FYP : : led to establishment of a socialistic pattern of society in India and also emphasized on rapid industrialization and development of basic and heavy industries.

Third FYP : : Promotion of equality

Fourth FYP : : Promotion of equity

Fifth FYP : : achieve self-reliance, direct measures for poverty alleviation (Garibi Hatao)

Q.64) The Eighth Five-Year Plan could not take off and there were annual plans due to

- 1. Fast-changing political situation at the Centre
- 2. New economic policy
- 3. Indo-Pakistan conflict
- 4. Two successive years of severe drought

Choose appropriate code:

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

Q.64) Solution (a)

The Eighth Five-Year Plan (1990-95) could not take off due to the fast-changing political situation at the Centre. The Eighth five-Year Plan commence in 1992 and that 1990-91 and 1991-92 were treated as separate Annual Plans. Formulated within the framework of the Approach to the Eighth Five-Year Plan (1990-95), the basic thrust of these Annual Plans was on maximization of employment and social transformation.

The situation created by the Indo-Pakistan conflict in 1965, two successive years of severe drought, devaluation of the currency, general rise in prices and erosion of resources available for Plan purposes delayed the finalization of the Fourth Five Year Plan. Instead, between 1966 and 1969, three Annual Plans were formulated within the framework of the draft outline of the Fourth Plan.

Q.65) Which one of the following statements appropriately describes the “fiscal stimulus”?

- a) It is a massive investment by the Government in 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 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.65) Solution (b)

A 'stimulus' is an attempt by policymakers to kickstart a sluggish economy through a package of measures.

A monetary stimulus will see the central bank expanding money supply or reducing the cost of money (interest rates), to spur consumer spending.

A fiscal stimulus entails the Government spending more from its own coffers or slashing tax rates to put more money in the hands of consumers. It is an intense affirmative action of the Government to boost economic activity in the country.

Q.66) Consider the following statements about Global Wildlife Program (GWP)

1. It is funded by the Global Environment Facility (GEF)
2. All the partner countries of GWP are located in Asia and Africa only
3. It helps countries achieve their biodiversity goals

Select the correct statements

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

Q.66) Solution (d)

The GWP is a \$131 million global partnership on wildlife conservation, crime prevention and sustainable development led by the World Bank and funded by the Global Environment Facility that coordinates with partners in 19 countries across Asia and to improve wildlife and protected area management, enhance community livelihood benefits, strengthen law enforcement, reduce demand of illegal wildlife products and accelerate learning on relevant topics on the illegal trade of wildlife.

In Africa, the GWP has programs in Botswana, Cameroon, Ethiopia, Gabon, Kenya, Malawi, Mali, Mozambique, the Republic of Congo, South Africa, Tanzania, Zambia, and Zimbabwe. In Asia, programs are in Afghanistan, India, Indonesia, the Philippines, Thailand, and Vietnam.

India is hosted the Global Wildlife Programme (GWP) jointly with World Bank and United Nations Development Programme.

It is funded by the Global Environment Facility (GEF), and the United Nations Development Programme (UNDP)

It will support the implementation of country priorities identified in the National Biodiversity Strategy and Action Plan.

Associated institutions - (CITES TRAFFIC, WildAid, and Wildlife Conservation Society (WCS).

Source: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=171254>

Q.67) Consider the following statements.

1. The security market of India is regulated by SEBI.
2. The forward market of India is regulated by Forward Market Commission.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.67) Solution (a)

The security market of India is regulated by SEBI. India has developed a regulated 'forward market' also where hundreds of commodities and derivatives are traded on spot and non-spot basis—regulated by FMC which merged into SEBI by late 2015. So now SEBI regulates the both market.

Do you know?

- Through the Registrar of Cooperatives, who are under the departments of agriculture and cooperation, **the state governments regulate the cooperative banking institutions in their respective states**. The state government have also sometimes claimed a regulatory role in certain other cases. Though it never became an open battle, the Andhra Pradesh government's Ordinance directing operations of Micro Finance Institutions (MFIs)—many of them NBFCs registered with and regulated by RBI—falls into this space.

THINK!

- Quasi-regulatory Agencies.

Q.68) Consider the following statements about Financial Stability and Development Council (FSDC).

1. It is structured as a council of regulators.
2. The Union Finance Minister is its chairman.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.68) Solution (c)

Financial Stability Development Council (FSDC) was set up which replaced the High-Level Committee on Capital Markets. The council is convened by Ministry of Finance and **does not have statutory authority—it is structured as a council of regulators**—Finance Minister as chairman. It has a permanent secretariat.

Do you know?

- The **FSLRC (Financial Sector Legislative Reforms Commission)**, set up (headed by Justice B. N. Srikrishna) to examine the regulatory structure and the laws governing the financial sector, submitted its report by early 2013. In a broad sense, the commission has recommended for changeover from an 'area-based' division of regulators to a 'task-based' division.

THINK!

- Regulatory overlap in financial sector in India.

Q.69) Which of the following indices are not connected with the BSE?

- a) Sensex
- b) National Index
- c) BSE-500
- d) S&P CNX-50

Q.69) Solution (d)

There are at present four indices connected with the BSE:

- **Sensex:** The sensitive index (i.e., Sensex) is a 30 stocks index of the BSE which was enlarged to include 50 stocks in 2000 but soon was cut down to the original level. This index represents the Indian stock market.
- **BSE-200:** This is a 200-stock share index of the BSE (including the 30 stocks of the Sensex) which has its Dollar version too—the Dollex.

- **BSE-500:** In mid-1999, the BSE came up with a 500-stock index representing major industries and many sub-sectors of the economy with information technology getting a significant weightage.
- **National Index:** An index of 100 stocks being quoted nationwide (Bombay, Delhi, Kolkata, etc.) was developed to give broader/wider representation of the stock market since the Sensex consists of only 30 stocks. The 30 stocks of the sensex are included in the National Index.

This index is computed by the Statistics Department of the BSE hence it is called the **BSE National Index (BSENI)**.

The National Stock Exchange of India Ltd. (NSE) was set up in 1992 and became operationalized in 1994. The sponsors of the exchange are financial institutions, including IDBI, LIC and GIC with IDBI as its promotor. **It has a 50-share index and a 500-share index known as S&P CNX-50 (Nifty Fifty) and S&P CNX-500, respectively.**

Do you know?

- SME exchange is a stock exchange dedicated for trading the shares of small and medium scale enterprises (SMEs) who, otherwise, find it difficult to get listed in the main exchanges. The concept originated from the difficulties faced by SMEs in gaining visibility or attracting sufficient trading volumes when listed along with other stocks in the main exchanges.

THINK!

- Spot exchanges.

Q.70) Consider the following pairs.

Term	Meaning
1. Scrip Share	A share given to the employees of the company without any charge
2. Sweat Share	A share given to the existing shareholders without any charge
3. Badla	When the buyers want postponement of the transaction
4. Undha Badla	When the sellers want postponement of the transaction

Which of the above pairs is/are correctly matched?

- a) 1, 2 and 3 only

- b) 1 and 2 only
- c) 3 and 4 only
- d) All the above

Q.70) Solution (c)

Scrip Share- A share given to the existing shareholders without any charge—also known as bonus share.

Sweat Share- A share given to the employees of the company without any charge.

Badla- When the buyers want postponement of the transaction—in Western world called Contango.

Undha Badla- When the sellers want postponement of the transaction—also known as the reverse badla or backwardation.

Do you know?

- The difference between the buying and selling prices of a share is called **spread**. Higher the liquidity of a share lower its spread and vice versa. Also known as Jobber's Turn or Margin or Haircut.

THINK!

- Kerb Dealings.

Q.71) Consider the following statements about Indian Depository Receipts (IDRs).

1. An IDR is a mechanism that allows foreign investors to invest in Indian listed companies in Indian rupees.
2. IDRs are Indian version of Global Depository Receipts (GDRs).

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.71) Solution (b)

IDR is an instrument in the form of a depository receipt **created by the Indian depository** in India **against the underlying equity shares of the issuing company**. In an IDR, foreign companies would issue shares, to an Indian depository [say the National Security Depository Limited (NSDL)], which would in turn issue depository receipts to investors in India. The actual shares underlying IDRs would be held by an Overseas Custodian, shall authorize the Indian depository to issue of IDRs.

An IDR is a mechanism that allows investors in India to invest in listed foreign companies, including multinational companies, in Indian rupees. IDRs give the holder the opportunity to hold an interest in equity shares in an overseas company. IDRs are denominated in Indian Rupees and issued by a Domestic Depository in India.

In other words, what ADRs/GDRs are for investors abroad with respect to Indian companies, IDRs are for Indian investors with respect to foreign companies. i.e they are Indian version of GDR.

Do you know?

- Indian individuals can invest in shares of foreign companies listed on foreign exchanges only upto US\$ 200,000 and the process is costly and cumbersome as the investor has to open a bank account and demat account outside of India and comply with Know Your Customer (KYC) norms of respective companies. It also involves foreign currency risks. **IDR subscription and holding is just like any equity share trading on Indian exchanges and does not involve such hassles.**

THINK!

- Shares 'at Par' and 'at Premium'.

Q.72) Consider the following statements.

1. Angel investors are willing to invest in startup or small companies because they can earn a massive return on their investments if these companies are a success.
2. Venture capitalists are focused on helping startups take their first steps, rather than the possible profit they may get from the business.

Which of the above statements is/are correct?

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

Q.72) Solution (d)

Angel investors invest in small startups or entrepreneurs. Often, angel investors are among an entrepreneur's family and friends. The capital angel investors provide may be a one-time investment to help the business propel or an ongoing injection of money to support and carry the company through its difficult early stages.

Angel investors provide more favorable terms compared to other lenders, since they usually invest in the entrepreneur starting the business rather than the viability of the business. **Angel investors are focused on helping startups take their first steps, rather than the possible profit they may get from the business.** Essentially, angel investors are the opposite of venture capitalists.

A venture capitalist is an investor who either provides capital to startup ventures or supports small companies that wish to expand but do not have access to equities markets. **Venture capitalists are willing to invest in such companies because they can earn a massive return on their investments if these companies are a success.**

Venture capitalists also experience major losses when their picks fail, but these investors are typically wealthy enough that they can afford to take the risks associated with funding young, unproven companies that appear to have a great idea and a great management team.

Do you know?

- In order to further develop the alternative investment industry and the startup ecosystem in India, SEBI, in March 2015, constituted a Committee of experts drawn from the across market participants called the "**Alternative Investment Policy Advisory Committee**" ("**AIPAC**") under the chairmanship of NR Narayana Murthy.

THINK!

- Qualified foreign Investor.

Q.73) Consider the following statements.

1. A bull increases the number of shares in a stock market activating a general fall in the index.
2. A bear creates a scarcity of shares in the stock market activating a general rise in the share prices and the index.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only

- c) Both 1 and 2
- d) None

Q.73) Solution (d)

A person who speculates share prices to fall in future and so sells his shares and earns profit is a bear. **He earns profit out of a falling market.** Basically, here he is short selling the shares.

Opposite to bear, bull is a person who speculates share prices to go up in future so either stops selling the select group of shares for that time to be reached (he is basically taking long position on those shares) or **starts purchasing that select group of shares.**

Thus, a **bear increases the number of shares in a stock market activating a general fall in the index**—a bearish market. Opposite to it, a **bull creates a scarcity of shares in the stock market activating a general rise in the share prices and the index**—a bullish market.

Do you know?

- This is the process of issuing '**marketable securities**' backed by a pool of existing assets such as auto or home loans. After an asset is converted into a marketable security, it is sold to an investor who then receives interest and principal out of the cash flow generated from servicing of the loan. **Financial institutions such as NBFCs and microfinance companies convert their loans** into marketable securities and sell them to investors. This helps them get liquid cash out of assets that otherwise would be stuck on their balance sheets.

THINK!

- Corporate Bonds.

Q.74) Which of the following are the characteristics of a 'Bull' Market?

1. In a bull market, there is a weak demand and strong supply of securities.
2. Share prices will rise as investors compete to obtain available equity.

Select the code from the following:

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

Q.74) Solution (b)

In a bull market, we see strong demand and weak supply for securities. In other words, many investors are wishing to buy securities while few are willing to sell. As a result, share prices will rise as investors compete to obtain available equity.

In a bear market, the opposite is true as more people are looking to sell than buy. The demand is significantly lower than supply and, as a result, share prices drop.

Q.75) Treasury bills are issued by the RBI on behalf of the government of India. Consider the following statements regarding Treasury bills:

1. Treasury bills are issued through auctions and for a period of 91 days only.
2. State governments are also allowed to issue Treasury bills.
3. Treasury bills are available for a minimum amount of 1 lakh and then in multiples of 25000.

Which of the above statements are NOT correct?

- a) 1 only
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.75) Solution (d)

Note: Incorrect statements have been asked.

Treasury Bill Market (T - Bills)

This market deals in Treasury Bills of short term duration issued by RBI on behalf of Government of India. At present three types of treasury bills are issued through auctions, namely 91 day, 182 day and 364 day treasury bills. State government does not issue any treasury bills. Interest is determined by market forces. Treasury bills are available for a minimum amount of Rs. 25,000 and in multiples of Rs. 25,000. Periodic auctions are held for their issue.

T-bills are highly liquid, readily available; there is absence of risk of default. In India T-bills have narrow market and are undeveloped. Commercial Banks, Primary Dealers, Mutual Funds, Corporates, Financial Institutions, Provident or Pension Funds and Insurance Companies can participate in T-bills market.

Q.76) The basic function of SEBI is to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected there with or incidental there to. SEBI can be categorized as which of the following types of bodies?

1. Quasi Judicial
2. Quasi Legislative
3. Quasi Executive

Select the code from below:

- a) 1 only
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.76) Solution (d)

Securities and Exchange Board of India

The Preamble of the Securities and Exchange Board of India describes the basic functions of the Securities and Exchange Board of India as "...to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected there with or incidental there to".

SEBI has to be responsive to the needs of three groups, which constitute the market:

- the issuers of securities ● the investors ● the market intermediaries.

SEBI has three functions rolled into one body: quasi-legislative, quasi-judicial and quasi-executive. It drafts regulations in its legislative capacity, it conducts investigation and enforcement action in its executive function and it passes rulings and orders in its judicial capacity. Though this makes it very powerful, there is an appeal process to create accountability. There is a Securities Appellate Tribunal which is a three-member tribunal and is headed by Mr. Justice J P Devadhar, a former judge of the Bombay High Court. A second appeal lies directly to the Supreme Court. SEBI has taken a very proactive role in streamlining disclosure requirements to international standards.

Q.77) Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Usance Promissory Note. Which of the following can issue a CD?

1. Scheduled Commercial Banks
2. Regional Rural Banks
3. Select All India Financial Institutions
4. Business entities

Select the code from following:

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

Q.77) Solution (b)

Certificate of Deposit

A certificate of deposit is a promissory note issued by a bank. It is a time deposit that restricts holders from withdrawing funds on demand. A CD is typically issued electronically and may automatically renew upon the maturity of the original CD. When the CD matures, the entire amount of principal, as well as interest earned, is available for withdrawal.

Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Usance Promissory Note against funds deposited at a bank or other eligible financial institution for a specified time period. Guidelines for issue of CDs are presently governed by various directives issued by the Reserve Bank of India (RBI), as amended from time to time. The guidelines for issue of CDs, incorporating all the amendments issued till date, are given below for ready reference.

CDs can be issued by

- (i) scheduled commercial banks {excluding Regional Rural Banks and Local Area Banks}; 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.

Q.78) MIBOR refers to Mumbai Interbank Offer Rate. Which of the following statements is/are correct regarding MIBOR?

1. It is the standard reference of interest rates in call money market.
2. MIBOR is calculated by Bombay Stock Exchange (BSE).

Select the code from below:

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

Q.78) Solution (a)

'Mumbai Interbank Offered Rate - MIBOR'

The Mumbai Inter-Bank Offer Rate (MIBOR) is one iteration of an interbank rate, which is the rate of interest charged by a bank on a short-term loan to another bank. Banks borrow and lend money to one another on the interbank market in order to maintain appropriate, legal liquidity levels, and meet reserve requirements placed on them by regulators. Interbank rates are made available only to the largest and most creditworthy financial institutions.

MIBOR is calculated everyday by the National Stock Exchange of India (NSEIL) as a weighted average of lending rates of a group of banks, on funds lent to first-class borrowers. The interest rate at which banks can borrow funds, in marketable size, from other banks in the Indian interbank market. The Mumbai Interbank Offered Rate (MIBOR) is calculated everyday by the National Stock Exchange of India (NSEIL) as a weighted average of lending rates of a group of banks, on funds lent to first-class borrowers.

Q.79) Which of the following is/are correct differences between Certificate of Deposit (CD) and Commercial Papers (CP)?

1. CDs are issued by the banks while CPs are issued by corporate.
2. CD is issued for 1 lakh and its multiples while CP is issued for 5 lakh and its multiples.

Select the code from following:

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

Q.79) Solution (c)

Commercial Papers and Certificate of Deposit both are players of money market. These instruments issued in accordance with guidelines issued by Reserve Bank of India. Both rests in same segment but carry different features. The features of these instruments make them alike. Before we go for differentiation, let's first know what actually they are.

Commercial Papers- This instrument is for a short-term investment which ranges over a period of 365 days. It was introduced in India in 1990. This instrument is used as substitute of Bank Loan. It is not supported by any collateral. So investors prefer only creditworthy institutions. These papers are generally issued in a large denomination, so small investor can invest in these through by Mutual Funds. As institutions can get funds in a short span of time, it also saves from complex compliance of Securities and Exchange Board of India.

Certificate of Deposit- A certificate of deposit is an instrument issued by the bank to an investor who deposits his funds in the bank for a specific amount of time. Generally it is issued in form of Promisory Note. The investment can not be withdrawn unless deduction of penalty. Interest quoted is the return on the investment. These instruments may or may not be transferrable.

After getting short intro, let's throw light on their feature which makes difference between them –

- Corporates, primary dealers and the All-India Financial Institutions are eligible to issue Commercial Papers while Certificate of Deposit can be issued by Scheduled Commercial Banks (excluding Regional Rural Banks and Local Area Banks); and select All-India Financial Institution permitted by RBI only.
- Commercial Papers can be issued in denomination of Rs. 5 lakhs or multiple thereof while Certificate of Deposit can be issued in denomination of Rs 1 lakh or multiple thereof.
- Commercial Papers have maturity period ranging from 7 days to 365 days . Certificate of deposit also have the same maturity period but Certificate of Deposit issued by Financial Institution have a maturity period ranging from 1 year to 3 year.
- Commercial Papers are always issued on discount and redeemed at face value. This difference constitute return while Certificate of deposit carry interest rate.

Q.80) The Reserve Bank of India calculates the four components of money supply in India. Which of the following components constitutes the Narrow Money (M1)?

1. Currency in the circulation

2. Demand deposits in the bank
3. Post office savings
4. Time deposits in the bank

Select the code from following:

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

Q.80) Solution (a)

Narrow money is a category of money supply that includes all physical money such as coins and currency, demand deposits and other liquid assets held by the central bank.

Monetary Aggregates

The Reserve bank of India calculates the 4 concepts of Money supply in India. They are called Money Stock Measures. They are as follows:

M1: This is Currency with the public as mentioned above + Demand Deposits of the public as mentioned above. It is called **Narrow Money**.

M2: This is Narrow Money i.e. $M1 + \text{Post office Savings Deposits}$.

M3: M3 is **broad Money** i.e. $M1 + \text{Aggregate Deposits of the Public}$ which is made up of Demand Deposits and Time Deposits.

M4: M4 refers to M3 and Post Office Deposits

Why M2 and M4 became irrelevant?

Now, out of the above four, the M2 & M4 became irrelevant over the period of time. This is because, there is NOT much change in the money of people deposited with the Post office and RBI did not care to update this money. The other important reason assigned to this is as follows: There was a time when the Reserve Bank used broad money (M3) as the policy target. However, with the weakened relationship between money, output and prices, it replaced M3 as a policy target with a multiple indicators approach.

Q.81) The concept of “economic convergence” is used in many different domains of economics and business. Consider the below with regard to it –

1. According to this theory/concept, the poorer economies are expected to grow more rapidly than wealthier economies.
2. The concept is alternatively known as 'Catch Up Effect'.
3. Developing countries with more protectionist and closed economy policies play a role in economic convergence's manifesting.

Which of the statements above is/are correct?

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

Q.81) Solution (b)

The theory or concept of “economic convergence” (also sometimes known as the catch-up effect) is the hypothesis that poorer economies’ per capita incomes will tend to grow at faster rates than richer economies. As a result, all economies should eventually converge in terms of per capita income.

In other words, the poorer economies will literally "catch-up" to the more robust economies.

Developing countries have the potential to grow at a faster rate than developed countries because diminishing returns (in particular, to capital) are not as strong as in capital-rich countries. Furthermore, poorer countries can replicate the production methods, technologies, and institutions of developed countries.

Developing countries with more openness and national economic policies on free trade play a role in the catch-up effect's manifesting.

Developing countries with more protectionist and closed economy policies show less economic convergence.

Q.82) Learning Poverty Count (LPC) can be defined as –

- a) One which measures the number of children who do not meet the basic learning benchmark.
- b) One which measures the gap between the basic learning benchmark and the average scores of those students who did not meet the benchmark.

- c) One which measures the count of children who did not get access to basic learning because of poverty.
- d) All of the above.

Q.82) Solution (a)

At present, there are two estimates of learning outcomes drawing parallels from the poverty measurement literature – The Learning Poverty Count (LPC) and Learning Poverty Gap (LPG).

The LPC simply measures the number of children who do not meet the basic learning benchmark, whereas the LPG additionally takes into account how far each student is from the benchmark. In other words, the LPG measures the gap between the the basic learning benchmark and the average scores of those students who did not meet the benchmark.

Think!

- Annual Survey of Education Reports (ASER)

Q.83) Which of the below given pairs describing about Gender indexes is/are matched correctly?

1. Global Gender Gap Index : : World Economic Forum (WEF)
2. Gender Inequality Index (GII) : : United Nations Development Program (UNDP)
3. Social Institutions and Gender Index (SIGI) : : Organisation for Economic Co-operation and Development (OECD)

Choose appropriate code:

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

Q.83) Solution (d)

All the given pairs are correct.

Gender Inequality Index (GII) by United Nations Development Program (UNDP)

The GII is an inequality index. It measures gender inequalities in three important aspects of human development—reproductive health, measured by maternal mortality ratio and adolescent birth rates; empowerment, measured by proportion of parliamentary seats occupied by females and proportion of adult females and males aged 25 years and older with at least some secondary education; and economic status, expressed as labour market participation and measured by labour force participation rate of female and male populations aged 15 years and older. The GII is built on the same framework as the IHDI—to better expose differences in the distribution of achievements between women and men. It measures the human development costs of gender inequality. Thus the higher the GII value the more disparities between females and males and the more loss to human development.

World Economic Forum's Global Gender Gap index

According to the 2017 World Economic Forum's Global Gender Gap index, India fell 21 places to 108 – far below the global average and much behind its neighbours China and Bangladesh. India lost out mainly because of lower participation of women in the economy and low wages.

The Global Gender Gap measure was introduced by the World Economic Forum to examine four critical areas of inequality between men and women:

- Economic participation and opportunity – outcomes on salaries, participation levels and access to high-skilled employment
- Educational attainment – outcomes on access to basic and higher level education
- Political empowerment – outcomes on representation in decision-making structures
- Health and survival – outcomes on life expectancy and sex ratio

The Gender Gap Index assesses countries on how well they are dividing their resources and opportunities among their male and female populations, regardless of the overall levels of these resources and opportunities. By providing a comprehensible framework for assessing and comparing global gender gaps and by revealing those countries that are role models in dividing these resources equitably between women and men, serves as a catalyst for greater awareness as well as greater exchange between policymakers.

The Global Gender Gap Report ranks 144 countries on the progress they have made towards gender parity in four areas – health, education, economics and politics.

OECD's Social Institutions and Gender Index (SIGI)

The **Social Institutions and Gender Index (SIGI)** is a new composite measure of gender equality, based on the OECD's Gender, Institutions and Development Database. It complements and improves existing measures in several ways. While conventional indicators of gender equality capture inequality outcomes, the SIGI focuses on the root causes behind these inequalities.

THINK!

- **Gender Development Index (GDI)** of United Nations Development Program (UNDP)
– Link: <http://hdr.undp.org/en/content/gender-development-index-gdi>

Q.84) Which of the following would include Foreign Direct Investment in India?

1. Subsidiaries of foreign companies in India
2. Majority foreign equity holding in Indian companies
3. Companies exclusively financed by foreign companies
4. Portfolio investment

Select the correct answer using the codes given below:

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

Q.84) Solution (d)**FDI- Foreign Direct Investment**

- FDI refers to international investment in which the investor obtains a lasting interest in an enterprise in another country.
- Most concretely, it may take the form of buying or constructing a factory in a foreign country or adding improvements to such a facility, in the form of property, plants, or equipment.
- FDI is calculated to include all kinds of capital contributions, such as the purchases of stocks, as well as the reinvestment of earnings by a wholly owned company incorporated abroad (subsidiary), and the lending of funds to a foreign subsidiary or branch. The reinvestment of earnings and transfer of assets between a parent company and its subsidiary often constitutes a significant part of FDI calculations.
- FDI is more difficult to pull out or sell off. Consequently, direct investors may be more committed to managing their international investments, and less likely to pull out at the first sign of trouble.

FPI (Foreign Portfolio Investment)

- On the other hand, FPI represents passive holdings of securities such as foreign stocks, bonds, or other financial assets, none of which entails active management or control of the securities' issuer by the investor.
- Unlike FDI, it is very easy to sell off the securities and pull out the foreign portfolio investment. Hence, FPI can be much more volatile than FDI.
- For a country on the rise, FPI can bring about rapid development, helping an emerging economy move quickly to take advantage of economic opportunity, creating many new jobs and significant wealth.
- However, when a country's economic situation takes a downturn, sometimes just by failing to meet the expectations of international investors, the large flow of money into a country can turn into a stampede away from it.

Q.85) Which one among the following sectors has attracted the highest foreign direct investment inflows into India in the last 25 years?

- a) Automobile industries
- b) Services sector
- c) Food processing
- d) Special Economic Zones

Q.85) Solution (a)

Overall the telecommunication sector has been the highest FDI attracting sector of the Indian Economy. But among the given options, Automobile industry had attracted highest FDI inflows.

THINK!

- Foreign direct investment inflows into other sectors.

Q.86) Consider the following statements:

1. Child Sex Ratio is defined as the number of females per thousand males in the age group 0–6 years in a human population.
2. Infant mortality rate (IMR) is the number of deaths of children under one year of age per 1000 live births.

3. Neonatal death is the death of a baby before or during birth after 28 weeks of gestation.

Which of the above statements is/are NOT correct?

- a) 1 only
- b) 3 only
- c) 2 and 3 only
- d) None

Q.86) Solution (b)

In India, **Child Sex Ratio** is defined as the number of females per thousand males in the age group 0–6 years in a human population.

Infant mortality: refers to deaths of young children, typically those less than one year of age. It is measured by the infant mortality rate (IMR), which is the number of deaths of children under one year of age per 1000 live births.

Stillbirth: the death of a baby before or during birth after 28 weeks of gestation (according to WHO definition).

Neonatal death: the death of a baby within the first 28 days of life. (So statement 3 is wrong)

Do you know?

- The Economic Survey presents the first ever estimate of the number of 'unwanted' girls in India — girls whose parents wanted a boy but had a girl instead — at 21 million. The number has been arrived at by looking at the sex ratio of the last child (SRLC) which is heavily male-skewed, indicating that parents keep having children until they get the desired number of sons.
- The Survey points out that the huge number of 'unwanted girls' (in the 0-25 age group in the population currently) is a direct outcome of the 'son meta preference' where parents do not stop having children after having a daughter.

Q.87) Consider the below statements:

- 1. Labour force means all persons who are working i.e. it includes only those being engaged in the economic activity.
- 2. Non-Labour force is that component of population which is not a part of the labor force (i.e. includes all those who are not working).

3. Unemployment can be defined as a state of worklessness for a person who is fit and willing to work at the current wage rate.

Which of the statements given above is/are correct?

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

Q.87) Solution (b)

The population of any country consists of two components: (i) Labor Force (ii) Non-Labor Force.

Labor force means all persons who are working (i.e. being engaged in the economic activity) as well as those who are not working but are seeking or available for work at the current wage rate. It means the labor force consists of both employed and unemployed people.

The component of population which is not a part of the labor force is Non-Labor Force. It includes all those who are not working and are neither seeking nor available for work.

Unemployment can be defined as a state of worklessness for a person who is fit and willing to work at the current wage rate. It is a condition of involuntary and not voluntary idleness. Simply stated an unemployed person is the one who is an active member of the labor force and is seeking work, but is unable to find the same.

Q.88) Consider the following statements about 'Graded Surveillance Measure'

- 1. It is developed by Reserve Bank of India
- 2. It is launched in order to enhance market integrity and safeguard interest of investors
- 3. It is aimed at advising market participants to carry out necessary due diligence while dealing in identified securities

Select the correct statements

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

Q.88) Solution (c)

Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have introduced Graded Surveillance Measures (GSM) wherein certain identified securities shall be subjected to enhanced monitoring and surveillance actions

The main objective of these measures is to:

- alert and advice investors to be extra cautious while dealing in these securities and
- advice market participants to carry out necessary due diligence while dealing in these securities.

Read More - <http://www.thehindu.com/business/Industry/all-you-need-to-know-about-graded-surveillance-measure/article19747350.ece>

Q.89) Consider the following statements about National Financial Reporting Authority (NFRA)

1. The Companies Act 2013 provides for setting up NFRA.
2. NFRA will set accounting and auditing standards, monitor and enforce compliance with the standards, and oversee the accounting profession's record of ensuring compliance.

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.89) Solution (c)

The **Companies Act 2013** provides for setting up a **National Financial Reporting Authority (NFRA)**. The recent report of Parliament's standing committee on finance on the Companies (Amendment) Bill 2016 has reopened what appeared to be the settled position on auditor regulation.

NFRA has a larger remit than NACAS (National Advisory Committee on Accounting Standards), which it is meant to replace. NACAS only recommends accounting standards. NFRA will set accounting and auditing standards, monitor and enforce compliance with the standards, and oversee the accounting profession's record of ensuring compliance. It will

take away significant regulatory powers from the Institute of Chartered Accountants of India (ICAI).

Further reference: <http://www.thehindu.com/business/Economy/note-ban-firms-put-drew-17000-cr/article19987926.ece>

Q.90) Consider the following statements:

1. Appreciation : : government increasing the exchange rate of its currency against any foreign currency
2. Revaluation : : if a free floating domestic currency increases its value against the value of a foreign currency

Which of the above is/are correctly matched?

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

Q.90) Solution (d)

REVALUATION : : A term used in foreign exchange market which means a government increasing the exchange rate of its currency against any foreign currency.

APPRECIATION : : In foreign exchange market, if a free floating domestic currency increases its value against the value of a foreign currency, it is appreciation. In domestic economy, if a fixed asset has seen increase in its value it is also known as appreciation. Appreciation rates for different assets are not fixed by any government as they depend upon many factors which are unseen.

Q.91) The National Investment Fund (NIF) would be utilized for the following purposes:

1. Recapitalization of private sector banks and private-sector insurance companies.
2. Investment by the government in RRBs, IIFCL, NABARD, Exim Bank.
3. Equity infusion in various metro projects.
4. Investment in Indian Railways towards capital expenditure.

Which of the above statements is/are correct?

- a) 1, 2 and 3 only

- b) 2, 3 and 4 only
- c) 1, 3 and 4 only
- d) All the above

Q.91) Solution (b)

In January 2013, the government approved restructuring of the NIF and decided that the disinvestment proceeds with effect from the fiscal year 2013–14 will be credited to the **existing 'Public Account' under the head NIF** and they would remain there until withdrawn/invested for the approved purpose. It was decided that the NIF would be utilized for the following purposes:

- Subscribing to the shares being issued by the CPSE including PSBs and public-sector insurance companies, on rights basis to ensure 51 per cent government ownership in them.
- Preferential allotment of shares of the CPSE to promoters, so that government shareholding does not go down below 51 per cent in all cases where the CPSE is going to raise fresh equity to meet its Capex programme.
- Recapitalization of public sector banks and public-sector insurance companies.
- Investment by the government in RRBs, IIFCL, NABARD, Exim Bank;
- Equity infusion in various metro projects;
- Investment in Bhartiya Nabhikiya Vidyut Nigam Limited and Uranium Corporation of India Ltd.;
- Investment in Indian Railways towards capital expenditure.

Do you know?**Disinvestment policy**

- Public Sector Undertakings are the wealth of the Nation and to ensure this wealth rests in the hands of the people, promote public ownership of CPSEs;
- While pursuing disinvestment through minority stake sale in listed CPSEs, the Government will retain majority shareholding, i.e. at least 51 per cent of the shareholding and management control of the Public-Sector Undertakings;
- Strategic disinvestment by way of sale of substantial portion of Government shareholding in identified CPSEs up to 50 per cent or more, along with transfer of management control.

THINK!

- Disinvestment through minority stake sale
- Strategic Disinvestment

- Comprehensive management of Govt's investment in CPSEs.

Q.92) Consider the following pairs.

Agency	Purpose
1. India Aspiration Fund	Quasi-equity and term-based short-term loans
2. SMILE	Venture Capital Financing
3. MUDRA	Refinance to commercial banks/NBFCs/cooperative banks for loans given to micro-units

Which of the above pairs is/are correctly matched?

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

Q.92) Solution (c)

For supporting the financial needs of the small and medium enterprise sector and promote start-ups and entrepreneurship, various steps taken through Make in India.

- The **India Aspiration Fund** has also been set up under the SIDBI for venture capital financing to the MSME sector.
- **SIDBI Make in India Loan for Small Enterprises (SMILE)** launched to offer quasi-equity and term-based short-term loans to Indian SMEs on liberal terms.
- **Micro Units Development Refinance Agency (MUDRA)** Bank set up to provide development and refinance to commercial banks/NBFCs/cooperative banks for loans given to micro-units. MUDRA follow a 'credit-plus approach' by also providing several other services such as – financial literacy and addressing skill gaps, information gaps, etc.

Do you know?

- **Weavers Mudra Scheme:** Weavers Mudra Scheme was launched to provide concessional credit to the handloom weavers. Margin Money Assistance to a maximum of 10,000 per weaver and credit guarantee for a period of 3 years is also provided.

THINK!

- National Backward Classes Finance Development Corporation (NBCFDC)
- National Schedule Castes Finance Development Corporation (NSFDC)

Q.93) Consider the following statements about Khadi and Village Industries Commission (KVIC):

1. It is a quasi-judicial organization under the Ministry of MSME.
2. It is one of the major organizations in the decentralized sector for generating sustainable on-farm employment opportunities in rural areas.
3. It is concerned only with self-employment opportunities in rural areas.

Which of the above statements is/are correct?

- a) 1, 2 and 3
- b) 2 only
- c) 1 and 2 only
- d) None

Q.93) Solution (d)

Khadi and Village Industries Commission (KVIC) established under the Act of Parliament (No. 61 of 1956), and as amended in 1987 and 2006 is a **statutory organization under the Ministry of MSME and engaged in promoting and developing Khadi and Village Industries (KVI) for providing employment opportunities in the rural areas, thereby strengthening the rural economy. KVIC has been identified as one of the major organizations in the decentralized sector for generating sustainable non-farm employment opportunities in rural areas** at a low per capita investment. KVIC undertakes activities like skill improvement; transfer of technology; research and development; marketing etc. and **helps in generating employment/self-employment opportunities in rural areas.**

Do you know?**Coir Industry Technology Upgradation Scheme (CITUS)**

The objectives of this component are,

- To provide modern infrastructure facilities to the production units resulting in improvement of productivity and quality.
- To support the establishment of new 'State of the Art' Coir Processing Units.
- To spread the industry to potential areas.
- To promote the enhanced utilization of available raw material.

- To create more employment opportunities, especially for women in rural areas.

THINK!

- Coir Vikas Yojana

Q.94) Consider the following statements regarding Corporate Social Responsibility (CSR) trend in 2017:

1. Maharashtra is at the top compared to other states when it comes to the number of CSR projects being implemented.
2. Education and healthcare accounted for more than 50% of the total CSR spends in 2017.
3. PSUs implemented more CSR projects than non-PSUs.

Which of the above statements is/are correct?

- a) 1, 2 and 3
- b) 2 only
- c) 1 and 2 only
- d) None

Q.94) Solution (c)

Maharashtra, Uttar Pradesh, Tamil Nadu, Karnataka and Odisha are the top five states when it comes to the number of CSR projects being implemented. These account for 32 percent (or 629 projects) of all CSR projects and initiatives underway in India. Maharashtra, meanwhile, has topped the list for three years in succession.

In 2017, education and healthcare accounted for over 56 percent (Rs 4,045 crore) of the total CSR spends (Rs 7,215.9 crore) in India. Both these sectors have traditionally been in focus. Expenditure towards education has grown a massive 92 percent over the last three years, from Rs 1,249 crore to Rs 2,404 crore. A part of it could be due to the government's push for the girl child's education through its 'Beti Padhao Beti Bachao' drive.

Public sector companies executed 22 percent (421) of all CSR projects in 2017 accounting for 31 percent of the total CSR expenditure. **Non-PSUs, on the other hand, implemented 78 percent (1,474) of the projects.** The average project cost, however, was higher for PSUs at Rs 5.1 crore than non-PSUs at Rs 3.2 crore.

Do you know?

- Only five percent of all CSR projects in 2017 was executed by companies not of Indian origin. These accounted for a mere three percent of overall CSR expenditure. The average project cost too was lower at Rs 2.1 crore compared to Indian companies' Rs 3.7 crore.

THINK!

- Scientific Social responsibility

Q.95) Consider the following pairs.

Industrial Policy	Feature
1. Industrial Policy-1948	India will be a mixed economy
2. Industrial Policy-1956	Reservation of Industries
3. Industrial Policy-1969	The Monopolistic and Restrictive Trade Practices (MRTP) Act
4. Industrial Policy-1973	Core Industries

Which of the above pairs is/are correctly matched?

- 1, 2 and 3
- 2, 3 and 4 only
- All the above
- 1 and 4 only

Q.95) Solution (c)

Industrial Policy Resolution, 1948 defined India will be a mixed economy.

Industrial Policy 1956 mooted for **Reservation of Industries** A clear-cut classification of industries (also known as the Reservation of Industries) were affected with three schedules. Schedule A, B and C.

Industrial Policy 1969 was basically a licencing policy which aimed at solving the shortcomings of the licencing policy started by the Industrial Policy of 1956. The experts and industrialists (new comers) complained that the industrial licencing policy was serving just the opposite purpose for which it was mooted.

The Monopolistic and Restrictive Trade Practices (MRTP) Act was passed. The Act intended to regulate the trading and commercial practices of the firms and checking monopoly and concentration of economic power.

The Industrial Policy Statement of 1973 introduced some new thinking into the economy with major ones being as follows: A new classificatory term i.e., **core industries was created.** The industries which were of fundamental importance for the development of industries were put in this category such as iron and steel, cement, coal, crude oil, oil refining and electricity. In the future, these industries came to be known as basic industries, infrastructure industries in the country.

Do you know?

New Industrial Policy 1991.

The MRTP limit was Rs. 100 crores so that the mergers, acquisitions and takeovers of the industries could become possible. In 2002, a competition Act was passed which has replaced the MRTP Act. In place of the MRTP commission, the Competition Commission has started functioning (though there are still some hitches regarding the compositional form of the latter and its real functions and jurisdictions).

THINK!

- Types of disinvestments.

Q.96) Which of the following are true about MSME sector:

1. Cheap Labor and minimum overhead.
2. Encourages Inclusive Growth.
3. Creates large scale employment.

Select the correct answer using the codes given below.

- a) 1, 2 and 3
- b) 2 only
- c) 1 and 2 only
- d) None

Q.96) Solution (a)

MSME- an abbreviation of Micro, Small & Medium enterprises- is the pillar of economic growth in many developed and developing countries in the world. Often rightly termed as “the engine of growth” for India.

Creates large scale employment:

Since the enterprises falling in this sector require low capital to start the business, it creates huge employment opportunities for many unemployed youths. India produces about 1.2 million graduates per year, of the total number about 0.8 million are engineers. And, there is no economy in the world that can provide jobs to so many fresh graduates in one year. MSME is the boon for many of this fresh manpower.

Encourages Inclusive Growth:

About 50% of wealth in India is owned by just 100 people which is due to unequal distribution of wealth. Inclusive growth is on top of the agenda of Ministry for Medium, and Small, and Medium sized enterprises for several years. While poverty and deprivation are a deterrent to the development of India, including marginalized sections of society is a key challenge lying before the Ministry of MSME.

Cheap Labor and minimum overhead:

In large scale organizations, one of the key challenges is to retain the human resource through an effective human resource management professional manager. But in case of an MSME, the requirement of labor is less, and it does not need a highly skilled laborer. Hence, the indirect expenses incurred by the owner is also low.

Do you know?

- The contribution of MSME to other sectors has been immensely instrumental. It is the biggest employer after agriculture sector, despite the fact that agriculture sector's contribution to GDP is less than MSME. While it contributes about 45% to manufacturing sector, and perhaps 40% to Exports, it forms the highest share of Employment sector in India, contributing around 69% to it.

THINK!

- Impact of GST on MSME.

Q.97) Consider the following statements about Udyog Aadhaar Memorandum (UAM):

1. It had been notified under MSME Development Act, 2006.
2. UAM replaces the filing of Entrepreneurs' Memorandum.
3. Supporting documents are required at the time of online filing of UAM.

Which of the above statements is/are correct?

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

- c) 1 and 2 only
- d) None

Q.97) Solution (c)**Udyog Aadhaar Memorandum (UAM)**

The Ministry in September-2015 **under the MSME Development Act, 2006** has notified that every MSME unit shall file Udyog Aadhaar Memorandum (UAM). This is a path breaking step to promote **ease-of-doing-business for MSMEs** in India as the UAM **replaces the filing of Entrepreneurs' Memorandum (EM part-I & II) with the respective States/UTs.**

While some of the States/UTs had made the process online, either by themselves or through the portal created by this Ministry, several States/ UTs were still relying on the manual way of filing EM. The cumbersome filing of EM has now been dispensed with and the entrepreneurs in the MSME sector just need to file online, a simple one-page UAM on <http://udyogaadhaar.gov.in> to instantly get a unique Udyog Aadhaar Number (UAN). **The information sought is on self-certification basis and no supporting documents are required at the time of online filing of UAM.**

Do you know?

Framework for Revival and Rehabilitation of MSMEs has thus been notified in May-2015 under section 9 of the Micro, Small and Medium Enterprises Development Act, 2006. The salient features of the same are as follows:

- Identification of incipient stress.
- Committees for Distressed Micro, Small and Medium Enterprises.
- Corrective Action Plan (CAP) by the Committee with various Options.
- Restructuring Process.
- Prudential Norms on Asset Classification and Provisioning.
- Identification of Willful Defaulters and Non-Cooperative Borrowers

THINK!

- Scheme (LMCS)

Q.98) In the Independence day speech, the PM urged for 'Zero effect, Zero defect'. What is the correct context for it?

- a) Zero effect on the health of workers and Zero defect in the Finance Sheet.
- b) Zero defect in the manufactured goods by the industry and zero effect on the environment.

- c) Zero defect in the process of manufacturing and zero effect in inflation
- d) Zero defect in agricultural produce and zero effect on productivity.

Q.98) Solution (b)**'Zero effect, Zero defect'**

Addressing the nation on India's 68th Independence Day, Hon'ble Prime Minister Shri Narendra Modi urged the industry, especially the Micro, Small and Medium Enterprises (MSMEs) of India, to manufacture goods in the country with "zero defects" and to ensure that the goods have "zero effect" on the environment.

"We should manufacture goods in such a way that they carry zero defect and that our exported goods are never returned to us. We should manufacture goods with zero effect that they should not have a negative impact on the environment".

Q.99) Which of the following statements are correct regarding 'Green' GDP?

1. It accounts for the total amount of agricultural goods produced in the country.
2. It accounts for the monetized loss of biodiversity and costs caused by climate change.

Select the code from following:

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

Q.99) Solution (b)**Green GDP**

The green gross domestic product (green GDP or GGDP) is an index of economic growth with the environmental consequences of that growth factored into a country's conventional GDP. Green GDP monetizes the loss of biodiversity, and accounts for costs caused by climate change. Some environmental experts prefer physical indicators (such as "waste per capita" or "carbon dioxide emissions per year"), which may be aggregated to indices such as the "Sustainable Development Index".

Calculating green GDP requires that net natural capital consumption, including resource depletion, environmental degradation, and protective and restorative environmental initiatives, be subtracted from traditional GDP. Some early calculations of green GDP take into account one or two but not all environmental adjustments. These calculations can also be applied to net domestic product (NDP), which deducts the depreciation of produced capital from GDP. In each case, it is necessary to convert the resource activity into a monetary value, since it is in this manner that indicators are generally expressed in national accounts.

Q.100) Which of the following categories of PSUs were created latest?

- a) Navratnas
- b) Miniratnas
- c) Maharatnas
- d) All categories were created in the same year

Q.100) Solution (c)

Public Sector undertakings (PSUs) or CPSEs are mainly divided in Maharatna, Navratna, Miniratna Category I & II on the basis of their financial performance, net worth, revenue, profit etc. Guidelines for the criteria are issued by Department of Public Enterprises which is a nodal department for all CPSEs.

The eligibility criteria laid down by the Government for grant of Maharatna, Navratna and Miniratna status to Central Public Sector Enterprises (CPSEs) are following:

Criteria for grant of Maharatna status :-

The CPSEs fulfilling the following criteria are eligible to be considered for grant of Maharatna status.

- (i) Having Navratna status.
- (ii) Listed on Indian stock exchange with minimum prescribed public shareholding under SEBI regulations.
- (iii) Average annual turnover of more than Rs. 25,000 crore, during the last 3 years.
- (iv) Average annual net worth of more than Rs. 15,000 crore, during the last 3 years.

- (v) Average annual net profit after tax of more than Rs. 5,000 crore, during the last 3 years.
- (vi) Should have significant global presence/international operations.

Criteria for grant of Navratna status :-

The Miniratna Category – I and Schedule 'A' CPSEs, which have obtained 'excellent' or 'very good' rating under the Memorandum of Understanding system in three of the last five years, and have composite score of 60 or above in the six selected performance parameters, namely,

- (i) net profit to net worth,
- (ii) manpower cost to total cost of production/services,
- (iii) profit before depreciation, interest and taxes to capital employed,
- (iv) profit before interest and taxes to turnover,
- (v) earning per share and
- (vi) inter-sectoral performance.

Criteria for grant of Miniratna status :-

net worth are eligible to be considered for grant of Miniratna status.

Presently, there are 7 Maharatna, 16 Navratna and 71 Miniratna CPSEs.

Maharatna category was created latest in the year 2011.

Q.101) National Investment Fund (NIF) is seen as a landmark step in restructuring of the PSUs. Which of the following statements are correct regarding NIF?

1. It receives the proceedings from disinvestment in PSUs.
2. It is maintained as a part of Consolidated fund of India.

3. 75% of the annual income of the Fund will be used to finance selected social sector schemes, which promote education, health and employment.

Select the code from following:

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.101) Solution (c)

National Investment Fund (NIF)

The Govt. of India constituted the National Investment Fund (NIF) on 3rd November, 2005, into which the proceeds from disinvestment of Central Public Sector Enterprises were to be channelized. The corpus of the fund was to be of permanent nature and the same was to be professionally managed in order to provide sustainable returns to the Govt., without depleting the corpus. NIF was to be maintained outside the Consolidated Fund of India.

The NIF was initialized with the disinvestment proceeds of two CPSEs namely PGCIL and REC, amounting to Rs 1814.45 crore.

Salient features of NIF:

- The proceeds from disinvestment of CPSEs will be channelised into the National Investment Fund which is to be maintained outside the Consolidated Fund of India
- The corpus of the National Investment Fund will be of a permanent nature
- The Fund will be professionally managed to provide sustainable returns to the Govt., without depleting the corpus. Selected Public Sector Mutual Funds will be entrusted with the management of the corpus of the Fund
- 75% of the annual income of the Fund will be used to finance selected social sector schemes, which promote education, health and employment. The residual 25% of the annual income of the Fund will be used to meet the capital investment requirements of profitable and revivable CPSEs that yield adequate returns, in order to enlarge their capital base to finance expansion/ diversification

The NIF corpus was thus managed by three Public Sector Fund Managers. The income from the NIF corpus investments was utilized on select social sector schemes, namely the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Accelerated Irrigation Benefits Programme (AIBP), Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY), Accelerated Power Development and Reform Programme, Indira Awas Yojana and National Rural Employment Guarantee Scheme (NREGS).

Q.102) Which of the following Industries are reserved for Public Sector in India?

1. Production of Atomic Energy
2. Separation and enrichment of fissionable material
3. High speed train project and dedicated Freight lines
4. Defence

Select the code from following:

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

Q.102) Solution (a)

LIST OF INDUSTRIES RESERVED FOR THE PUBLIC SECTOR

1. Atomic Energy (Production, Separation or enrichment of special fissionable materials and substances and operation of the facilities)
2. Railway operations other than construction, operation and maintenance of the following:**
 - (i) Suburban corridor projects through PPP, (ii) High speed train project, (iii) dedicated freight lines, (iv) Rolling stock including train sets, and locomotives/coaches manufacturing and maintenance facilities, (v) Railway Electrification, (vi) signaling systems, (vii) freight terminals, (viii) Passenger terminals, (ix) infrastructure in industrial park pertaining to railway line/sidings including electrified railway lines and connectivity to main railway lines and (x) Mass Rapid Transport systems.

Q.103) In which of the following sectors, 100% FDI is allowed in India?

1. Infrastructure
2. Automotive
3. Pharmaceuticals
4. Railways

Select the code from following:

- a) 1 and 3

- b) 1,2 and 3
- c) 2,3 and 4
- d) All of the above

Q.103) Solution (d)

There are two routes by which India gets FDI.

- Automatic route: By this route FDI is allowed without prior approval by Government or Reserve Bank of India.
- Government route: Prior approval by government is needed via this route. The application needs to be made through Foreign Investment Facilitation Portal, which will facilitate single window clearance of FDI application under Approval Route. The application will be forwarded to the respective ministries which will act on the application as per the standard operating procedure. Foreign Investment Promotion Board (FIPB) which was the responsible agency to oversee this route was abolished on May 24, 2017. It held its last meeting on 17th April, which was the 245th meeting of the Board

Following are some of major sectors for Foreign Direct Investment.

Infrastructure

10% of India's GDP is based on construction activity. Indian government has invested \$1 trillion on infrastructure from 2012–2017. 40% of this \$1 trillion had to be funded by private sector. 100% FDI under automatic route is permitted in construction sector for cities and townships

Automotive

FDI in automotive sector was increased by 89% between April 2014 to February 2015. India is 7th largest producer of vehicles in the world with 17.5 million vehicles annually. 100% FDI is permitted in this sector via automatic route. Automobiles shares 7% of the India's GDP.

Pharmaceuticals

Indian pharmaceutical market is 3rd largest in terms of volume and 13th largest in terms of value. Indian pharma industry is expected to grow at 20% compound annual growth rate from 2015 to 2020. 100% FDI is permitted in this sector.

Railways

100% FDI is allowed under automatic route in most of areas of railway, other than the operations, like High speed train, railway electrification, passenger terminal, mass rapid transport systems etc.

Textile

Textile is one major contributor to India's export. Nearly 11% of India's total export is textile. This sector has attracted about \$1647 million from April 2000 to May 2015. 100% FDI is allowed under automatic route.

Q.104) Index of Industrial Production (IIP) is an index which helps us understand the growth of various sectors in the Indian economy. Which of the following statements are correct regarding IIP?

1. Index of Industrial Production (IIP) is released by the **Central Statistics Office (CSO)** of the **Ministry of Statistics and Programme Implementation**.
2. The Eight Core Industries comprise 100% of the weight of items included in the Index of Industrial Production (IIP).
3. Out of the eight core industries, Cement has the least weightage in IIP.

Select the code from following:

- a) 1 and 3
- b) 1 only
- c) 2 and 3
- d) All of the above

Q.104) Solution (b)

Index of Eight Core Industries (Base: 2011-12=100) April, 2017

The Base Year of the Index of Eight Core Industries has been revised from the year 2004-05 to 2011-12 from April, 2017. The shift is in line with the new base year of Index of Industrial Production (IIP). The industries covered in the Index of Eight Core are namely Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity. These remain the same as in the 2004-05 series. The revised basket of Eight Core Industries is aligned to the new series of IIP (2011-12) as far as possible. The revised Eight Core Industries have a combined weight of 40.27 per cent in the IIP. The detailed data based on the revised series since April, 2012 are given in Annexure.

The combined Index of Eight Core Industries stands at 118.6 in April, 2017, which is 2.5 % higher compared to the index of April, 2016. Its cumulative growth during April to March, 2016-17 was 4.8 %.

Coal

Coal production (weight: 10.33 %) declined by 3.8% in April, 2017 over April, 2016. Its cumulative index increased by 3.2% during April to March, 2016-17 over corresponding period of the previous year.

Crude Oil

Crude Oil production (weight: 8.98 %) declined by 0.6 % in April, 2017 over April, 2016. Its cumulative index declined by 2.5 % during April to March, 2016-17 over the corresponding period of previous year.

Natural Gas

The Natural Gas production (weight: 6.88 %) increased by 2.0 % in April, 2017 over April, 2016. Its cumulative index declined by 1.0 % during April to March, 2016-17 over the corresponding period of previous year.

Refinery Products

Petroleum Refinery production (weight: 28.04%) increased by 0.2 % in April, 2017 over April, 2016. Its cumulative index increased by 4.9 % during April to March, 2016-17 over the corresponding period of previous year.

Fertilizers

Fertilizer production (weight: 2.63 %) increased by 6.2 % in April, 2017 over April, 2016. Its cumulative index increased by 0.2 % during April to March, 2016-17 over the corresponding period of previous year.

Steel

Steel production (weight: 17.92 %) increased by 9.3 % in April, 2017 over April, 2016. Its cumulative index increased by 10.7 % during April to March, 2016-17 over the corresponding period of previous year.

Cement

Cement production (weight: 5.37%) declined by 3.7 % in April, 2017 over April, 2016. Its cumulative index declined by 1.2 % during April to March, 2016-17 over the corresponding period of previous year.

Electricity

Electricity generation (weight: 19.85%) increased by 4.7 % in April, 2017 over April, 2016. Its cumulative index increased by 5.9 % during April to March, 2016-17 over the corresponding period of previous year.

Q.105) Recently the NITI Ayog has suggested Strategic Sale of nearly 25 PSUs, in this context consider the following statements with reference to Strategic Sale of PSUs

1. In Strategic sale the government retains the majority ownership of the company
2. In Strategic sale the government's stake is sold to the highest bidder

Which of the following statements is/are correct?

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

Q.105) Solution (b)

According to the Department of Disinvestment, in the strategic sale of a company, the transaction has two elements: Transfer of a block of shares to a Strategic Partner and Transfer of management control to the Strategic Partner.

Strategic sale takes place when more than 51% of shares go to the private sector strategic partner. This means the effective ownership of the company rests with the private partner.

Statement (1) is wrong. In 'Strategic Disinvestment', significant proportion of a Public Sector Unit's (PSU) share and the management control goes to a private sector which is considered as strategic partner. It is different from the ordinary disinvestment in which management of PSU is retained with Government.

Do you know?

In keeping with its ongoing efforts to streamline the disinvestment process, the government (in 2017) transferred the role of advising the government on how to utilise the proceeds

from disinvestment from the Department of Investment and Public Asset Management (DIPAM) to the Department of Economic Affairs.

Q.106) Indian capital goods industry is facing severe competition from Chinese companies over the last few years. The major factors responsible for increasing Chinese competitiveness are?

1. Artificially appreciated Chinese currency.
2. Much lower interest rates.
3. Simpler labour laws.
4. Tax advantages and subsidies given by the Government.

Which of the above statements are correct?

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

Q.106) Solution (b)

The major factors responsible for increasing Chinese competitiveness are:

- Artificially depreciated Chinese currency
- Tax advantages and Government subsidies given by the Government
- Much lower interest rates
- Simpler labour laws
- Better infrastructure leading to lower cost of power, transportation and cluster approach helping specialisation of labour and engineering skills

Q.107) Consider the following statements with reference to the Venture capitalists (VCs)

1. They invest money collected from a pool of investors
2. They provide the seed capital to start a business
3. Investment by VCs can be either as debt or as equity

Which of the following statements is/are correct?

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

- c) 1 and 3 only
- d) All of the above

Q.107) Solution (c)

Venture capitalists are the mostly the Limited Liability Partnership firms/funds, which raises fund from different investors. As against Angel investment where the decision of investment rests with the individual, a Fund/ Portfolio Manager in Venture Capital firms is the one who hunts for promising deals to get the best returns for their investor's money.

VCs have fund/ portfolio managers to manage their investment portfolio. They have a dedicated and skilled team, which looks out for promising opportunities, and get the deal closed.

Do you know?

Venture Capitals generally invests in Growth stage (Series A) and forward, when the company has some proven numbers. As compared to angels they are less risk takers.

VC's investment can be either as equity or loan or a mix of both. If it is done by equity they demand a seat in the Board of the company.

Q.108) Consider the following statements with reference to the Section 25 companies under the Companies Act, 1956

1. These companies promote commerce, art, science, religion, charity or any other useful purpose
2. Section 25 companies do not have any profit motive
3. No PSU's can be registered as a section 25 company

Which of the above statements is/are correct?

- a) 1 and 2 only
- b) 1 and 3 only
- c) 2 and 3 only
- d) All of the above

Q.108) Solution (a)

A "Section 25" company is registered under Section 25 of the Companies Act, 1956. This section provides an alternative to those who want to promote charity without creating a

Trust or a Society for the purpose. It allows the formation of a company, which will exist as a legal entity in its own right, separate from the person promoting it. The crucial bit, however, is that any company under this section must necessarily re-invest any and all income towards promoting the said object or charity. In essence, unlike a regular company, where owners and shareholders can make profits or receive dividends, no money gets out of a Section 25 company.

Public Sector Enterprises having objects to promote commerce, art, science, religion, charity or any other useful purpose and not having any profit motive can be registered as non-profit company under section 25 of the Companies Act, 1956.

This section empowers the Central Government to grant a licence directing that such an association may be registered as a company with limited liability, without the addition of the words 'Limited' or 'Private Limited' to its name. Such companies are also called as the Non-profit or 'No Profit - No Loss' companies.

Q.109) MRTP (Monopolies and Restrictive Trade Practices) Act was considered a hurdle in India's growth story. Which of the following are correct about MRTP Act?

1. The act aimed to prevent concentration of economic power, provide for control of monopolies, and protect consumer interest.
2. A Monopolistic Trade Practice is that which represents abuse of market power in production and marketing of goods and services by eliminating potential competitors, charging unreasonably high prices, preventing or reducing competition, limiting technical development, deteriorating product quality, etc.
3. Currently it is the Competition Commission of India which is dealing with similar functions.

Select the correct answer:

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

Q.109) Solution (c)

1. The act came into force from 1st June, 1970. The act aims to prevent concentration of economic power, provide for control of monopolies, and protect consumer interest. Currently, the MRTP Act has been renamed as the Competition Act, 2002, with a few changes to it.

2. To ensure that the operation of the economic system does not result in the concentration of economic power in the hands of few. To provide for the control of monopolies and to prohibit monopolistic and restrictive trade practices. After the amendment of the act in 1984, a 4th objective was introduced, which was Regulation of Unfair Trade Practices.

3. The MRTP Act extends to the whole of India except Jammu and Kashmir. Unless the Central Government otherwise directs, this act SHALL NOT apply to: Any undertaking owned or controlled by a Government company Any undertaking owned or controlled by the Government Any undertaking owned or controlled by a corporation (not being a company established by or under any Central, Provincial or State Act)

4. Any trade union or other association of workmen or employees formed for their own reasonable protection as such workmen or employees. Any undertaking engaged in an industry, the management of which has been taken over by any person or body of persons under powers by the Central Government. Any undertaking owned by a co-operative society formed and registered under any Central, Provincial or State Act. Any financial institution.

5. A Monopolistic Trade Practice is that which represents abuse of market power in production and marketing of goods and services by eliminating potential competitors, charging unreasonably high prices, preventing or reducing competition, limiting technical development, deteriorating product quality, etc.

6. Poorly resourced commission. Inadequacy in dealing effectively with anti- competitive practices, due to lack of definitions, cumbersome procedures and scarce resources. Absence of specification of identifiable anti- competition practices. Anti-competition practices like cartels, predatory pricing, rigging etc. are not specifically mentioned in the MRTP Act.

7. At the time of drafting of the MRTP Act, the economic and trade milieu prevalent at that time constituted India only for its various provisions. However, ever since, there has been considerable movement towards liberalization, privatization and globalization (i.e. the New Economic Policy 1991). Hence, the law needed to yield to the changing scenario on both the economic and trade fronts.

8. It can be said that the MRTP Act was successful to an extent. However, due to scarcity of resources, lack of clearly defined procedures and cumbersome rules and regulations, the Act wasn't as effective as it was supposed to be. Also, the changing economic and trade environment (brought by the New Economic Policy, 1991) made it necessary for a change in the MRTP Act.

Q.110) Term 'Fragile Five' is often in news. Identify the appropriate definition of the term:

- a) It is a term coined to represent association of five major emerging national economies.
- b) It is a term coined to represent emerging market economies that have become too dependent on unreliable foreign investment to finance their growth ambitions.
- c) It is a term coined to represent five of the most economically weak eurozone nations during the European debt crisis.
- d) It is a term being used to describe markets which have witnessed economic turmoil in recent years.

Q.110) Solution (b)

Fragile Five is a term coined in August of 2013 by a financial analyst at **Morgan Stanley** to represent emerging market economies that have become too dependent on unreliable foreign investment to finance their growth ambitions.

The five members of the Fragile Five include:

1. Turkey
2. Brazil
3. India
4. South Africa
5. Indonesia

Q.111) Consider the following statements about exchange rate practiced by India:

1. India practices the 'dual exchange rate' i.e. 'official rate' and 'market rate'.
2. The 'official rate' determines the 'market rate'.

Which of the above statements is/are correctly matched?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.111) Solution (a)

In 1992–93 financial year, India moved to the floating currency regime with its own method which is known as **the 'dual exchange rate'**. There are two exchange rates for rupee, one is **the 'official rate' and the other is the 'market rate'**.

Here the point should be noted that it is the **everyday's changing market-based exchange rate of rupee which affects the official exchange rate** and not the other way round.

Do you know?

- Some economies, particularly small ones, peg their currencies to a major currency or to a basket of currency in a fixed exchange rate— known as **the pegging of currencies**.

THINK!

- MANAGED EXCHANGE RATES

Q.112) Which of the following are examples of export?

1. Money spent on travel by tourists in India
2. Tuition fee paid to universities by international students
3. Outsourcing the hardware supply of a mobile company.

Which of the above statements is/are correctly matched?

- a) 1 and 2 only
- b) 2 and 3 only
- c) All the above
- d) None

Q.112) Solution (a)

When we export services, we again credit money to the current account. When we import the services, we debit money from the current account. Now, export of services has two meanings. **One is that we provide service to the foreign nationals in their own land and another is that foreigners come to our country and we provide service to them here. Both have same meaning.** Like in tourism, the tourists come to India and whatever we earn from their tourism activity is also deemed to be a service export. But since we cannot see this export taking place, we call it Invisible Export. India is slowly becoming a service-oriented economy, so invisible exports are slated to play very important role in the years to come. Following are examples of Invisible exports and imports:

- Money spent on travel by tourists
- Tuition paid to universities by international students
- Banking, Insurance, Consulting services in foreign land
- Royalties and license fee paid for use of copyright or patent

Outsourcing is basically getting service from abroad. So, it is a service import or invisible import, which would be a debit entry in the current account. **Even if you outsource goods, it would mean import of goods. So outsourcing of hardware of mobile company is termed as import.**

Do you know?

- Reverse Tranche – A certain proportion of a member country's quota is specified as its reserve tranche. The member country can access its reserve tranche funds at its discretion and is not under an immediate obligation to repay those funds to the IMF. Member nation reserve tranches are typically 25% of the member's quota.

THINK!

- Components of Current Account

Q.113) It is the international currency in which the highest faith is shown and is needed by every economy. The strongest currency of the world is one which has a high level of liquidity. The economy with the highest as well as highly diversified exports that are compulsive imports for other countries will also create high demand for its currency in the World. It is always scarce. The above lines describe best, which of the following?

- a) Hot currency
- b) Hard currency
- c) Soft currency
- d) Heated currency

Q.113) Solution (b)

It is the international currency in which the highest faith is shown and is needed by every economy. The strongest currency of the world is one which has a high level of liquidity. Basically, the economy with the highest as well as highly diversified exports that are compulsive imports for other countries (as of high-level technology, defense products, lifesaving medicines and petroleum products) will also create high demand for its currency in the **and become the hard currency**. It is always scarce.

Soft currency - A term used in the foreign exchange market which denotes the currency that is easily available in any economy in its forex market. For example, rupee is a soft currency in the Indian forex market. It is basically the opposite term for the hard currency.

Hot currency is a term of the forex market and is a temporary name for any hard currency. Due to certain reasons, if a hard currency is exiting an economy at a fast pace for the time,

the hard currency is known to be hot. As in the case of the SE Asian crisis, the US dollar had become hot.

Heated currency - A term used in the forex market to denote the domestic currency which is under enough pressure (heat) of depreciation due to a hard currency's high tendency of exiting the economy (since it has become hot). It is also known as currency under heat or under hammering.

Do you know?

- Up to the second world war, the best hard currency was the Pound Sterling (£) of the UK, but soon it was replaced by the US Dollar. Some of the best hard currencies of the world today are the **US Dollar, the Euro (€), Japanese Yen (¥) and the UK Sterling Pound (£)**. Meanwhile, by late 2015, the IMF allowed the SDR to be denominated in the **Chinese 'Yuan'**—paving the way for a new hard currency to be implemented in 2016.

THINK!

- Cheap currency
- Dear currency

Q.114) Which of the following comes under capital account?

1. Purchase of stocks in the USA
2. Gifts, donations and remittances
3. Dividends
4. External Borrowings such as ECB

Select the correct answer using the codes given below.

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

Q.114) Solution (d)

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

There are 4 components of Current Account:

- Goods – trade in goods

- Services (invisible) – trade in services e.g. tourism
- Income – investment income
- Current unilateral transfers – **donations, gifts, grants, remittances**. Note that grants might appear as component of capital account but are included in current account as they are unilateral, create no liability. Recipient does not have to give anything back in return.

Capital Account – It deal with capital transactions i.e. those transactions which create assets or liabilities. It reflects the net changes in the ownership of national assets.

For instance, **if you buy a stocks or property in US**, it will be a capital account transaction and it will be debit on capital account as you have to pay to US to buy the asset.

Components of Capital Account

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

Note here that foreign investment is under capital account but **dividends and income from investment comes under current account** in the category income from abroad as dividend is transferred periodically, does not result in creation of asset or liability.

Do you know?

- Current Account Deficit and Fiscal Deficit together are known as twin deficits and often both reinforce each other i.e. High fiscal deficit leads to higher CAD and vice versa.

THINK!

- Current account deficit

Q.115) Which of the following are the advantages of External Commercial Borrowings (ECBs)?

1. ECBs provide opportunity to borrow large volume of funds
2. The funds are available for relatively long term
3. Interest rate are also lower compared to domestic funds

Select the correct answer using the codes given below.

- a) 1 only
- b) 2 only
- c) 1 and 2

d) 1, 2 and 3

Q.115) Solution (d)

ECB is basically a loan availed by an Indian entity from a nonresident lender. Most of these loans are provided by foreign commercial banks and other institutions. It is a loan availed of from non-resident lenders with a minimum average maturity of 3 years.

The significance of ECBs their size in India's balance of payment account. In the post reform period, ECBs have emerged a major form of foreign capital like FDI and FII.

Advantages of ECBs

- ECBs provide opportunity to borrow large volume of funds
- The funds are available for relatively long term
- Interest rate are also lower compared to domestic funds
- ECBs are in the form of foreign currencies. Hence, they enable the corporate to have foreign currency to meet the import of machineries etc.
- Corporate can raise ECBs from internationally recognized sources such as banks, export credit agencies, international capital markets etc.

Do you know?

- **ECB can be availed by either automatic route or by approval route.** Under automatic route, the government has permitted some eligibility norms with respect to industry, amounts, end-use etc. If a company passes all the prescribed norms, it can raise money without any prior approval.
- For specific pre-specified sectors, the borrowers have to take explicit permission of the government/The Reserve bank of India (RBI) before borrowing through ECB. RBI has issued formal guidelines and circulars specifying these rules for borrowing.

THINK!

- Disadvantages of ECB.

Q.116) Consider the following statements about REER.

1. In India RBI publishes REER index.
2. The base year for calculating index numbers is 2004-05.

Which of the above statements is/are correctly matched?

- a) 1 only
- b) 2 only

- c) Both 1 and 2
- d) None

Q.116) Solution (c)

The RBI publishes two sets of export-based exchange rate indices: nominal and real exchange rate indices. Since there are 36 major currencies of the world, RBI derives the average nominal exchange rate, using the proportion of exports to each currency area as weights, known as nominal effective exchange rate (NEER). **The base year for calculating index numbers is 2004-05 equal to 100.**

The real exchange rate unlike NEER goes one step ahead by taking into account the movements in domestic price level relative to average foreign price level. It is defined as the product of NEER and the price index of the country and the world price index. Known as 'real effective exchange rate' (REER), **the index numbers are calculated using the fiscal year 2004-05 as base year equal to 100.** Movements in REER index would indicate whether REER has been stable, appreciating or depreciating.

Do you know?

- Exchange rates are categorized into three sets: currency-based, trade-based and export-based. Our concern is with export based.

THINK!

- Purchasing Power Parity

Q.117) Consider the following pairs.

Trade agreements	Meaning
1. Preferential Trade Agreement	Two or more partners agree to reduce tariffs on agreed number of tariff lines.
2. Bilateral Investment Treaty	Provides investors with various guarantees when investing in the country of the treaty partner.
3. Custom Union	Provisions to facilitate free movements of labour and capital, harmonize technical standards across members etc.
4. Common Market	Partner countries may decide to trade at zero duty among themselves, however they maintain

	common tariffs against rest of the world.
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Which of the pairs is/are correctly matched?

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

Q.117) Solution (b)

Preferential Trade Agreement (PTA): In a PTA, two or more partners agree to reduce tariffs on agreed number of tariff lines. The list of products on which the partners agree to reduce duty is called positive list. India MERCOSUR PTA is such an example. However, in general PTAs do not cover substantially all trade.

The key difference between an FTA and a PTA is that while in a PTA there is a positive list of products on which duty is to be reduced; in an FTA there is a negative list on which duty is not reduced or eliminated.

Bilateral Investment Treaty (BIT): A Bilateral Investment Treaty (BIT) provides investors with various guarantees when investing in the country of the treaty partner.

Economic Partnership Agreement (EPA) or Comprehensive Economic Partnership (CEP): The EPA/CEP agreements are comprehensive in scope, covering such fields as trade in goods, trade in services, investment, and economic cooperation

Foreign Investment and Protection Agreement (FIPA): The main provisions of the Foreign Investment and Protection Agreement cover the handling of foreign investments by the host country, the transfer of capital and investment income, compensation for expropriation and procedures for settling disputes.

Custom Union: In a Custom union, partner countries may decide to trade at zero duty among themselves, however they maintain common tariffs against rest of the world. An example is Southern African Customs Union (SACU) amongst South Africa, Lesotho, Namibia, Botswana and Swaziland. European Union is also an outstanding example.

Common Market: Integration provided by a Common market is one step deeper than that by a Customs Union. A common market is a Customs Union with provisions to facilitate free movements of labour and capital, harmonize technical standards across members etc. European Common Market is an example.

Do you know?

- European Free Trade Association- EFTA is regional trade organization and free trade area consisting of four European states, Iceland, Norway, Switzerland and Liechtenstein. It operates in parallel with European Union (EU), and all four-member states participate in the European single market.

THINK!

- TTIP
- RCEP

Q.118) India's exported goods plus services represent 18.4% of total Indian economic output or Gross Domestic Product. Which of the following commodities contributes highest to the Indian Exports?

- a) Gems and precious metals
- b) Automobiles
- c) Pharmaceuticals
- d) Cereals

Q.118) Solution (a)

The following export product groups represent the highest dollar value in Indian global shipments during 2017. Also shown is the percentage share each export category represents in terms of overall exports from India.

1. Gems, precious metals: US\$42.6 billion (14.4% of total exports)
2. Mineral fuels including oil: \$35.9 billion (12.1%)
3. Machinery including computers: \$16.7 billion (5.6%)
4. Vehicles: \$16.2 billion (5.5%)
5. Organic chemicals: \$13.6 billion (4.6%)
6. Pharmaceuticals: \$12.9 billion (4.4%)
7. Iron, steel: \$11.7 billion (4%)
8. Clothing, accessories (not knit or crochet): \$9 billion (3%)
9. Electrical machinery, equipment: \$8.8 billion (3%)
10. Knit or crochet clothing, accessories: \$8.3 billion (2.8%)

India's top 10 exports accounted for 59.4% of the overall value of its global shipments.

Do you know?

Iron and steel was the fastest growing among the top 10 export categories up 81.8% from 2016 to 2017.

In second place for improving Indian export sales were mineral fuels including oil which gained 29.5%, led by refined petroleum oils.

Indian machinery including computers posted the third-fastest gain in value up 22.8%, trailed by the 20.6% improvement for exported organic chemicals.

There were two declining top categories: pharmaceuticals via its -1.1% drop and unknit and non-crocheted clothing or accessories, the latter decelerating by -0.7%.

Q.119) Which of the following refers to Invisible balance in the context of BoP?

- a) It refers to import of Capital Goods.
- b) It refers to the amount of goods imported in the country on lease.
- c) It refers to services and other products that do not result in the transfer of physical object.
- d) It refers to the interest paid by importers if they have borrowed money for imports.

Q.119) Solution (c)

Invisible balance

The invisible balance or balance of trade on services is that part of the balance of trade that refers to services and other products that do not result in the transfer of physical objects. Examples include consulting services, shipping services, tourism, and patent license revenues. This figure is usually generated by tertiary industry. The term 'invisible balance' is especially common in the United Kingdom.

For countries that rely on service exports or on tourism, the invisible balance is particularly important. For instance the United Kingdom and Saudi Arabia receive significant international income from financial services, while Japan and Germany rely more on exports of manufactured goods.

Types of Invisibles

Invisibles are both international payments for services (as opposed to goods), as well as movements of money without exchange for goods or services. These invisibles are called 'transfer payments' or 'remittances' and may include money sent from one country to

another by an individual, business, government or non-governmental organisations (NGO) – often charities.

Q.120) Who of the following are likely to benefit from devaluation of currency in the country?

1. Exporters
2. Importers
3. Borrowers
4. Lenders

Select the code from following:

- a) 1 and 3
- b) 2 and 4
- c) None of the above
- d) 4 only

Q.120) Solution (a)

Devaluation

Devaluation is a deliberate downward adjustment to the value of a country's currency relative to another currency, group of currencies or standard. It is a monetary policy tool used by countries that have a fixed exchange rate or semi-fixed exchange rate.

Benefits of Devaluation

After a devaluation, the new lower value of the domestic currency will make it less expensive for foreign consumers to obtain local currency with which to buy locally produced export goods, so more exports will be sold, helping domestic businesses. Further, the new exchange rate will make it more expensive for local consumers to obtain foreign currency with which to import foreign goods, hurting domestic consumers and causing less to be imported. The combined effect will be to reduce or eliminate the previous net outflow of foreign currency reserves from the central bank.

It will also benefit the borrower. If the rate of interest is fixed, a person will be paying the same amount in numbers but the value of that amount will decrease in the market.

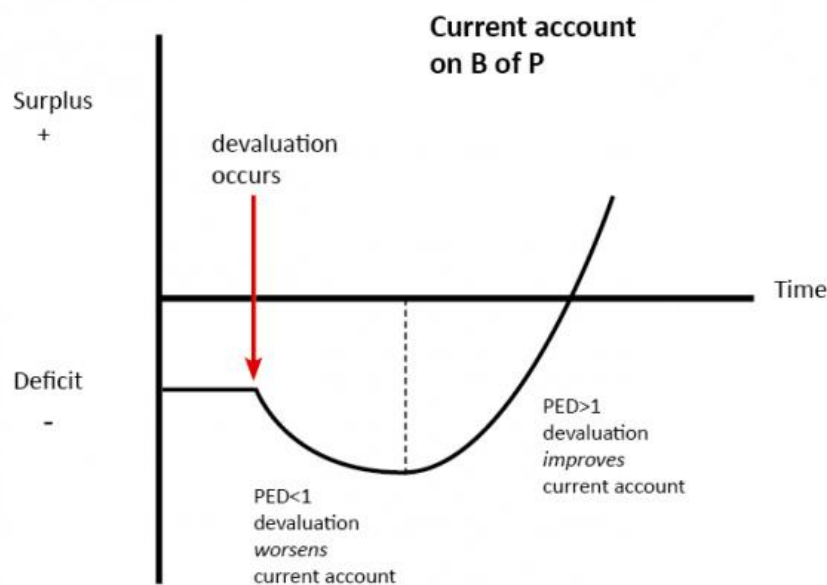
Q.121) The 'J curve' is the time path of a country's trade balance following a devaluation or depreciation of its currency, under a certain set of assumptions. Which of the following statements regarding 'J Curve' are correct?

- Following depreciation, imports will increase while exports will cease.
- Following devaluation, country's trade balance will initially worsen and then improves.
- Following devaluation, country's trade balance will initially improve and then worsen
- None of the above

Q.121) Solution (b)

J Curve

In economics, the 'J curve' is the time path of a country's trade balance following a devaluation or depreciation of its currency, under a certain set of assumptions. A devalued currency means imports are more expensive, and on the assumption that the volumes of imports and exports change little at first, this causes a fall in the current account (a bigger deficit or smaller surplus). After some time, though, the volume of exports may start to rise because of their lower and hence more competitive prices to foreign buyers, and domestic consumers may buy fewer of the costlier imports. Eventually, if this happens, the trade balance should move to a smaller deficit or larger surplus compared to what it was before the devaluation. Likewise, if there is a currency revaluation or appreciation the same reasoning may be applied and will lead to an inverted J curve.



Immediately following the depreciation or devaluation of the currency, the total value of imports will increase and exports remain largely unchanged due in part to pre-existing trade contracts that have to be honored. This is because in the short run, prices of imports rise due to the depreciation and also in the short run there is a lag in changing consumption of imports, therefore there is an immediate jump followed by a lag until the long run prevails and consumers stop importing as many expensive goods and along with the rise in exports cause the current account to increase (a smaller defect or a bigger surplus). Moreover, in the short run, demand for the more expensive imports (and demand for exports, which are cheaper to foreign buyers using foreign currencies) remain price inelastic. This is due to time lags in the consumer's search for acceptable, cheaper alternatives (which might not exist).

Over the longer term a depreciation in the exchange rate can have the desired effect of improving the current account balance. Domestic consumers might switch their expenditure to domestic products and away from expensive imported goods and services, assuming equivalent domestic alternatives exist. Equally, many foreign consumers may switch to purchasing the products being exported into their country, which are now cheaper in the foreign currency, instead of their own domestically produced goods and services.

Q.122) Which of the following is also known as 'Paper Gold'?

- a) Government Securities
- b) Bitcoins
- c) Gold bonds
- d) Special Drawing Rights (SDR) of IMF

Q.122) Solution (d)

Special Drawing Rights

International financing instrument created in 1970 by the International Monetary Fund (IMF) to coincide with the disfavor of the US dollar as the principal currency of the world trade. Also called **paper gold**, an SDR is neither paper nor gold but an accounting entry. It is not backed by any currency or precious metal, and is used only among governments and IMF for balance of payments settlements. SDRs are a measure of a country's reserve assets with IMF and, whereas not 'money' in the strict sense, have several characteristics of money as interest bearing assets, store of value, and means of settling indebtedness.

They are distributed among all member states of IMF in proportion to each member's quota of IMF dues based on the member's GNP. Used mainly to supplement gold and convertible (hard) currencies in maintaining stability of foreign exchange markets, SDRs are valued on

the basis of the value of a basket of 16 major currencies with periodically adjusted weightage reflecting each currency's importance in global trade.

Q.123) Which of the following constitutes the FOREX reserve of India?

1. Foreign currency assets
2. Gold
3. SDRs
4. Share holding of Indians in foreign companies

Select the code from following:

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

Q.123) Solution (a)

The forex are reserve assets held by a central bank in foreign currencies. It acts as buffer to be used in challenging times and used to back liabilities on their own issued currency as well as to influence monetary policy. Almost all countries in world, regardless of size of their economy, hold significant foreign exchange reserves.

The components of India's FOREX Reserves include

- Foreign currency assets (FCAs),
- Gold Reserves,
- Special Drawing Rights (SDRs) and
- RBI's Reserve position with International Monetary Fund (IMF).

FCAs constitute largest component of Indian Forex Reserves and are expressed in US dollar terms.

Q.124) Consider the following statements regarding FOREX reserves in India?

1. FOREX reserves in India are managed by SEBI
2. For the first time in History, the FOREX reserve crossed 4000 Billion mark in India.
3. Inflow of foreign currency and Gold in economy decreases the money supply.

Which of the above statements are correct?

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

Q.124) Solution (d)

- The Foreign exchange reserves of India are India's holdings of cash, bank deposits, bonds, and other financial assets denominated in currencies other than India's national currency, the Indian rupee. The reserves are managed by the Reserve Bank of India for the Indian government.
- Second statement is absurd. For the first time Indian FOREX Reserves crossed 400 Billion mark. Currently Indian FOREX reserves stand at 417 Billion (Approx) till Jan 2018.
- With inflow of Gold and Foreign Currency in economy RBI has to print currency. This increases the money supply in the market.

Q.125) Reserve Money includes which of the following?

1. Currency in circulation
2. Bank deposits with the RBI
3. Deposits in commercial banks.
4. 'Other' deposits with the RBI.

Select the correct answer using the code given below:

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

Q.125) Solution (b)

Reserve Money is also called as Central Bank Money, Monetary base, Base money, high-powered money and sometimes **narrow money**. It is the base level for money supply or the high-powered component of money supply.

Reserve money = Currency in Circulation + Bankers' Deposits with RBI + 'Other' Deposits with RBI

Q.126) Consider the following in regard to Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) of the rupee:

1. NEER of the rupee is a weighted average of exchange rates before the currencies of India's major trading partners.
2. When the weight of inflation is adjusted with the NEER, we get the REER of the rupee.

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.126) Solution (c)

NEER : : The Nominal Effective Exchange Rate (NEER) of the rupee is a weighted average of exchange rates before the currencies of India's major trading partners.

REER : : When the weight of inflation is adjusted with the NEER, we get the Real Effective Exchange Rate (REER) of the rupee. Since inflation has been on the higher side in recent months, the REER of the rupee has been more against it than the NEER.

Usually the exchange rate is determined for a domestic currency against a single foreign currency. In the effective exchange rate (EER) system, a currency is fixed against a basket of currencies. For NEER and REER the basket is SDR (Special Drawing Rights at IMF) currencies.

The way real GDP arrived from nominal GDP after correcting it for price change the REER is arrived from NEER.

Q.127) Which of the following items is not a part of Current Account in a country's Balance of Payment?

- a) Exports of Services
- b) Imports of Goods
- c) Remittances
- d) External commercial Borrowings

Q.127) Solution (d)

The current account on the balance of payments measures the inflow and outflow of goods, services and investment incomes.

The main components of the current account are:

- i. Trade in goods (visible balance): includes both export and import.
- ii. Trade in services (invisible balance) e.g. insurance and services
- iii. Investment incomes e.g. dividends, interest and migrants remittances from abroad
- iv. Net transfers – e.g. International aid

A deficit on the current account means that the value of imports is greater than the value of exports. A surplus on the current account means that the value of imports is less than the value of exports.

Capital account of BOP records all those transactions, between the residents of a country and the rest of the world, which cause a change in the assets or liabilities of the residents of the country or its government. It is related to claims and liabilities of financial nature.

The components of Capital account involve Borrowings and landings to and from abroad, this includes the External Commercial Borrowings. Investments to and from abroad: this includes investments in securities and real estate.

Q.128) Consider the following statements with reference to the Convertibility of Indian currency

1. For current account transactions, Indian rupee can be fully converted into any foreign currency
2. India has introduced full convertibility in capital account transactions since 2015

Which of the above statements is/are correct?

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

Q.128) Solution (a)

Rupee convertibility means the system where any amount of rupee can be converted into any other currency without any question asked about the purpose for which the foreign exchange is to be used. rupee convertibility in India is a gradual one, it was first introduced

in the Current account and then in capital account. Full convertibility in current account was introduced in 1994.

The government of India had appointed two committees to suggest way to introduce Full Convertibility on capital Account, one in 1996 and another in 2006, Both were headed by S.S. Tarapore.

The present situation is that, rupee is fully convertible in Current Account, and is partially convertible in Capital account. It means that you can convert 1000rs into equivalent foreign currency if you are trading something, going on a vacation, or for medical purpose. But you will get less than 1000rs equivalent of foreign currency if you want to buy securities and shares in foreign companies, or want to buy real estate.

Q.129) Consider the following statements with reference to depreciation of a currency

1. It is a fall in the value of domestic currency with respect to other currencies
2. It is done by deliberate government intervention

Which of the above statements is/are correct?

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

Q.129) Solution (a)

Currency depreciation is the loss of value of a country's currency with respect to one or more foreign reference currencies, typically in a floating exchange rate system in which no official currency value is maintained. In a floating exchange rate system, a currency's value goes up (or down) if the demand for it goes up more (or less) than the supply does.

On the other hand, when the government lowers the exchange rate of its currency, it is called Devaluation, it is intentional and is done to promote the exports of the country.

Q.130) Consider the below statements with regard to Depreciation and Devaluation:

1. Devaluation refers to a change in value of a money that has its value set by the country's government.
2. Depreciation refers to a change in value of a money that has its value determined by market forces generated in the open money market.

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.130) Solution (c)

Depreciation : : In foreign exchange market, it is a situation when domestic currency loses its value in front of a foreign currency if it is market-driven. It means depreciation in a currency can only take place if the economy follows the floating exchange rate system.

Devaluation : : In the foreign exchange market when exchange rate of a domestic currency is cut down by its government against any foreign currency, it is called devaluation. It means official depreciation is devaluation.

131) Consider the following countries:

- 1. Seychelles
- 2. India
- 3. Madagascar
- 4. Maldives
- 5. Comoros
- 6. Srilanka
- 7. Mauritius

Which of the countries are members of Indian Ocean Commission (IOC)?

- a) 1, 2, 4 and 7 only
- b) 1, 3, 5 and 7 only
- c) 1, 2, 3, 4, 5 and 7 only
- d) All the above

Q.131) Solution (b)

Excerpt from Ministry of External Affairs

*“France congratulates India on its leadership at Indian Ocean Rim Association (IORA) and the Indian Ocean Naval Symposium (IONS). France also supports India's entry in **the Indian***

Ocean Commission (IOC) as an Observer, and encourages its growing involvement in European Union projects for the Indian Ocean”

The Indian Ocean Commission is an intergovernmental organization that was created in 1982 at Port Louis, Mauritius and institutionalized in 1984 by the Victoria Agreement in Seychelles.

The COI is composed of five African Indian Ocean nations:

- Comoros
- Madagascar
- Mauritius
- Réunion (an overseas region of France)
- Seychelles.

THINK

- Locate- Comoros, Madagascar, Mauritius, Reunion and Seychelles

Q.132) Consider the following statements regarding India-UN Development Partnership Fund:

1. It is a dedicated facility within United Nations Fund for North-South Cooperation
2. It supports transformational sustainable development projects across the developing world and Small Island developing states.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.132) Solution (b)

The India-UN Development Partnership Fund is a dedicated facility within the United Nations Fund for South-South Cooperation established in 2017.

It is supported and led by the Government of the Republic of India, managed by the United Nations Office for South-South Cooperation, and implemented in collaboration with the United Nations system.

The India-UN Development Partnership Fund is managed by the UN Office for South-South Cooperation (UNOSSC).

Indian government has made an additional contribution of \$50 million to development funding. This contribution is in addition to \$100 million pledged in 2017 for the India-UN Development Partnership Fund, thereby increasing India's multi-year contribution to \$150 million.

The India-UN Development Partnership Fund supports Southern-owned and led, demand-driven, and transformational sustainable development projects across the developing world, with a focus on least developed countries and Small Island developing states. United Nations agencies implement the Funds projects in close collaboration with partnering governments.

Grenada, Tuvalu, and Vanuatu are the first three development partners engaged under this newly created Commonwealth window.

Do you know?

- Fund will start with an initial contribution of \$1 million for its first project, **Climate Early Warning System in Pacific Island Countries (CEWSPIC)**.
- The project was developed jointly by India and the UN Development Programme (UNDP) for seven countries -- the Cook Islands, Kiribati, the Marshall Islands, Micronesia, Nauru, the Solomon Islands and Tonga.

THINK

- Locate- the Cook Islands, Kiribati, the Marshall Islands, Micronesia, Nauru, the Solomon Islands and Tonga Grenada, Tuvalu, and Vanuatu.

Q.133) Which of the following are the 'new issues', which developed countries wants to discuss in WTO?

1. E-commerce
2. Competition laws
3. Environment
4. Export subsidies.

Select the correct answer using the codes given below.

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

Q.133) Solution (a)

The rich (developed) countries wanted the introduction of new issues of their interests which included—**global value chain, e-commerce, competition laws, labour, environment and investments** for discussion in WTO's Ministerial Conference.

Do you know?

Non-trade issues –

- Developed nations strived to bring into the discussions a stream of issues **from rules for small and medium enterprises to gender rights in global trade**, which India has categorized as nontrade issues.
- Many of these proposals run counter to India's interests while also reducing the policy space for governments if norms are decided beforehand.

THINK!

- Peace clause

Q.134) The theme of 2017's summit was 'shaping an interconnected world'. Which of the following organization's theme is this?

- a) World Economic Forum
- b) G-20
- c) World Entrepreneurship Summit
- d) ASEAN

Q.134) Solution (b)

The G-20 summit 2017 was held in Hamburg, Germany. The theme of this year's summit was 'shaping an interconnected world'.

Do you know?

The G20 brings together 19 countries plus the EU. The G20 summit was established in 2008 amidst the global financial crisis to increase international economic. Since then, G20 members have been meeting annually to discuss a wide range **of issues related to economic and financial cooperation**.

THINK!

- BRICS

Q.135) Which of the following is not the member of the SASEC?

- a) India
- b) Bangladesh
- c) Myanmar
- d) Thailand

Q.135) Solution (d)

The seven-member SASEC formed in 2001 comprises **India, Bangladesh, Bhutan, Maldives, Nepal, Sri Lanka and Myanmar**, and aims to increase economic growth by building cross border connectivity.

Do you know?

- South Asian Sub-Regional Economic Cooperation (SASEC) Road Connectivity Investment Program focuses on road infrastructure to improve regional connectivity between Bangladesh, Bhutan, Nepal and India (BBIN).

THINK!

- SAARC

Q.136) Consider the following statements about Global Foreign Exchange Committee (GFXC).

1. It is a forum for the promotion of a robust and transparent forex market.
2. It has been established under the aegis of IMF.
3. The committee comprises of both public and private sector representatives.

Which of the above statements is/are correct?

- a) 1 and 2 only
- b) 1 and 3 only
- c) 2 and 3 only
- d) All the above

Q.136) Solution (b)**Global Foreign Exchange Committee**

- It is forum of central bankers and experts working towards promotion of a robust and transparent forex market.
- It has been established under the **aegis of BIS**.

- The committee comprises of **public and private sector representatives** from the foreign exchange committees of 16 international forex trading centers.
- One of the major tasks of the committee is to maintain and update the “Global Code of Conduct for the Foreign Exchange Markets”.

Do you know?

- Bank of International Settlements (BIS) is the bank to central banks and aims to support global financial and monetary stability. It is headquartered in Basel, Switzerland.

THINK!

- World Social Forum

Q.137) Consider the following pairs.

Organization	Report
1. United Nations Conference on Trade and Development	World Investment Report
2. World Economic Forum	World Economic Outlook
3. Bank of International Settlements	Global Financial Stability Report
4. International Labour Organization	World Social Protection Report

Which of the above pairs is/are correctly matched?

- 1, 2 and 3 only
- 2 and 4 only
- 1 and 4 only
- All the above

Q.137) Solution (c)

Sl No	Organization	Report
1	United Nations Conference on Trade and Development	World Investment Report

2	World Economic Forum	Global Information Technology Report, Travel and Tourism Competitiveness Report, Global Competitiveness Report (GCR)
3	Bank of International Settlements	Global Financial System Report
4	International Labour Organization	World Social Protection Report, World of Work Report, Global Wage Report
5	IMF (International Monetary Fund)	Global Financial Stability Report, World Economic Outlook
6	FATF (Financial Action Task Force)	Global Money Laundering Report
7	IBRD (World Bank)	Ease of Doing Business, World Development Report

Do you know?

- The latest rankings in the **World Happiness Report** place India as low as **133 on the list of 156**. Now that's a rank that shows how unhappy Indians really are despite all the amenities and benefits. What is the bigger concern for India is that the country has slipped a further 11 places in the 2018 report as compared to 2017 where it dropped by 4 places.

THINK!

- Global environmental outlook

Q.138) The Asian Development Bank was established following the recommendations of the United Nations Economic and Social Commission for Asia and Pacific. Which of the following statements regarding ADB are correct?

1. It provides financial assistance and loans only to developing countries of Asia.
2. India is a founding member of ADB
3. ADB provides loans only to Environment friendly infrastructure in developing countries.

Select the code from following:

- a) 1 and 2
- b) 2 only

- c) 2 and 3
- d) None of the above

Q.138) Solution (b)

The ADB defines itself as a social development organization that is dedicated to reducing poverty in Asia and the Pacific through inclusive economic growth, environmentally sustainable growth, and regional integration. This is carried out through investments – in the form of loans, grants and information sharing – in infrastructure, health care services, financial and public administration systems, helping nations prepare for the impact of climate change or better manage their natural resources, as well as other areas.

Eighty percent of ADB's lending is concentrated public sector lending in five operational areas.

- Education – Most developing countries in Asia and the Pacific have earned high marks for a dramatic rise in primary education enrollment rates in the last three decades, but daunting challenges remain, threatening economic and social growth.
- Environment, Climate Change, and Disaster Risk Management – Environmental sustainability is a prerequisite for economic growth and poverty reduction in Asia and the Pacific.
- Finance Sector Development – The financial system is the lifeline of a country's economy. It creates prosperity that can be shared throughout society and benefit the poorest and most vulnerable people. Financial sector and capital market development, including microfinance, small and medium-sized enterprises, and regulatory reforms, is vital to decreasing poverty in Asia and the Pacific. This has been a key priority of the Private Sector Operations Department (PSOD) since 2002. One of the most active sub-sectors of finance is the PSOD's support for trade finance. Each year the PSOD finances billions of dollars in letters of credit across all of Asia and the rest of the world.
- Infrastructure, including transport and communications, energy, water supply and sanitation, and urban development.
- Regional Cooperation and Integration – Regional cooperation and integration (RCI) was introduced by President Kuroda when he joined the ADB in 2004. It was seen as a long-standing priority of the Japanese government as a process by which national economies become more regionally connected. It plays a critical role in accelerating economic growth, reducing poverty and economic disparity, raising productivity and employment, and strengthening institutions.
- Private Sector Lending – This priority was introduced into the ADB's activities at the insistence of the Reagan Administration. However, that effort was never a true

priority until the administration of President Tadeo Chino who in turn brought in a seasoned American banker – Robert Bestani. From then on, the Private Sector Operations Department (PSOD) grew at a very rapid pace, growing from the smallest financing unit of the ADB to the largest in terms of financing volume. As noted earlier, this culminated in the Long Term Strategic Framework (LTSF) which was adopted by the Board in March 2008.

Note: Financial assistance is provided to member countries in Asia and Pacific region.

Do you know?

- The headquarters of ADB is in Manila, Philippines.
- India is a founding member of ADB.

Q.139) The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. FSB has been established by

- a) World Bank
- b) IMF
- c) World Economic Forum
- d) G 20

Q.139) Solution (d)

Financial Stability Board (FSB)

The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. It was established after the G20 London summit in April 2009 as a successor to the Financial Stability Forum (FSF). The Board includes all G20 major economies, FSF members, and the European Commission. Hosted and funded by the Bank for International Settlements, the board is based in Basel, Switzerland.

Think

- Bank for International Settlement

Q.140) Which of the following statements regarding Organisation of Petroleum Exporting Countries (OPEC) are correct?

1. Venezuela is the only South American country which is part of OPEC.

2. The headquarters of OPEC is in Jeddah, Saudi Arabia
3. OPEC publishes the "World Oil Outlook" (WOO) annually, in which it presents a comprehensive analysis of the global oil industry including medium- and long-term projections for supply and demand.

Select the code from following:

- a) 1 and 2
- b) 2 and 3
- c) 3 only
- d) All of the above

Q.140) Solution (c)

Organization of the Petroleum Exporting Countries (OPEC)

Organization of the Petroleum Exporting Countries is an intergovernmental organization of 14 nations as of February 2018, founded in 1960 in Baghdad by the first five members (Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela), and **headquartered since 1965 in Vienna, Austria.**

As of May 2017, OPEC has 14 member countries: six in the Middle East (Western Asia), six in Africa, and two in South America. According to the U.S. Energy Information Administration (EIA), OPEC's combined rate of oil production (including gas condensate) represented 44 percent of the world's total in 2016, and OPEC accounted for 73 percent of the world's "proven" oil reserves, including 48 percent from just the six Middle Eastern members.

As of May 2017, OPEC's members are Algeria, Angola, Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia (the de facto leader), United Arab Emirates, and Venezuela, while Indonesia is a former member.

Since 2007, OPEC has published the "**World Oil Outlook**" (WOO) annually, in which it presents a comprehensive analysis of the global oil industry including medium- and long-term projections for supply and demand. OPEC also produces an "Annual Statistical Bulletin" (ASB), and publishes more-frequent updates in its "**Monthly Oil Market Report**" (MOMR) and "**OPEC Bulletin**".

Q.141) The three boxes of World Trade Organisation comes under its Agreement on Agriculture. These boxes denote different kind of domestic subsidies provided in a country. Which of the following statements are correct regarding Amber box subsidy?

1. It contains domestic support measures which are considered to distort production and trade.
2. 5 % of agricultural production for developed countries, 10 % for developing countries of such subsidy is allowed.

Select the code from following:

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

Q.141) Solution (c)

Amber box Subsidy

- It contains aid to be avoided and reduced.
- Defined in Article 6 of the Agriculture Agreement , as all domestic supports except those in the blue and green boxes.
- All domestic support measures considered to distort production and trade (with some exceptions)
- Include measures to support prices, subsidies directly related to production quantities, export subsidies, cheap loans etc
- E.g. When European Union buys up cereals and dairy products at guaranteed prices from its producers, (Like Indian Minimum Support Prices but AOA didn't object to Indian MSP programmes) it is amber-box aid.
The European Union often rebates on interest rates in the farming sector.
- These supports are subject to limits: de minimis" minimal supports are allowed (5 % of agricultural production for developed countries, 10 % for developing countries); the 30 WTO members that had larger subsidies than the de minimis levels at the beginning of the post-Uruguay Round reform period are committed to reduce these subsidies.

Think

- Blue Box subsidy
- Green Box Subsidy
- Red Box subsidy

Q.142) The Multilateral Investment Guarantee Agency (MIGA) is an international financial institution which offers political risk insurance and credit enhancement guarantees. MIGA provides insurance to cover which of the five types of Non – Commercial risks?

1. Currency inconvertibility
2. War, terrorism and civil disturbance
3. Breaches of Contract
4. Government Expropriation

Select the code from following:

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

Q.142) Solution (d)

Multilateral Investment Guarantee Agency (MIGA)

MIGA is a member of the World Bank Group. MIGA's mission is to promote foreign direct investment (FDI) into developing countries to help support economic growth, reduce poverty, and improve people's lives.

The Multilateral Investment Guarantee Agency (MIGA) is an international financial institution which offers political risk insurance and credit enhancement guarantees. These guarantees help investors protect foreign direct investments against political and non-commercial risks in developing countries.

Members:

MIGA is owned by its 181 member governments, consisting of 156 developing and 25 industrialized countries. The members are composed of 180 United Nations member states plus Kosovo. Membership in MIGA is available only to countries who are members of the World Bank, particularly the International Bank for Reconstruction and Development.

MIGA offers insurance to cover five types of non-commercial risks: currency inconvertibility and transfer restriction; government expropriation; war, terrorism, and civil disturbance; breaches of contract; and the non-honoring of financial obligations. MIGA will cover investments such as equity, loans, shareholder loans, and shareholder loan guarantees. The agency may also insure investments such as management contracts, asset securitization, bonds, leasing activities, franchise agreements, and license agreements. The agency

generally offers insurance coverage lasting up to 15 years with a possible five-year extension depending on a given project's nature and circumstances.

Q.143) The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries. Which of the following statements regarding IDA is/are correct?

1. IDA aims to reduce poverty by providing loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions.
2. IDA credits have a zero or very low interest charge and repayments are stretched upto 100 years, including a 5- to 10-year grace period.

Select the code from following:

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

Q.143) Solution (a)

International Development Association (IDA)

The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries. Overseen by 173 shareholder nations, IDA aims to reduce poverty by providing loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions.

IDA complements the World Bank's original lending arm—the International Bank for Reconstruction and Development (IBRD). IBRD was established to function as a self-sustaining business and provides loans and advice to middle-income and credit-worthy poor countries. IBRD and IDA share the same staff and headquarters and evaluate projects with the same rigorous standards.

IDA is one of the largest sources of assistance for the world's 75 poorest countries, 39 of which are in Africa, and is the single largest source of donor funds for basic social services in these countries.

IDA lends money on concessional terms. This means that IDA credits have a zero or very low interest charge and repayments are stretched over 25 to 40 years, including a 5- to 10-year grace period. IDA also provides grants to countries at risk of debt distress.

Think

- IBRD
- World bank Group

Q.144) Voting power in the IMF is based on a quota system. Which of the following regarding Voting rights is/are correct?

1. Each member has a number of basic votes, plus one additional vote for each Special Drawing Right (SDR) of 100,000 of a member country's quota.
2. Quota of a country in IMF is decided by the size of the economy and its importance.

Select the code from below:

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

Q.144) Solution (c)

Voting in IMF

Voting power in the IMF is based on a quota system. Each member has a number of basic votes (each member's number of basic votes equals 5.502% of the total votes), plus one additional vote for each Special Drawing Right (SDR) of 100,000 of a member country's quota. The Special Drawing Right is the unit of account of the IMF and represents a claim to currency. It is based on a basket of key international currencies. The basic votes generate a slight bias in favour of small countries, but the additional votes determined by SDR outweigh this bias. Changes in the voting shares require approval by a supermajority of 85% of voting power.

How the size of quota for each member country is determined.

The quota of a country depends on its economic importance. When a country joins the IMF, it is assigned an initial quota in the same range as the quotas of existing members that are broadly comparable in economic size and characteristics. The IMF uses a quota formula to guide the assessment of a member's relative position.

The current quota formula (applied for 14th quota review) is a weighted average of GDP (weight of 50 percent), openness (30 percent), economic variability (15 percent), and international reserves (5 percent). For this purpose, GDP is measured through a blend of GDP—based on market exchange rates (weight of 60 percent)—and on PPP (Purchasing Power Parity) exchange rates (40 percent). The formula also includes a “compression factor” that reduces the dispersion in calculated quota shares across members. Quota formula is also subjected to review.

Think

Controversy in Quota of developing economies

Q.145) With regard to OPEC, consider the following statements

1. Vienna is the Headquarters of OPEC
2. Iran is not a part of OPEC
3. OPEC members include countries from Middle East, Africa and South America

Select the correct answer from the codes given below

- a) 2 only
- b) None
- c) 1 and 3 only
- d) 1, 2 and 3

Q.145) Solution (c)

The Middle East is a transcontinental region centered on Western Asia and Egypt.

The Organization of the Petroleum Exporting Countries (OPEC) is a permanent, intergovernmental Organization, created at the Baghdad Conference on 1960, by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. The five Founding Members

headquartered since 1965 in Vienna. As of 2015, the 13 countries accounted for an estimated 40 % percent of global oil production and 70% percent of the world's "proven" oil reserves, giving OPEC a major influence on global oil prices that were previously determined by American-dominated multinational oil companies.

The organization is also a significant provider of information about the international oil market. As of December 2017, OPEC's members are Algeria, Angola, Ecuador, Gabon, Iran,

Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia (the de facto leader), United Arab Emirates, and Venezuela. Two-thirds of OPEC's oil production and reserves are in its six Middle Eastern countries that surround the oil-rich Persian Gulf.

The effect can be particularly strong when wars or civil disorders lead to extended interruptions in supply.

Economists often cite OPEC as a textbook example of a cartel that cooperates to reduce market competition, but whose consultations are protected by the doctrine of sovereign immunity under international law.

Q.146) Consider the following statements regarding 'New Development Bank':

1. It is a multilateral development bank established by the BRICS countries.
2. The Bank shall support public or private projects through loans, guarantees, equity participation and other financial instruments.
3. 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 voting power.

Which of the above statements are correct?

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.146) Solution (d)

The **New Development Bank (NDB)**, formerly referred to as the **BRICS Development Bank**, is a multilateral development bank established by the BRICS states (Brazil, Russia, India, China and South Africa). According to the Agreement on the NDB, "the Bank shall support public or private projects through loans, guarantees, equity participation and other financial instrument." Moreover, the NDB "shall cooperate with international organizations and other financial entities, and provide technical assistance for projects to be supported by the Bank."

The initial authorized capital of the bank is \$100 bln divided into 1 mln shares having a par value of \$100,000 each. The initial subscribed capital of the NDB is \$50 bln divided into paid-in shares (\$10 bln) and callable shares (\$40 bln). The initial subscribed capital of the bank was equally distributed among the founding members. The Agreement on the NDB specifies

that the voting power of each member will be equal to the number of its subscribed shares in the capital stock of the bank.

Q.147) Consider the below statements:

1. State entities can directly access funds from official lenders like ADB for financing infrastructure projects.
2. State entities can borrow funds from Official Development Assistance (ODA) for financing infrastructure projects.

Which of the statements given above is/are true?

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

Q.147) Solution (c)

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the policy guidelines to allow financially sound State Government entities to borrow directly from bilateral ODA (Official development Assistance) partners for implementation of vital infrastructure projects.

The guidelines will facilitate the State Government entities to directly borrow from the external bilateral funding agencies subject to fulfilment of certain conditions and all repayments of loans and interests to the funding agencies will be directly remitted by the concerned borrower. The concerned State Government will furnish guarantee for the Loan. The Government of India will provide counter guarantee for the loan.

External assistance today plays a supportive role in financing major infrastructure projects, social sector projects and in building up institutional capacity. The role of external assistance has gained further significance in view of the large gap in funding requirements for major infrastructure projects implemented by the State Governments in order to acquire competitive strength under the globalized economic framework.

Q.148) With reference to Asia Pacific Trade Agreement (APTA), consider the following statements:

1. APTA is a preferential trade agreement between six developing countries of Asia including China and Korea.
2. APTA is an initiative by the UN Economic and Social Commission for Asia and the Pacific.

Which of the statements given above is/are not true about APTA?

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

Q.148) Solution (d)

The Asia-Pacific Trade Agreement (APTA), previously named the Bangkok Agreement, signed in 1975 as an initiative of ESCAP, is a preferential tariff arrangement that aims at promoting intra-regional trade through exchange of mutually agreed concessions by member countries. APTA has six members namely Bangladesh, China, India, Republic of Korea, Lao People's Democratic Republic and Sri Lanka. ESCAP functions as the secretariat for the Agreement.

Q.149) A latin phrase "res extra commercium" has been in news recently. If applied it will impact which of the following?

- a) Trade rights of a company
- b) Right to freedom of movement
- c) Right to residence
- d) Subsidiary holding rights of a company

Q.149) Solution (a)

"Res extra commercium", is a Latin phrase meaning "outside commerce".

It dates back to the Roman period.

The Indian government is pushing the Supreme Court to apply this rarely used doctrine to tobacco industry.

If applied, the doctrine would have far reaching implications: in denying the industry's legal standing to trade, it gives authorities more leeway to impose restrictions.

It gives the state autonomy to completely ban trade in tobacco. It gives governments the constitutional cover that will protect future litigation. The industry will lose significant ground, as their protection of right to trade is gone.

Do you know?

- It has already been used in India, when the Supreme Court's application of the doctrine to alcohol in the 1970s paved the way for at least two Indian states to ban it completely and allowed courts to take a stricter stance while regulating liquor.

Q.150) Consider the following statements:

1. India was among the original members of the IMF when it started functioning in 1946.
2. Extended Fund Facility (EFF) is a service provided by the IMF to its member countries.
3. India had signed this agreement with the IMF in the financial year 1991–92.

Which of the statements given above is/are correct?

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

Q.150) Solution (b)

India was among the original members of the IMF when it started functioning in 1946.

The Extended Fund Facility (EFF) is a service provided by the IMF to its member countries which authorises them to raise any amount of foreign exchange from it to fulfill their BoP crisis, but on the conditions of structural reforms in the economy put by the body. It is the first agreement of its kind. India had signed this agreement with the IMF in the financial year 1981–82.

Q.151) Bangkok Agreement, which was signed in 1975 as an initiative of ESCAP, has been rechristened as –

- a) ASEAN Free Trade Area (AFTA)
- b) Raisina Dialogue

- c) Fortaleza Declaration
- d) Asia-Pacific Trade Agreement (APTA)

Q.151) Solution (d)

Bangkok Agreement, signed in 1975 as an initiative of ESCAP, has been rechristened as Asia-Pacific Trade Agreement (APTA). It is a preferential tariff arrangement that aims at promoting intra-regional trade through exchange of mutually agreed concessions by member countries.

APTA has six members namely Bangladesh, China, India, Republic of Korea, Lao People's Democratic Republic and Sri Lanka. ESCAP functions as the secretariat for the Agreement.

Q.152) Inclusive Development Index (IDI) is published by

- a) UNDP
- b) World Bank
- c) World Economic Forum
- d) None of the above

Q.152) Solution (c)

Inclusive Development Index (IDI)

- The Inclusive Development Index (IDI) 2018, a report published by the World Economic Forum, ranked India 62 out of the total 74 emerging countries
- The index namely has three pillars of growth for global economies: growth and development; inclusion, intergenerational equity and sustainability.
- The report says that the IDI is 'designed as an alternative to GDP that reflects more closely the criteria through which people evaluate their respective countries' economies'.

Q.153) Centre has announced a recapitalization plan for the Public-Sector Banks (PSBs) through issuance of recapitalization bonds. Consider the benefits of recap bonds.

1. There will be less burden on taxpayer.
2. Government can avoid crowding out private borrowings.
3. The method is potential solution for the structural problems in the banking system.

Which of the above statements is/are correct?

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

Q.153) Solution (d)

The recapitalization plan is a three-part package: Rs. 18000 crores from the budget, Rs. 58000 crores that banks can raise by diluting their equity and Rs. 1.35 lakh crore through issuance of recap bonds.

Recapitalization Bonds approach

- It refers to using equity money in order to restructure an institution's debt.
- The bonds can be issued either directly by the government or through a holding company.
- The government will issue bonds to the banks for a share of the bank's Equity.
- The annual interest on these bonds and the principal on redemption will be paid by the central government.
- These bonds can be sold off by the banks in the market when in need of capita

Benefits of Recapitalization Bonds

- The government need not to raise immediate tax revenues to fund the mounting bill on bank recapitalization, **which means less burden on the taxpayer.**
- Borrowing directly from the banking system instead of the markets, **the government can avoid crowding out private borrowings or distorting market yields.**
- Recapitalization Bonds does not strain the banking finances, because lending to the government is safest for their loan funds. In any case, public sector banks tend to invest well in excess of their Statutory Liquidity Ratio requirements in government securities.

Limitation of Recapitalization Bonds

- **The method is not the solution for the structural problems in the banking system** that have been created by the bad loan menace, poor governance systems, badly judged lending decisions, and the repeated overlooking of doubtful accounts of potential NPAs. The nature of capital infusion shows that it is a kind of bailout offering and not necessarily trying to aid the banks in growth.
- The credit demand of loans is weak in the current market, which could have negative impact on banking operation.

Do you know?

- The Insolvency and Bankruptcy Board of India (IBBI) is the **regulator for overseeing** insolvency proceedings and entities like Insolvency Professional Agencies (IPA), Insolvency Professionals (IP) and Information Utilities (IU) in India.

THINK!

- PARA

Q.154) Select the most appropriate statement regarding Domestic Systemically Important Banks (D-SIBs)

- a) Banks whose assets exceed 1% of GDP are considered part of this group.
- b) D-SIB means that the bank is too big to fail.
- c) D-SIB means all the nationalized banks
- d) D-SIB means banks that work on behalf of Government's foreign dealings.

Q.154) Solution (b)

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

According to the RBI, some banks become systemically important due to their size, cross-jurisdictional activities, complexity and lack of substitute and interconnection. Banks whose assets exceed 2% of GDP are considered part of this group. The RBI stated that should such a bank fail, there would be significant disruption to the essential services they provide to the banking system and the overall economy.

The too-big-to-fail tag also indicates that in case of distress, the government is expected to support these banks. Due to this perception, these banks enjoy certain advantages in funding. It also means that these banks have a different set of policy measures regarding systemic risks and moral hazard issues.

Q.155) Consider the following statements about Sampoorna Bima Gram Yojana (SBG) yojana.

1. It is launched by Ministry of Social Justice and Empowerment.
2. It intends to provide affordable life insurance services to people living in rural areas of the country through the postal network
3. Coverage of all households in the identified Sampoorna Bima Gram village is the primary objective of this scheme.

Which of the above statements is/are correct?

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

Q.155) Solution (b)

Ministry of Communications launched Sampoorna Bima Gram Yojana (SBG) yojana and also expanded the coverage of Postal Life Insurance. It aims to provide **affordable life insurance services** to people living in rural areas of the country through the postal network.

Under Sampoorna Bima Gram (SBG) Yojana, at least one village (having a minimum of 100 households) will be identified in each of the revenue districts of the country, wherein endeavor will be made to cover all households of that identified village with a minimum of one RPLI (Rural Postal Life Insurance) policy each. **Coverage of all households in the identified Sampoorna Bima Gram village is the primary objective of this scheme.**

Do you know?

- Postal Life Insurance (PLI), introduced in 1884, is one of the oldest life insurance schemes for benefit of Government and semi-Government employees. Rural Postal Life Insurance (RPLI), introduced on March 24, 1995 on recommendations of Malhotra Committee, provides insurance cover to people residing in rural areas, especially weaker sections and women living in rural areas. Low Premium and High Bonus is the unique feature of PLI and RPLI schemes.

THINK!

- Insurance Regulatory and Development Authority of India

Q.156) Which of the following is not the Market Infrastructure Institution?

- a) State Bank of India
- b) Bombay Stock Exchange
- c) Central Depository Services Ltd
- d) Indian Clearing Corporation Ltd

Q.156) Solution (a)

Market Infrastructure Institutions (MII)

These institutions are systemically important for the country's financial development and serve as the infrastructure necessary for the securities market.

They include stock exchanges, depositories and clearing corporations.

- BSE is stock exchange
- CDSL is Depository
- Indian Clearing Corporation Ltd is clearing corporation
- Whereas SBI is Banking Institution, So doesn't come under the definition of Market Infrastructure Institutions

Do you know?

- Recently, SEBI constituted a committee under **former RBI deputy governor R. Gandhi** to review the norms for Market Infrastructure Institutions (MII).

THINK!

- Domestic Systemically Important Banks (D-SIBs)

Q.157) Universal Service Obligation Fund aims to

- a) Provide accessible and affordable health to poor and vulnerable Indians through Ayushman Bharat.
- b) Subsidies the rooftop solar energy for the clients through National Solar Mission.
- c) Provide non-discriminatory access to quality ICT services at affordable prices to people in rural and remote areas.
- d) Provide accessible and affordable electricity through Saubhagya scheme.

Q.157) Solution (c)

Universal Service Obligation Fund:

It aims to provide non-discriminatory access to quality ICT services at affordable prices to people in rural and remote areas through subsidy support to incentivizing telecom service providers to venture forth and provide services to such target beneficiaries.

It was envisaged in National Telecom Policy, 1999 and was given statutory status through Indian Telegraph (Amendment) Act, 2003.

The resources are raised through a 'Universal Access Levy (UAL)', which would be a percentage of the revenue earned by the operators under various licenses.

Do you know?

- Bharat Net Project is funded through Universal Service Obligation Fund (USOF). It is being implemented by a special purpose vehicle (SPV) named Bharat Broadband Network Ltd (BBNL) set up under Companies Act

THINK!

- Telecom Regulatory Authority of India.

Q.158) Which of the following statements are correct regarding Pradhan Mantri Suraksha Bima Yojna?

1. The scheme is available to age group of 40 – 70 years.
2. The risk coverage under the scheme is Rs. 2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability.
3. The premium of Rs.12 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility.

Select the code from following:

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.158) Solution (b)**Pradhan Mantri Suraksha Bima Yojana (PMSBY)**

- The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis.
- Aadhar would be the primary KYC for the bank account.
- The risk coverage under the scheme is Rs. 2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability.
- The premium of Rs.12 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility in one installment.
- The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.

Q.159) Which of the following statements is/are correct regarding Headline Inflation?

1. Headline inflation is a measure of the total inflation within an economy, including commodities such as food and energy prices.
2. It is highly volatile and prone to inflationary spikes

Select the code from following:

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

Q.159) Solution (c)

Headline Inflation

Headline inflation is a measure of the total inflation within an economy, including commodities such as food and energy prices (e.g., oil and gas), which tend to be much more volatile and prone to inflationary spikes. On the other hand, "core inflation" (also non-food-manufacturing or underlying inflation) is calculated from a price index minus the volatile food and energy components. Headline inflation may not present an accurate picture of an economy's inflationary trend since sector-specific inflationary spikes are unlikely to persist.

Think

- Core Inflation

Q.160) Green Accounting is seen as an important step towards Sustainable development. Which of the following statements correctly defines Green Accounting?

- a) It accounts for all the biological resources in monetary terms.
- b) It is a type of accounting that attempts to factor environmental costs into the financial results of operations.
- c) It is a type of accounting that extrapolates the impact on environment in monetary terms of the proposed Greenfield projects.
- d) It is the accounting of wildlife resources so that a quota can be maintained for exploitation of these resources.

Q.160) Solution (b)**Green accounting**

Green accounting is a type of accounting that attempts to factor environmental costs into the financial results of operations. It has been argued that gross domestic product ignores the environment and therefore policymakers need a revised model that incorporates green accounting.

The major purpose of green accounting is to help businesses understand and manage the potential quid pro quo between traditional economics goals and environmental goals. It also increases the important information available for analyzing policy issues, especially when those vital pieces of information are often overlooked. Green accounting is said to only ensure weak sustainability, which should be considered as a step toward ultimately a strong sustainability.

Q.161) Government of India has decided to do away with Five year Plan process and replace it with 15 year Vision Document. Which of the following statements regarding 15 year Vision document are correct?

1. The first 15 year Vision doc has come into effect since Financial year 2014 -15.
2. It will be formulated with central objective of eradicating poverty.
3. It will come along with a 7 year National Development Agenda which will lay down schemes and targets.

Select the code from following:

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.161) Solution (b)**15 year Vision Document**

In May 2016, the Prime Minister's Office advised the NITI Aayog, its premier, independent think tank, to prepare a Fifteen Year Vision, Seven Year Strategy and Three Year Action Agenda. The Fifteen Year Vision and Seven Year Strategy document spanning 2017-18 to 2031-32 is in progress. The Action Agenda covers the period from 2017-18 to 2019-20, the last years of the Fourteenth Finance Commission.

How does the Vision, Strategy and Action Agenda exercise differ from the Five Year Plan process?

The 12th Five Year Plan was the last of the Five Year Plans. With an increasingly open and liberalized economy and given the new realities of the global economy, we needed to rethink the tools and approaches to conceptualizing the development process. The Vision, Strategy and Action Agenda framework will allow us to better align the development strategy with the changed reality of India.

An Overview of the Three Year Action Agenda

In preparing the Agenda, the NITI Aayog sought and received inputs from State Governments, Union Territories and Ministries of the Central Government. Extensive consultations were held with groups of scientists, economists, journalists, voluntary organizations, industry associations and experts in education, health, culture, transport and other fields. Numerous experts and institutions provided useful written inputs.

Q.162) The Phrase 'Hindu Growth Rate' was coined by the economist Raj Krishna. Hindu growth rate denotes the growth rate of –

- a) Indian Agriculture
- b) GDP
- c) Population
- d) Soft power of India

Q.162) Solution (b)

Hindu rate of growth

The phrase **Hindu rate of growth**, was christened by famous anti-establishment economist **Raj Krishna**, who used it to describe India's unsatisfactory growth trend, which at the time (1950-80) was stuck at 3.5 to 4% per year. He was a staunch opponent of the government's pro-socialist, protectionist and interventionist policies, popularly known as 'license-permit-quota-raj', a term that refers to the copious licences, tedious regulations and accompanying red tape that were necessary to set up businesses in India between 1947 and 1990.

The rate of growth reflected the Hindu philosophy of contentment (a state of happiness and satisfaction) and good karma (action, work or deed), which are essential traits for leading a better afterlife. Small rate of growth alone does not characterise Hindu rate of growth. Prolonged low growth rate, but not an economic contraction, is not sufficient to be deemed

as the Hindu rate of growth. In addition to growth being low and extending over a long period of time, the term also captures a low per-capita GDP, by factoring in the population growth.

Q.163) In which of the following census, the decadal increase in population was less than the previous decade i.e. number of person added in the population were less than the previous decade?

1. 1991
2. 1921
3. 1951
4. 2011

Select the code from following:

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

Q.163) Solution (b)

Factual question

The population added from 1911 – 1921 was less than the number added from 1901 – 1911. The reason behind this was plague and famine which killed almost 1/4rd of India's population.

Since then only in 2011 this happened that population added from 2001 – 2011 was less than the number added during 1991 – 2001. The reason behind this is economic development and implementation of India's population policy.

Q.164) Which of the following statements are correct regarding Neeranchal watershed Program?

1. The scheme will be implemented with the assistance of World bank
2. The project is implemented by the Union Ministry of Rural Development.
3. It seeks to ensure access to irrigation to every farmland (Har Khet Ko Pani) and for efficient use of water (Per Drop More Crop).

Select the code from following

- a) 1 only
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Q.164) Solution (d)

Neeranchal Watershed Program

For achieving the major objectives of the Watershed Component of the Pradhan Mantri Krishi Sinchayi Yojana (PMKSY) and for ensuring access to irrigation to every farm (Har Khet Ko Pani) and efficient use of water (Per Drop More Crop), Neeranchal is primarily designed to address the following concerns:

- bring about institutional changes in watershed and rainfed agricultural management practices in India,
- build systems that ensure watershed programmes and rainfed irrigation management practices are better focussed, and more coordinated, and have quantifiable results,
- devise strategies for the sustainability of improved watershed. management practices in programme areas, even after the withdrawal of project support,
- through the watershed plus approach, support improved equity, livelihoods, and incomes through forward linkages, on a platform of inclusiveness and local participation.

Neeranchal will translate into better implementation outcomes of PMKSY. The programme will lead to reducing surface runoff of rainwater, increasing recharge of ground water and better availability of water in rainfed areas resulting in incremental rainfed agriculture productivity, enhanced milk yield and increased cropping intensity through better convergence related programmes in project areas.

The total cost of the project is Rs. 2142.30 crore of which the Government's share is Rs. 1071.15 crore (50 percent) and rest is the loan component from the World Bank.

Q.165) Consider the below pairs with regard to economic schools of thought:

1. Classical school : : Strongly believed in the efficiency of Free Markets to generate economic development.

2. Modern school : : Believed in government's interference and influence in the economic process.

Which of the above given pairs is/are correct?

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

Q.165) Solution (c)

Two school of thoughts – Classical economics and Modern/Keynesian economics

Classical School

- Main idea – Markets works best when they are left alone (Laissez Faire)
- Main proponent – Adam Smith
- No/smallest role to government
- Strongly believes in the efficiency of Free Markets to generate economic development or the Automatic Self-Adjustment Mechanism.
- In other words, economy would always return to the full employment level of real output through an automatic self adjustment mechanism.

Modern School:

- Main proponent – John Maynard Keynes
- Skeptic about free-market or Laissez Faire
- Believe in government's interference and influence in the economic process

Q.166) Consider the below given pairs in regard to 4 Main Phases of a Business Cycle:

1. Boom : : Business activity at high level with increasing income, output and employment at macro level
2. Recession : : Gradual fall of income, output and employment with business activity in a low gear
3. Depression : : Unprecedented level of under employment and unemployment, drastic fall in income, output and employment
4. Recovery : : Steady rise in the general level of prices, income, output and employment

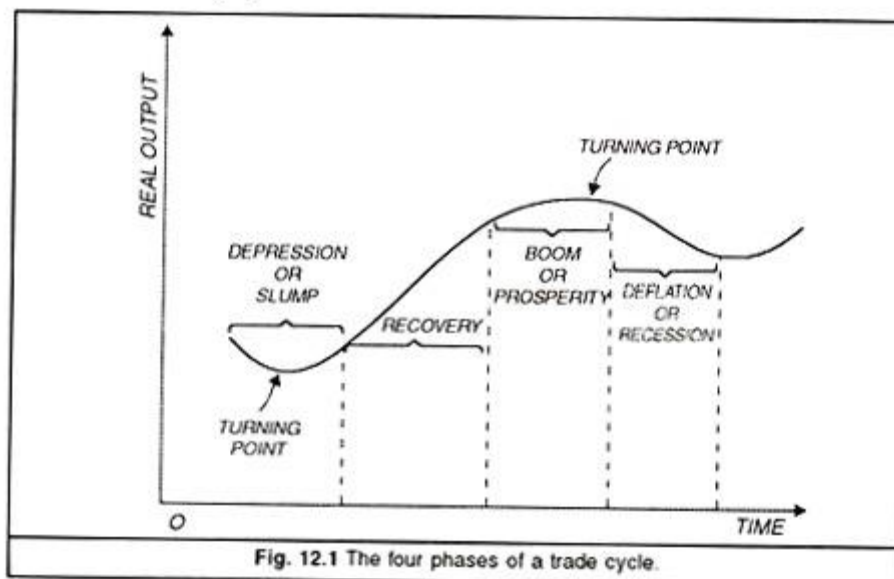
Which of the above given pairs is/are correct?

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

Q.166) Solution (d)

The following points highlight the four main phases of a trade/business cycle. The phases are:

1. Slump/Depression
2. Recovery
3. Boom
4. Deflation.



Boom

During a boom, the economy is growing and output is high. Consumer spending is also at a high, with many willing to borrow money in order to fund their purchases. High mortgage lending by banks and building societies helps the growing figure of house prices. Unemployment is likely to be at a low, so much so businesses may find it difficult to recruit new employees. There will be a strong demand for goods and services and, combined with

an increase in wages (as businesses compete to employ a limited supply of workers) inflation may increase. Businesses may not be able to cope with the increased demand, instead demand is likely to shift towards imported goods. Encouraged by the strong demand, businesses tend to increase their investment spending in order to maximise their capacity. The number of new businesses created will be at record numbers, having been attracted by the possibility of high profits.

Recession

If GDP is growing at a very low rate, the terms 'recession' or 'downturn' are usually applied. During this time the rate of economic growth begins to fall. Due to the decrease in growth, unemployment levels rise, this leads onto even lower demand growth. Businesses will find it increasingly difficult to push through price increases, causing the rate of inflation to fall. Many businesses will see a fall off in the growth of sales; profit growth will also falter and may even become negative. The demand for imported goods will fall as the rate of growth in overall spending by UK customers slows.

Slump/Depression

If economic growth becomes negative then it's referred to either as a 'slump' or 'depression'. During a slump unemployment is relatively high and inflation is low. Falls in demand will often lead to workers being laid off. It will become difficult for businesses to increase their prices without sacrificing sales. Investment by business will be low, and there will be spare capacity in the economy.

Recovery

During recovery the economy starts to pick up, the rate of GDP increases, moving from a negative position to a positive one. Unemployment, too, begins to fall as businesses are able to take on more workers in order to cope with the rise in economic activity. Inflation may increase alongside the rate of growth demand, and businesses will begin to increase their investment spending as business confidence increases.

Q.167) Incremental Capital Output Ratio (ICOR) is calculated to know the production efficiency of an economy. Which of the following statements are correct about ICOR?

- a) There is no relation between the value of ICOR and efficiency.
- b) It depends on the type of economic system.
- c) Higher the value of ICOR higher is the efficiency
- d) Lower the value of ICOR higher is the efficiency

Q.167) Solution (d)

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. The measure is used predominantly in determining a country's level of production efficiency.

ICOR is calculated as:

$$\text{ICOR} = \frac{\text{Annual Investment}}{\text{Annual Increase in GDP}} = 1/\text{efficiency}$$

The ICOR indicate additional unit of capital or investment needed to produce an additional unit of output. The utility of ICOR is that with more and more investment, the capital output ratio itself may change and hence the usual capital output ratio will not be useful.

Q.168) Choose the correct answer from below statements with regard to 'Blue Bonds' in India:

- a) These bonds are used to specifically finance water infrastructure
- b) It is an Indian innovation which fund the development of sustainable fisheries
- c) Sale of these bonds will be linked to a fisheries-management plan to develop the country's semi-industrial and artisanal fishing sectors
- d) All of the above

Q.168) Solution (a)

Blue Bonds are bonds used to specifically finance water infrastructure. Globally blue bond issuances have crossed \$10 billion, with India yet to enter the market.

Following global trends, the upcoming year is poised to witness the first 'blue bond' issuance in India. Given the rising financing gap in India's water sector, it is imperative to utilise such innovative mechanisms for water infrastructure augmentation.

Q.169) Which of the following correctly defines the term 'crowding out effect'?

- a) It is an investment process under which general public is kept out
- b) It is an economic theory which believes that more expenditure in social security generates economic growth

- c) It is an economic theory which believes that rise in public sector spending drive down or even eliminate private sector spending
- d) None of the above

Q.169) Solution (c)

Crowding out is an economic concept that describes a situation where government spending and borrowing reduces overall private sector consumption and investment. Crowding out can be caused by an expansionary fiscal policy financed by increased taxes, borrowing or both.

(Or)

Crowding out effect is an economic term referring to government spending driving down private sector spending or even eliminate private sector spending.

Crowding out can refer to when government borrowing absorbs all the available lending capacity in the economy. This causes interest rates to rise. As a result, private businesses and individuals find it cost prohibitive to borrow money to fund growth and expansion. This, in turn, can create a downturn in the economy, which lowers tax revenue and thus increases the need for the government to borrow even more money.

Crowding out can also refer to the government conducting activities that were traditionally performed by the private sector. For instance, an increase in government investment and grants to private businesses crowds out the financial entities, such as venture capital firms, that traditionally do this themselves.

Q.170) The Industrial Output data is captured and monitored, primarily, through two statistical activities - Annual Survey of Industries (ASI) and Index of Industrial Production (IIP). Consider the below statements in regard to it:

1. The ASI is conducted annually, whereas IIP on a monthly basis.
2. The ASI survey is computed and published by the National Sample Survey Office (NSSO).
3. The IIP index is computed and published by the Central Statistical Organisation (CSO).

Which of the statements given above is/are correct?

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

d) 1, 2 and 3

Q.170) Solution (b)

The Industrial Output data is captured and monitored, primarily, through two statistical activities –

1. Annual Survey of Industries (ASI) on an annual basis and
2. Index of Industrial Production (IIP) on a monthly basis.

(Important): In 2017, Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation revised the base year of Index of Industrial Production (IIP) and Wholesale Price Index (WPI) to 2011-12 base years, replacing the 2004-05 base years.

About Annual Survey of Industries (ASI)

The Annual Survey of Industries (ASI) is the principal source of industrial statistics in India. It provides information about the composition and structure of organised manufacturing sector comprising activities related to manufacturing processes, repair services, gas and water supply and cold storage.

The ASI is conducted annually under the Collection of Statistics Act, since 1959, to obtain comprehensive and detailed statistics of industrial sector with the objective of estimating the contribution of registered manufacturing industries as a whole to the national income.

About 'Index for Industrial Production'

The Index of Industrial Production (IIP) is an index which shows the growth rates in different industry groups of the economy in a stipulated period of time. The IIP index is computed and published by the Central Statistical Organisation (CSO) on a monthly basis.

IIP is a composite indicator that measures the growth rate of industry groups classified under,

1. Broad sectors, namely, Mining, Manufacturing and Electricity
2. Use-based sectors, namely Basic Goods, Capital Goods and Intermediate Goods.

The IIP is compiled on the basis of data sourced from 16 ministries/ administrative departments. Data for IIP are collected by various source agencies under different Acts/statutes.

Q.171) Among the below given statements about different income measures, identify the incorrect statement –

- a) National Income measures the stock of commodities held by the nationals of a country at a point of time.
- b) Personal Income is the total money income received by individuals and households of a country from all possible sources before direct taxes.
- c) Gross National Income is the sum of a nation's gross domestic product (GDP) plus net income received from overseas.
- d) Per Capita Income of a country is derived by dividing the national income of the country by the total population of a country.

Q.171) Solution (a)

A national income estimate measures the volume of commodities and services turned out during a given period, counted without duplication. Thus, a total of national income measures the flow of goods and services in an economy. National Income is a flow and not a stock. As contrasted with national wealth which measures the stock of commodities held by the nationals of a country at a point of time, national income measures the productive power of an economy in a given period to turn out goods and services for the satisfaction of human wants. Hence, statement (a) is incorrect.

There are various concepts of National Income. The main concepts of NI are: GDP, GNP, NNP, NI, PI, DI, and PCI. These different concepts explain about the phenomenon of economic activities of the various sectors of the various sectors of the economy.

Gross Domestic Product (GDP)

The most important concept of national income is Gross Domestic Product. Gross domestic product is the money value of all final goods and services produced within the domestic territory of a country during a year.

Gross National Product (GNP)

Gross National Product is the total market value of all final goods and services produced annually in a country plus net factor income from abroad. Thus, GNP is the total measure of the flow of goods and services at market value resulting from current production during a year in a country including net factor income from abroad.

Personal Income (PI)

Personal Income is the total money income received by individuals and households of a country from all possible sources before direct taxes.

$PI = NI - \text{Corporate Income Taxes} - \text{Undistributed Corporate Profits} - \text{Social Security Contribution} + \text{Transfer Payments}$

Disposable Income (DI)

The income left after the payment of direct taxes from personal income is called Disposable Income. Disposable income means actual income which can be spent on consumption by individuals and families. Thus, it can be expressed as:

$$DI = PI - \text{Direct Taxes}$$

From consumption approach,

$$DI = \text{Consumption Expenditure} + \text{Savings}$$

Per Capita Income (PCI)

Per Capita Income of a country is derived by dividing the national income of the country by the total population of a country. Thus,

$$PCI = \frac{\text{Total National Income}}{\text{Total National Population}}$$

Q.172) Consider the following statements about Negotiable Warehousing Receipts (NWR):

1. Enables farmers to seek loans from banks against NWRs.
2. It allows farmers to avoid distress sale.
3. It encourages scientific warehousing of goods.
4. It helps to increase liquidity in rural areas.

Which of the above statements is/are correct?

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

Q.172) Solution (d)

Warehouse Receipts are documents issued by warehouses to depositors against the commodities deposited in the warehouses, for which the warehouse is the bailee.

Warehouse Receipts may be either non-negotiable or negotiable. NWRs can be traded, sold, swapped and used as collateral to support borrowing. It is defined in the Warehousing (Development and Regulation) Act, 2007 (WDR Act). NWR was launched first in 2011 and are regulated by the Warehousing Development and Regulatory Authority (WDRA).

Benefits of NWR

- It helps farmers to **seek loans from banks against NWRs** and this way NWRs become a prime tool of trade.

- It allows farmers to extend the sales period of modestly perishable products beyond the harvesting season **and avoid distress sale.**
- It **allows transfer of ownership of a commodity** stored in a warehouse without having to deliver it physically.
- NWRs can enhance banks' interest in lending in respect of farm goods deposited by farmers in the registered warehouses **which can increase liquidity in the rural areas** and encourage **scientific warehousing of goods.**

Do you know?

Warehouse (Development and Regulation) Act, 2007

- To make provisions for the development and regulation of warehouses, negotiability of warehouse receipts etc.
- Warehousing Development and Regulatory Authority (WDRA) is implementing body.

THINK!

- National Commodity and Derivative Exchange.

Q.173) Which of the following statement is correct about International Road Federation (IRF)?

- a) The IRF is global non-governmental, not-for-profit organization.
- b) The IRF is global intergovernmental organization.
- c) The IRF is global Civil Society movement.
- d) The IRF is international private for-profit entity.

Q.173) Solution (a)

The IRF is global non-governmental, not-for-profit organization with mission to encourage and promote development and maintenance of better, safer and more sustainable roads and road networks.

IRF seeks to promote **social and economic benefits of sustainable and environmentally sound road transport infrastructure** at all levels of society.

It helps to put in place technological solutions and management practices that provide **maximum economic and social returns from national road investments.**

It provides a wide base of expertise for planning road development strategy and policy for governments and financial institutions in all aspects of road policy and development.

Do you know?

- Intelligent Transportation Systems visualizes information and communication technology (ICT) and advanced vehicular technologies, helping mobile vehicles and infrastructure communicate on a real-time basis.

THINK!

- National Intelligent Transportation System Policy

Q.174) Consider the following pairs with regard to GATS:

Modes of supplying services	Examples
1. Cross-border supply	Banking or architectural services transmitted via telecommunications or mail
2. Consumption abroad	Various kinds of tourism activities
3. Commercial presence	Domestic subsidiaries of foreign insurance companies or hotel chains
4. Presence of a natural person	Movement of skilled persons such as accountants, doctors or teachers

Which of the above pairs is/are correctly matched?

- 1, 2 and 3 only
- 2 and 3 only
- 1, 3 and 4 only
- All the above

Q.174) Solution (d)

The GATS distinguish between four modes of supplying services: cross-border trade, consumption abroad, commercial presence, and presence of natural persons. They have been defined as follows:

Mode 1: Cross-border supply

Cross-border supply is defined to cover services flows from the territory of one Member into the territory of another Member

Example: Banking or architectural services transmitted via telecommunications or mail

Mode 2: Consumption abroad

Consumption abroad refers to situations where a service consumer (e.g. tourist or patient) moves into another Member's territory to obtain a service

Example: Various kinds of tourism activities

Mode 3: Commercial presence

Commercial presence implies that a service supplier of one Member establishes a territorial presence, including through ownership or lease of premises, in another Member's territory to provide a service

Example: Domestic subsidiaries of foreign insurance companies or hotel chains

Mode 4: Presence of a natural person

Presence of natural persons consists of persons of one Member entering the territory of another Member to supply a service

Movement of skilled persons such as accountants, doctors or teachers.

Do you know?

- The General Agreement on Trade in Services (GATS) requires most-favoured-nation Treatment, market access commitments and national treatment. GATS was agreed upon at the end of the Uruguay Round negotiations with the participation of all Member nations including developing countries. The GATS covers a wide range of service industries such as financial services, transport and shipping, communications, construction, and distribution.

THINK!

- Anti-Counterfeiting Trade Agreement

Q.175) Consider the following statements with regard to Intellectual Property Rights.

1. The Paris Convention 1883 is for the Protection of Industrial Property
2. Berne Convention (1886) is for the protection copyrights.
3. The TRIPS Agreement incorporates and improves upon protection levels of the Paris Convention and the Berne Convention.

Which of the above statements is/are correct?

- a) 1 and 3 only

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

Q.175) Solution (c)

The WTO sought to establish an appropriate framework for the protection of intellectual property in order to bring greater order to international trade. A number of international treaties already form a common legal framework for the protection of intellectual property, **including the Paris Convention (1883) and covers patents, trademarks and other industrial property rights, the Berne Convention (1886) and covers copyrights.**

The TRIPS Agreement incorporates and improves upon protection levels of the Paris Convention (industrial property rights) and the Berne Convention (copyright).

Do you know?

- The TRIPS Agreement is based on the main conventions of the World Intellectual Property Organization (WIPO). Most of the provisions of these conventions have been incorporated into the TRIPS.

THINK!

- Trade Facilitation Agreement

Q.176) The 2018 edition of BRICS Summit will be held in

- a) Johannesburg
- b) Brasilia
- c) Moscow
- d) Durban

Q.176) Solution (a)

The 2017 edition of BRICS Summit was held in Xiamen China. The 2018 edition will be in Johannesburg South Africa.

Do you know?

- At the 2015 BRICS summit in Russia, ministers from BRICS nations, initiated consultations for a payment system that would be an alternative to the SWIFT system.

THINK!

- Cross-Border Inter-Bank Payments System (CIPS).

Q.177) Consider the following statements about Asian Infrastructure Investment Bank (AIIB).

1. Poverty reduction is one of the major goals.
2. It is headquartered in Beijing, China.
3. Its purpose is to provide finance to infrastructure development and regional connectivity projects in Asia region only.

Which of the above statements is/are correct?

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

Q.177) Solution (b)

AIIB is multilateral development bank initiated by China. Its purpose is to provide finance to infrastructure development and regional connectivity **projects in Asia-Pacific region.**

It was officially established in December 2015 and opened for business in January 2016. It is **headquartered in Beijing, China. Its goals are to boost economic development in Asia-Pacific region, provide infrastructure, and promote regional cooperation and partnership. It prioritizes investment in energy, power generation, transport, rural infrastructure, environmental protection and logistics in Asia.**

Poverty reduction is not one of its goal.

Do you know?

- China is largest shareholder of AIIB with 26.06% voting shares. India with 7.5% vote share is second largest shareholder followed by Russia, Germany and South Korea.

THINK!

- RCEP

Q.178) Which of the following statements are correct regarding voting rights in UN General Assembly?

- a) All member countries have one vote each.
- b) Number of votes is decided on the basis of population of a country
- c) Number of votes is decided by the grants given by a country to UN bodies.
- d) Number of votes is based on quota, decided by UN Security Council.

Q.178) Solution (a)**United Nations General Assembly**

The United Nations General Assembly is one of the six principal organs of the United Nations (UN), the only one in which all member nations have equal representation, and the main deliberative, policy-making and representative organ of the UN. Its powers are to oversee the budget of the UN, appoint the non-permanent members to the Security Council, receive reports from other parts of the UN and make recommendations in the form of General Assembly Resolutions.

Voting in the General Assembly on important questions, namely, recommendations on peace and security, budgetary concerns, and the election, admission, suspension or expulsion of members is by a two-thirds majority of those present and voting. Other questions are decided by a straightforward majority. Each member country has one vote. Apart from approval of budgetary matters, including adoption of a scale of assessment, Assembly resolutions are not binding on the members. The Assembly may make recommendations on any matters within the scope of the UN, except matters of peace and security under Security Council consideration. The one state, one vote power structure potentially allows states comprising just five percent of the world population to pass a resolution by a two-thirds vote.

Q.179) Which of the following statements are correct regarding United Nations Security Council?

- 1. Its primary responsibility is International Peace and Security.
- 2. It is responsible for International Sanctions and peace keeping military operations.
- 3. UNSC can take binding decisions.

Select the code from below:

- a) 1 only
- b) 2 and 3
- c) 1 and 2
- d) All of the above

Q.179) Solution (d)**United Nations Security Council (UNSC)**

The United Nations Security Council (UNSC) is one of the six principal organs of the United Nations, charged with the maintenance of international peace and security as well as accepting new members to the United Nations and approving any changes to its United Nations Charter.

Its powers include the establishment of peacekeeping operations, the establishment of international sanctions, and the authorization of military action through Security Council resolutions; it is the only UN body with the authority to **issue binding resolutions** to member states.

Think

India's bid to be a permanent member of UNSC

Q.180) What is the aim of the group called 'Coffee Club' in UN?

- a) They are supporting the claim of G4 countries to become permanent members of UNSC.
- b) They are opposing the claim of G4 countries to become a part of UNSC.
- c) They want increase in the membership of equatorial countries of Africa and South America in UNSC.
- d) They want to remove the custom duties on all coffee trade in the World.

Q.180) Solution (b)**Coffee Club**

Uniting for Consensus (UfC) is a movement, nicknamed the Coffee Club, that developed in the 1990s in opposition to the possible expansion of permanent seats in the United Nations Security Council. Under the leadership of Italy, it aims to counter the bids for permanent seats proposed by G4 nations (Brazil, Germany, India, and Japan) and is calling for a consensus before any decision is reached on the form and size of the Security Council.

Q.181) Which of the following reports are published by Food and Agricultural Organisation?

1. World State of Forest Report
2. Global Forest Resource Assessment
3. World Population Prospects Report

Select the code from following:

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

Q.181) Solution (a)

World State of Forest Report and Global Forest Resource Assessment are published by FAO while World Population Prospects Report is published by UNDESA.

The **Food and Agriculture Organization of the United Nations (FAO)** is a specialized agency of the United Nations that leads international efforts to defeat hunger. Serving both developed and developing countries, FAO acts as a neutral forum where all nations meet as equals to negotiate arguments and debate policy.

The Global Forest Resources Assessment provides comprehensive reporting on forests worldwide every five years. FRA 2015 is the most recent global assessment.

Q.182) India has recently hosted the Ministerial meet of International Energy Forum. Which of the following statements is/are correct regarding IEF?

1. It is an intergovernmental organization established in the framework of the Organisation for Economic Co-operation and Development (OECD) in 1974 in the wake of the 1973 oil crisis.
2. The secretariat of IEF is based in Riyadh, Saudi Arabia.

Select the code from following:

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

Q.182) Solution (b)

International Energy Forum (IEF)

The International Energy Forum (IEF) is an inter-governmental, non-profit international organisation which aims to foster greater mutual understanding and awareness of common energy interests among its members. The 72 Member Countries of the Forum are signatories to the IEF Charter, which outlines the framework of the global energy dialogue through this inter-governmental arrangement.

The IEF is unique in that participants not only include IEA and OPEC countries, but also key international actors such as Brazil, China, India, Mexico, Russia, and South Africa. The IEF member countries account for more than 90 percent of global oil and gas supply and demand.

The IEF is promoted by a permanent Secretariat based in the Diplomatic Quarter of Riyadh, Saudi Arabia.

Note: First statement is about International Energy Agency.

India is a member of IEF and not IEA. It is associate member of IEA.

Q.183) Which of the following countries are not a member of Shanghai Cooperation Organisation (SCO)?

- a) Uzbekistan
- b) Kazakhstan
- c) Afghanistan
- d) Pakistan

Q.183) Solution (c)

Shanghai Cooperation Organisation

The full members of the organization are China, Russia, Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, India and Pakistan. Afghanistan, Belarus, Iran and Mongolia have observer status at present.

The groupings main objective is military cooperation between members. It also works towards intelligence-sharing, counter-terrorism operations in Central Asia. It is primarily centred on its member nations' Central Asian security-related concerns, often describing main threats it confronts as being terrorism, separatism and extremism.

Q.184) Which of the following organizations/personalities received Nobel Peace Prize for 2017?

- a) International Campaign to Abolish Nuclear Weapons (ICAN)
- b) Convention on Chemical weapons
- c) NASA
- d) Donald Trump

Q.184) Solution (a)

International Campaign to Abolish Nuclear Weapons (ICAN)

The International Campaign to Abolish Nuclear Weapons (ICAN) is a coalition of non-government organizations in one hundred countries advocating for a strong and effective nuclear weapon ban treaty.

The campaign received the 2017 Nobel Peace Prize "for its work to draw attention to the catastrophic humanitarian consequences of any use of nuclear weapons and for its ground-breaking efforts to achieve a treaty-based prohibition of such weapons."

Q.185) Consider the following statements about Asia-Pacific Economic Cooperation (APEC) and identify the incorrect statement:

- a) It is a regional economic forum established in 1989.
- b) India is a founding member of APEC.
- c) It is a forum for 21 Pacific Rim member economies that promotes free trade throughout the Asia-Pacific region.
- d) China is also a part of APEC.

Q.185) Solution (b)

The Asia-Pacific Economic Cooperation (APEC) is a regional economic forum established in 1989 to leverage the growing interdependence of the Asia-Pacific. APEC's 21 members aim to create greater prosperity for the people of the region by promoting balanced, inclusive, sustainable, innovative and secure growth and by accelerating regional economic integration.

India has requested membership in APEC, and received initial support from the United States, Japan, Australia and Papua New Guinea. However, officials have decided not to allow

India to join for various reasons, considering that India does not border the Pacific Ocean, which all current members do.

What does APEC do?

APEC ensures that goods, services, investment and people move easily across borders. Members facilitate this trade through faster customs procedures at borders; more favorable business climates behind the border; and aligning regulations and standards across the region. For example, APEC's initiatives to synchronize regulatory systems is a key step to integrating the Asia-Pacific economy. A product can be more easily exported with just one set of common standards across all economies.

Q.186) Consider the following statements:

1. Most Favored Nation (MFN) status to a country by another country ensures preferential and special treatment between the two member countries.
2. DTAA is a tax treaty signed between countries (or any two/multiple countries) so that taxpayers do not pay double taxes on their income earned from source country as well as their residence country.

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.186) Solution (b)

MFN status essentially means normal trade among member countries and doesn't ask for special treatment to any country.

In international economic relations and international politics, most favoured nation (MFN) is a status or level of treatment accorded by one state to another in international trade. The term means the country which is the recipient of this treatment must, nominally, receive equal trade advantages as the "most favored nation" by the country granting such treatment. (Trade advantages include low tariffs or high import quotas.) In effect, a country that has been accorded MFN status may not be treated less advantageously than any other country with MFN status by the promising country.

A DTAA is a tax treaty signed between two or more countries. Its key objective is that taxpayers in these countries can avoid being taxed twice for the same income. A DTAA applies in cases where a tax-payer resides in one country and earns income in another.

DTAAs can either be comprehensive to cover all sources of income or be limited to certain areas such as taxing of income from shipping, air transport, inheritance, etc. India has DTAAs with more than eighty countries, of which comprehensive agreements include those with Australia, Canada, Germany, Mauritius, Singapore, UAE, the UK and US.

DTAAs are intended to make a country an attractive investment destination by providing relief on dual taxation. Such relief is provided by exempting income earned abroad from tax in the resident country or providing credit to the extent taxes have already been paid abroad. DTAAs also provide for concessional rates of tax in some cases.

Q.187) Bretton Woods Conference is one of the most historic event post second world war. Which of the following is correct?

- a) The UN Monetary and Financial Conference held post Second World War established the international trading regime called General Agreement on Trade and Tariffs.
- b) WTO is part of whole set up of UNO and thus is guided by the actions its member bodies.
- c) IMF follow voting by consensus pattern by which each member gets to ensure their idea is considered.
- d) WTO doesn't have weighted voting as the World Bank or the IMF and goes by the system of one member one vote.

Q.187) Solution (d)

The conference referred to in statement a is Bretton Wodds Conference and it lead to World Bank and IMF coming to place.

WTO is not part of UN set up and is independent. However both share an agreement between each other.

IMF follow weighted voting and the members with higher quota get a higher voice.

Q.188) Consider the following statements about Financial Action Task Force (FATF):

1. It is a Paris-based multi-disciplinary and inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing.
2. It was founded at the 1989 OECD Economic Summit.

Select the correct code:

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

Q.188) Solution (c)

Both the given statements are correct.

The Financial Action Task Force (on Money Laundering) (FATF), also known by its French name, Groupe d'action financière (GAFI), is an intergovernmental organization founded in 1989 on the initiative of the G7 to develop policies to combat money laundering. In 2001 the purpose expanded to act on terrorism financing.

Q.189) SARTTAC (South Asia Training and Technical Assistance Centre) is a collaborative venture between the member countries and which among the following organisation?

- a) World Bank (WB)
- b) International Monetary Fund (IMF)
- c) World Trade Organization (WTO)
- d) United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)

Q.189) Solution (b)

SARTTAC is a collaborative venture between the IMF, the member countries, and development partners. The center's strategic goal is to help its member countries strengthen their institutional and human capacity to design and implement macroeconomic and financial policies that promote growth and reduce poverty.

South Asia is a rapidly growing region that is home to one fifth of the world's population. SARTTAC will allow the IMF to meet more of the high demand for technical assistance and training from the region. Through its team of international resident experts, SARTTAC is expected to become the focal point for the delivery of IMF capacity development services to South Asia.

SARTTAC, the newest addition to the IMF's global network of fourteen regional centers, is a new kind of capacity development institution, fully integrating customized hands-on training with targeted technical advice in a range of macroeconomic and financial areas, and generating synergies between the two. SARTTAC is located in world class facilities in New

Delhi and is financed mainly by its six member countries — Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka — with additional support from Australia, the Republic of Korea, the European Union and the United Kingdom.

Q.190) Which among the following statements regarding Multilateral Investment Guarantee Agency (MIGA) are correct?

1. It is an arm of the IMF.
2. It is an arm of the World Bank Group.
3. It encourages foreign investment in public sector only.
4. It provides insurance to foreign private investors against the loss caused by political risks.

Select the correct answer using the codes given below:

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

Q.190) Solution (b)

The Multilateral Investment Guarantee Agency (MIGA), an arm of World Bank, was set up in 1988 to encourage foreign investment in developing economies by offering insurance (guarantees) to foreign private investors against loss-caused by non-commercial (i.e. political) risks, such as currency transfer, expropriation, war and civil disturbance. IFC lends to both private and public sector.

Q.191) Which organization recently signed an agreement with India to provide a \$200 million loan for implementing National Nutrition Mission?

- a) World Bank
- b) World Health Organization
- c) International Monetary Fund
- d) Bill & Melinda Gates Foundation

Q.191) Solution (a)

India and **World Bank** recently signed agreement for a \$200 million loan for implementing National Nutrition Mission.

About National Nutrition Mission

- Targeted mission - NNM targets to reduce stunting, under- nutrition, anemia (among young children, women and adolescent girls) and reduce low birth weight by 2%, 2%, 3% and 2% per annum respectively.
- It also strives to reduce the prevalence of stunting from the current level of 38.4% (as per the National Family Health Survey 4) to 25% by 2022.
- Aims at reaching **10 crore beneficiaries**.
- **Beneficiaries** are mainly children up to the age of six years, pregnant women and lactating mothers and adolescent girls.
- Will be implemented in three phases **between 2017 and 2020** across all districts of the country.

Q.192) Consider the following statements about APEC.

1. It is headquartered in Singapore.
2. India is member of this forum.
3. APEC Summit-2018 will be held in Papua New Guinea

Which of the above statements is/are correct?

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

Q.192) Solution (a)

The Asia-Pacific Economic Cooperation (APEC) summit 2017 was held in Da Nang, Vietnam. The theme of summit was '**Creating New Dynamism, Fostering a Shared Future**'. Leaders of 21 Pacific Rim countries attended the meeting. This was second time Vietnam hosted APEC summit, having hosted the event previously in 2006. **Next year's APEC summit (2018) will be held in Papua New Guinea.**

It was established in 1989 in order to leverage growing interdependence o Asia-Pacific region's economies and promote free trade in the region. **It is headquartered in Singapore.**

India is observer of APEC since 2011 and has applied for membership.

Do you know?

- The East Asia Summit (EAS) is a forum held annually by leaders of, initially, 16 countries in the East Asian, Southeast Asian and South Asian regions. Membership expanded to 18 countries including the United States and Russia at the Sixth EAS in

2011. EAS meetings are held after annual ASEAN leaders' meetings. The first summit was held in Kuala Lumpur, Malaysia on 14 December 2005.

THINK!

- SASEC

Q.193) The term 'de minimis' was often in news related to

- a) WTO
- b) World Bank
- c) World Economic Forum
- d) G-20

Q.193) Solution (a)

The subsidies provided by the government to the agricultural sector (i.e., domestic support) is termed by the WTO as Aggregate Measure of Support (AMS). It is calculated in terms of product and input subsidies.

These will cut production cost of farming and will give undue advantage to such countries in their access to the world market—such subsidies are called to cause 'distortions' to the world trade.

Such subsidies are not permitted in one sense as **they have a minimum permissible limit de minimis** under the provisions which is 5 per cent and 10 per cent of their total agricultural output in the case of developed and developing countries, respectively.

Do you know?

- The agricultural subsidies, in the WTO terminology have in general been identified by 'boxes' which have been given the colours of the traffic lights —green (means permitted), amber (means slow down, i.e., to be reduced) and red (means forbidden).
- In the agriculture sector, as usual, things are more complicated. The WTO provisions on agriculture has nothing like red box subsidies, although subsidies exceeding the reduction commitment levels is prohibited in the 'amber box'.

THINK!

- Agreement on Agriculture

Q.194) Consider the following pairs.

WTO boxes	Subsidy example
1. Amber box	Minimum Support Price
2. Blue box	Fertiliser Subsidy
3. Green box	'Raitha Belaku' a scheme to provide direct income assistance to relieve dry-land farmers in Karnataka

Which of the above pairs is/are correctly matched?

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

Q.194) Solution (a)

All subsidies which are supposed to distort production and trade fall into the amber box, i.e., all agricultural subsidies except those which fall into the blue and green boxes. **These include government policies of minimum support prices (as MSP in India) for agricultural products or any help directly related to production quantities (as power, fertilizers, pesticides, irrigation, etc).**

Blue box is the amber box with conditions. The conditions are designed to reduce distortions. Any subsidy that would normally be in the amber box, is placed in the blue box if it requires farmers to go for a certain production level. These subsidies are nothing but certain direct payments (i.e., direct set-aside payments) made to farmers by the government in the form of assistance programmes to encourage agriculture, rural development, etc.

The agricultural subsidies which cause minimal or no distortions to trade are put under the **green box**. They must not involve price support.

This box basically includes all forms of government expenses, which are not targeted at a particular product, and all direct income support programmes to farmers, which are not related to current levels of production or prices. This is a very wide box and includes all government subsidies like—public storage for food security, pest and disease control, research and extension, and some **direct payments to farmers that do not stimulate**

production like restructuring of agriculture, environmental protection, regional development, crop and income insurance, etc.

Do you know?

- Other than the above-discussed highly controversial boxes of agricultural subsidies, the WTO provisions have defined yet another box, i.e., **the Social and Development Box (S & D Box)** allows the developing countries for some subsidies to the agriculture sector under certain conditions. These conditions revolve around human **development issues such as poverty, minimum social welfare, health support, etc.**, specially for the segment of population living below the poverty line. Developing countries can forward such subsidies to the extent of less than 5 per cent of their total agricultural output.

THINK!

- De minimis support

Q.195) The term “Fragile Five” was coined back in August 2013 to represent five emerging market economies that have become too dependent on unreliable foreign investment to finance their growth plans. Which of the following countries are among them?

1. Thailand
2. Colombia
3. Chile
4. Brazil
5. South Africa

Select the correct code:

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

Q.195) Solution (b)

Fragile Five

- It is a term coined to represent emerging market economies that have become too dependent on unreliable foreign investment to finance their growth ambitions.
- India, Brazil, South Africa, Indonesia and Turkey

- As capital flows out of emerging markets to developed markets, many of their currencies experienced significant weakness and made it difficult to finance current account deficits.
- The lack of new investment also made it impossible to finance many growth projects, which contributed to a slowdown in their respective economies. This created a potential issue for certain vulnerable economies.

Troubled Ten

- After China's surprise devaluation of the yuan in mid-2015, Morgan Stanley analysts highlighted ten additional countries that could be facing troubles ahead.
- Bloomberg has coined these "Troubled Ten" and they include Colombia, Chile, Peru, South Korea, Thailand, Russia, Singapore, Taiwan, Brazil, and South Africa.
- These countries have the highest export exposure and export competitiveness with China and could be the most vulnerable to a currency war.

Q.196) Consider the following statements about European Bank of Reconstruction and Development (EBRD)

1. It is a multilateral development bank set up after the Second World War
2. India will become EBRD's 69th member and will take a shareholding in the bank, but it will not be a recipient of EBRD financing
3. It is headquartered in Brussels

Select the correct statements

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

Q.196) Solution (c)

European Bank of Reconstruction and Development (EBRD)

- India is set to join multilateral lender EBRD. India to EBRD's 69th member
- It enables Indian companies to undertake joint investments in regions in which the EBRD operates.
- The EBRD's largest shareholder is currently the U.S., while other G7 nations also hold significant stakes.

- While India will not be a recipient of EBRD financing, it will benefit from the banks expertise and support in the region.
- The London-headquartered EBRD is a multilateral development bank set up in 1991 after the fall of the Berlin wall
- It is based on a proposal by former French President Francois Mitterand, the bank's initial focus was helping central and Eastern European nations reconstruct their economies in the post-Cold War era.
- It invests in 38 emerging economies across three continents, according to a set of criteria that aim to make its countries more competitive, better governed, greener, more inclusive, more resilient and more integrated.

Do You Know?

- In 2017, the EBRD signed a pact with the International Solar Alliance

Think

- European Investment Bank (EIB)

Q.197) Consider the below statements about Market Economy Status (MES):

1. Under WTO norms, once a country gets MES status, exports from it are to be accepted at the production costs and selling price as the benchmark.
2. India recently granted MES status to China.
3. MES status to China, will help increase India's ability to resort to anti-dumping on cheap imports from China.

Which of the statements given above is/are correct?

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

Q.197) Solution (a)

India is not inclined to automatically grant the coveted 'Market Economy Status' (MES) to China this December under World Trade Organisation (WTO) norms, highly placed official sources said.

Citing the provisions in the 'Protocol on the accession of China to the WTO' in 2001, Beijing has said WTO member countries must fulfil their promise to deem China a 'market economy' from December 2016.

However, granting MES to China will severely curb the ability of nations including India to impose anti-dumping duties on "unfairly priced" Chinese imports. The matter was discussed recently by the Ministries of Commerce & External Affairs, with the Centre for WTO Studies (at the Indian Institute of Foreign Trade).

Of the 535 cases where anti-dumping duties were imposed by India during 1994 to 2014, a maximum of 134 has been on goods from China.

To refuse China the 'MES', India has taken sides with the U.S. and European Union in stating that unlike in 'market economies' where prices of items are market determined (based on demand & supply conditions), there is still a significant government influence in the Chinese market.

Q.198) Consider the following statements about Financial Stability Board (FSB)

1. It was established in the wake of the 2008 global financial crisis
2. It was established by the Group of Twenty (G-20) finance ministers and central bank governors
3. It is hosted and funded by the Bank for International Settlements

Select the correct statements

- a) 1 and 2
- b) 2 Only
- c) 2 and 3
- d) All of the above

Q.198) Solution (d)

Financial Stability Board (FSB)

- In the wake of the 2008 global financial crisis, the Group of Twenty (G-20) finance ministers and central bank governors came together to establish the Financial Stability Board (FSB) in April 2009.
- It is an international body that monitors and makes recommendations about the global financial system.

- It was created to strengthen and coordinate international standards among national financial authorities and international standard-setting bodies as a way to foster the implementation of more effective financial sector policies for increased global financial stability.
- The FSB, which comprises 24 member countries, the European Commission and numerous international bodies, is an outgrowth of the Financial Stability Forum (FSF) founded in 1999 by the member countries of the Group of Seven (G-7).
- It is hosted and funded by the Bank for International Settlements; the board is based in Basel, Switzerland.

Q.199) Which is the only sector in the Indian economy to register a double-digit growth in the last three years?

- a) IT services
- b) Khadi sector
- c) Real estate
- d) Defence

Q.199) Solution (b)

Do you know?

Khadi sector is the only sector in the Indian economy to register a double-digit growth in the last three years.

Khadi, the symbol of India's self-reliance during the Independence movement, is no longer 'humble' or a fossilised memory. In its new avatar, it is going places, literally: after a sojourn to Russia recently, it goes to South Africa this month. The Khadi and Village Industries Commission (KVIC) has chalked out ambitious plans to double the sales of khadi to ₹5,000 crore in the next two financial years. In an aspirational India, khadi has emerged a silent, transformational force: it is also a major job creator in Bharat that is India.

Last year, the KVIC products saw sales worth ₹52,000 crore for the first time in India, including Khadi sales worth ₹2,007 crore.

Q.200) World Indicators of Skills for Employment (WISE) database which offers a "one-stop" location that can be used to create a statistical snapshot of the current status of skills development in more than 200 countries, was established by –

- a) United Nations Development Programme (UNDP)
- b) National Skills Registry (NSR)
- c) Organisation for Economic Co-operation and Development (OECD)
- d) World Skill Development Institute (WSDI)

Q.200) Solution (c)

World Indicators of Skills for Employment (WISE) database is established by Organisation for Economic Co-operation and Development (OECD), in close collaboration with the World Bank, ETF, ILO and UNESCO.

The World Indicators of Skills for Employment (WISE) database offers a “one-stop” location that can be used to create a statistical snapshot of the current status of skills development in more than 200 countries.

The database is based on a cross-sectoral approach, with indicators covering the fields of education and training, employment and economic and social development. It covers both developed and developing economies, allowing them to assess their skill challenges and performance from a comparative perspective. It includes around 60 internationally comparable indicators for the period 1990 to 2014.

Q.201) Consider the following statements:

1. India's GNP is always lower than its GDP.
2. GNP is the 'national income' according to which the IMF ranks the nations of the world in terms of the volumes at purchasing power parity (PPP).
3. In India the National Income is calculated at market cost and constant prices.

Which of the above statements is/are correct?

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

Q.201) Solution (c)

Gross National Product (GNP) is the GDP of a country added with its 'income from abroad'. Here, the trans-boundary economic activities of an economy is also taken into account.

'Income from Abroad' segment may turn out to be positive or negative. In India's case it has always been negative (due to heavy outflows on account of trade deficits and interest payments on foreign loans). **It means, the 'Income from Abroad' is subtracted from India's GDP to calculate its GNP.**

The normal formula is $GNP = GDP + \text{Income from Abroad}$. But it becomes $GNP = GDP + (-\text{Income from Abroad})$, i.e., $GDP - \text{Income from Abroad}$, in the case of India. **This means that India's GNP is always lower than its GDP.**

This is the 'national income' according to which the IMF ranks the nations of the world in terms of the volumes—at purchasing power parity (PPP). For a detailed discussion on PPP please see Chapter 24. India is ranked as the 3rd largest economy of the world (after China and the USA), while as per the nominal/ prevailing exchange rate of rupee, India is the 7th largest economy (IMF, April 2016). Now such comparisons are done using the GDP, too.

Since January 2015, the CSO has switched over to calculating **National Income at market price (i.e., market cost)**. The market price is calculated by adding the product taxes (generally taken as the indirect taxes of the Centre and the States) to the factor cost.

As per the new guidelines the base year in India has been revised from 2004–05 to 2011–12 (January 2015). **India calculates its national income at constant prices**—so is the situation among other developing economies, while the developed nations calculate it at the current prices.

Do you know?

- Putting 'indirect taxes' and 'subsidies' together, India's National Income will thus be derived with the following formula (as India does it at factor cost):
- **National Income at Factor Cost = NNP at Market Cost – Indirect Taxes + Subsidies**

THINK!

- **Headline growth rate.**

Q.202) Extended Fund Facility (EFF)- the term is related to

- a) AIIB
- b) IMF
- c) New Development Bank
- d) International Development Assistance

Q.202) Solution (b)

Under the **Extended Fund Facility (EFF) programme of the IMF**, countries get external currency support from the fund to mitigate their BoP crisis, but such supports have some obligatory conditionalities put on the economy to be fulfilled. There are no set rules of such conditions already available with the IMF, though they are devised and prescribed to the BoP crisis-ridden economy at the time of need.

Do you know?

- Macroeconomic Stabilization Measures includes all those economic policies which intend to boost the aggregate demand in the economy—be it domestic or external.
- Pro-market or pro-capitalistic inclination in the economic policies of an economy is the process of liberalization.

THINK!

- LPG reforms

Q.203) With regard to Agriculture Census 2010–11 consider the following statements.

1. The average size of operational holding has increased.
2. The percentage share of female operational holders has declined.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.203) Solution (d)

The average size of land holding in India is continuously decreasing due to rapid and high population growth. The continuous division and fragmentation of holdings has increased the number of holdings, obviously of smaller size. As per the latest (9th) Agriculture Census 2010–11.

There is a marginal increase in the operated area from 158.32 million hectare (ha) in 2005–06 to 159.18 million ha in 2010-11 (an increase of 0.54 per cent). The operated area has primarily increased because the State of Jharkhand participated for the first time in the Agriculture Census 2010–11 (since the state came into being in the year 2000).

The average size of operational holding has declined to 1.16 ha in 2010–11 as compared to 1.23 in 2005–06.

The percentage share of female operational holders has increased from 11.70 in 2005–06 to 12.79 in 2010–11, with the corresponding operated area of 9.33 and 10.36.

The small and marginal holdings taken together (below 2.00 ha) constitute 84.97 per cent in 2010–11, as against 83.29 in 2005–06, with a share of 44.31 per cent in the operated area in the current Census, as against the corresponding figure of 41.14 per cent in 2005–06.

The large holdings (10.00 ha & above) were 0.73 per cent of the total number of holdings in 2010–11 with a share of 10.92 per cent in the total operated area, as against 0.85 per cent and 11.82 per cent respectively for 2005–06 Census.

Share of different social groups in operational holdings stands as: 12.40 per cent for SCs , 8.71 per cent for STs , 0.18 per cent for institutional and 78.72 per cent for others.

In a total of 137.76 million operational holdings in the country, the highest number belonged to Uttar Pradesh (22.93 million) followed by Bihar (16.19 million) and Maharashtra (13.70 million).

Out of a total of 159.18 million hectares of the operated area in the country, the highest contribution was made by Rajasthan (21.14 million ha) followed by Maharashtra (19.84 million ha) and Uttar Pradesh (17.09 million ha)

Do you know?

- **Economic Holding** is that holding which ensures a minimum satisfactory standard of living in a family. In other words, economic holding is a minimum essential area for profitable agriculture.

THINK!

- Optimum Holding

Q.204) With regard to 'Minimum Reserve System', consider the following statements.

1. The central bank is required to keep a certain minimum 'reserve of gold and foreign securities'.
2. The central bank is empowered to issue currency to any extent.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.204) Solution (c)

Under the minimum reserve system, the central bank is required to keep a certain minimum 'reserve of gold and foreign securities and is empowered to issue currency to any extent. India adopted this system in October 1956. The RBI was required to hold a reserve worth of only Rs 515 crore consisting of foreign securities worth Rs 400 crore and gold worth Rs 115 crore.

Do you know?**Reserve Money**

- The gross amount of the following six segments of money at any point of time is known as Reserve Money (RM) for the economy or the government:
- RBI's net credit to the Government;
- RBI's net credit to the Banks;
- RBI's net credit to the commercial banks;
- net forex reserve with the RBI;
- government's currency liabilities to the public;
- net non-monetary liabilities of the RBI.

$$RM = 1 + 2 + 3 + 4 + 5 + 6$$

THINK!

- Money Multiplier

Q.205) Consider the following pairs.

Account types	Permitted currency
1. FCNR(B) Account	Pound Sterling, US Dollar, Japanese Yen and Euro.
2. NRE Account	Deposits are allowed in any permitted currency.
3. NRO Account	bonafide transactions in Indian Rupees

Which of the above pairs is/are correctly matched?

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

Q.205) Solution (c)

FCNR(B) accounts can be opened by NRIs and Overseas Corporate Bodies (OCBs) with an authorized dealer. The accounts can be opened in the form of term deposits. **Deposits of funds are allowed in Pound Sterling, US Dollar, Japanese Yen and Euro.** Rate of interest applicable to these accounts are in accordance with the directives issued by RBI from time to time.

NRE accounts can be opened by NRIs and OCBs with authorized dealers and with banks authorized by RBI. These can be in the form of savings, current, recurring or fixed deposit accounts. **Deposits are allowed in any permitted currency.** Rate of interest applicable to these accounts are in accordance with the directives issued by RBI from time to time.

NRO accounts can be opened by any person resident outside India with an authorised dealer or an authorised bank for collecting their funds from **local bonafide transactions in Indian Rupees.** When a resident becomes an NRI, his existing Rupee accounts are designated as NRO. These accounts can be in the form of current, savings, recurring or fixed deposit accounts.

Do you know?

- Repatriation of funds in FCNR(B) and NRE accounts is permitted. Hence, deposits in these accounts are included in India's external debt outstanding. While the principal of NRO deposits is non-repatriable, current income and interest earning is repatriable.

THINK!

- 'differentiated licences'

Q.206) Mutual Agreement Procedure was in news relate to

- a) Free trade Agreement
- b) Double Taxation Avoidance Agreement
- c) Regional Comprehensive Economic Partnership
- d) BIMSTEC

Q.206) Solution (b)

Finland-headquartered Nokia has invoked the mutual agreement procedure (MAP) under the India-Finland Double Taxation Avoidance Agreement, to resolve the Rs 2,000-crore tax dispute with the Indian tax department.

MAP is an alternative available to taxpayers to resolve disputes giving rise to double taxation, whether juridical or economic in nature. An agreement for avoidance of double taxation between countries would give authorization for assistance of Competent Authorities (CAs) in the respective jurisdiction under MAP.

Do you know?

- Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement (FTA) between the ten-member states of the Association of Southeast Asian Nations (ASEAN) (**Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam**) and the six states with which ASEAN has existing free trade agreements (**Australia, China, India, Japan, South Korea and New Zealand**).

THINK!

- GAAR

Q.207) “Business beyond Borders” is the theme of which of the following Summit/Convention?

- a) The SME International Convention – 2018.
- b) Indian Economic Summit-2018.
- c) World Economic Forum-2018.
- d) The Other Economic Summit (TOES)-2018.

Q.207) Solution (a)

First Ever International SME Convention-2018 is being held in New Delhi. 150 participants from 31 countries and 400 entrepreneurs from India participated in the convention. The convention has specific focus on inclusion of MSMEs in the Make in India program & empowering women entrepreneurs.

The SME International Convention – 2018 is being organized by the **Ministry of MSME and National Small Industries Corporation (NSIC) along with KVIC and Coir Board.**

Theme: “Business beyond Borders”.

Do you know?

- **The International SME Convention 2018** is a platform for intensive business discussion, progressive interaction and trade association between progressive entrepreneurs from all over the world and offers a special focus on business and trade opportunities in India for International Entrepreneurs.

THINK!

- MSME and Inclusive development.

(Source <http://pib.nic.in/newsite/PrintRelease.aspx?relid=178860>)

Q.208) India's first International Stock Exchange – Indian International Exchange (INX) has been set up at

- a) GIFT city
- b) Mumbai
- c) Gurugram
- d) Hyderabad

Q.208) Solution (a)

India International Exchange (INX)

The India International Exchange (INX) is India's first international stock exchange, opened in 2017. It is located at the International Financial Services Centre (IFSC), GIFT City in Gujarat. It is a wholly owned subsidiary of the Bombay Stock Exchange (BSE).

Think

- BSE
- NSE
- SEBI

Q.209) Which of the following is the aim of 'Setu Bharatam' Programme?

- a) To make all important roads in metros signal free.
- b) To make all National Highways free of Railway level crossings.
- c) To preserve Ram Setu between India and Sri Lanka
- d) To improve logistics service at all major Sea ports of India

Q.209) Solution (b)**Setu Bharatam programme**

Setu Bharatam programme aims to make all National Highways free of railway level crossings by 2019. This is being done to prevent the frequent accidents and loss of lives at level crossings.

208 Railway Over Bridges (ROB)/Railway Under Bridges (RUB) will be built at the level crossings at a cost of Rs. 20,800 crore as part of the programme.

Think

- Ram Setu

Q.210) Which of the following is/are the objective(s) of Rashtriya Uchchar Shiksha Abhiyan (RUSA)?

1. It creates an enabling atmosphere in the higher educational institutions and ensures capacity building at all levels of employment.
2. It ensures reforms in the affiliation, academic and examination systems.

Select the code from following:

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

Q.210) Solution (c)**Rashtriya Uchchar Shiksha Abhiyan (RUSA)**

Rashtriya Uchchar Shiksha Abhiyan (RUSA) is a Centrally Sponsored Scheme (CSS), launched in 2013 aims at providing strategic funding to eligible state higher educational institutions. The central funding (in the ratio of 60:40 for general category States, 90:10 for special category states and 100% for union territories) would be norm based and outcome dependent.

The salient objectives of RUSA are to

- Improve the overall quality of state institutions by ensuring conformity to prescribed norms and standards and adopt accreditation as a mandatory quality assurance framework.
- Usher transformative reforms in the state higher education system by creating a facilitating institutional structure for planning and monitoring at the state level, promoting autonomy in State Universities and improving governance in institutions.
- Ensure reforms in the affiliation, academic and examination systems.
- Ensure adequate availability of quality faculty in all higher educational institutions and ensure capacity building at all levels of employment.
- Create an enabling atmosphere in the higher educational institutions to devote themselves to research and innovations.
- Expand the institutional base by creating additional capacity in existing institutions and establishing new institutions, in order to achieve enrolment targets.
- Correct regional imbalances in access to higher education by setting up institutions in unserved & underserved areas.
- Improve equity in higher education by providing adequate opportunities of higher education to SC/STs and socially and educationally backward classes; promote inclusion of women, minorities, and differently abled persons.

Q.211) ISO 27001 is a standard that relates to

- a) Quality Assurance
- b) Purity of metal
- c) Labour safety
- d) Information security

Q.211) Solution (d)

ISO/IEC 27001:2013 (ISO 27001)

ISO/IEC 27001:2013 (ISO 27001) is the international standard that describes best practice for an ISMS (information security management system). Achieving accredited certification to ISO 27001 demonstrates that your company is following information security best practice, and provides an independent, expert verification that information security is managed in line with international best practice and business objectives. ISO 27001 is supported by its code of practice for information security management, ISO/IEC 27002:2013.

Q.212) Which of the following statements are correct regarding Kaladan Multimodal Transit Transport Project?

1. It will provide an alternate access to North East region of India via Bangladesh.
2. Multimodal transit system includes sea, road and railway links.
3. The Project is being administered by Ministry of External Affairs.

Select the code from following:

- a) 1 and 2
- b) 3 only
- c) 1 and 3
- d) All of the above

Q.212) Solution (b)

Kaladan Multi-Modal Transit Transport Project

The Kaladan Multi-Modal Transit Transport Project is a project that will connect the eastern Indian seaport of Kolkata with Sittwe seaport in Rakhine State, Myanmar by sea. In Myanmar, it will then link Sittwe seaport to Paletwa, Chin State via the Kaladan river boat route, and then from Paletwa by road to Mizoram state in Northeast India.

Note: It does not include a railway link. It includes Sea, inland waterway and roadways.

It is administered by Ministry of External Affairs.

Q.213) Troika means a group of three international organizations that were lending money to Greece bailout. Which of the following is not a part of Troika?

- a) World Bank
- b) IMF
- c) European Central bank
- d) European Commission

Q.213) Solution (a)

Troika

The term troika has been widely used in Greece and Cyprus, Ireland, Portugal and Spain to refer to the presence of the European Commission, European Central Bank, and

International Monetary Fund in these countries since 2010 and the financial measures that these institutions have taken. Slovenia barely avoided the intervention by the troika in 2013.

Q.214) Which of the following International organizations has the motto – ‘One Vision, One Identity, One Community’?

- a) SAARC
- b) BRICS
- c) SCO
- d) ASEAN

Q.214) Solution (d)

Note: Factual question. This question was asked in CAPF exam by UPSC. It can be repeated this year.

The Association of Southeast Asian Nations is a regional intergovernmental organisation comprising ten Southeast Asian countries which promotes Pan-Asianism and intergovernmental cooperation and facilitates economic, political, security, military, educational and socio-cultural integration amongst its members and other Asian countries, and globally.

Since its formation on 8 August 1967 by **Indonesia, Malaysia, the Philippines, Singapore and Thailand**, the organisation's membership has expanded to include **Brunei, Cambodia, Laos, Myanmar and Vietnam**.

Its principal aims include accelerating economic growth, social progress, and sociocultural evolution among its members, alongside the protection of regional stability and the provision of a mechanism for member countries to resolve differences peacefully. ASEAN is an official United Nations observer, as well as an active global partner. It also maintains a global network of alliances, and is involved in numerous international affairs. Communication by member states takes place in English.

Note: India is not a member of ASEAN.

Q.215) Economic and Social Survey of Asia and the Pacific 2018 – is the latest flagship publication of

- a) World Bank (WB)
- b) United Nations (UN)

- c) International Monetary Fund (IMF)
- d) World Economic Forum (WEF)

Q.215) Solution (b)

Economic and Social Survey of Asia and the Pacific 2018 – is the latest flagship publication of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

The Economic and Social Survey of Asia and the Pacific 2018 contains an examination of how Governments of countries in the Asia-Pacific region could increase domestic public financial resources and leverage private capital to strengthen their long-term economic prospects.

UN report on the Asia-Pacific region has urged –

- regional powers to invest in inclusive and sustainable growth
- regional countries to take advantage of high growth rate and share the benefits with the national society
- The report described South and Southwest Asia as the fastest growing sub-region of the Asia-Pacific region and urged the countries to increase social spending.
- For less developed countries, the role of external sources of finance, such as official development assistance, South-South cooperation, and global development partnerships... remains critical.

The report was launched at the Indian Council for Research in International Economic Relations (ICRIER)

Q.216) Consider the below statements with reference to minimum support price (MSP):

1. If price were to fall below the specified MSP, the government has the obligation to purchase from farmers at the MSP.
2. Farmer is free to sell in the open market at price higher than MSP.
3. Commission for Agricultural Costs and Prices recommendations on MSP are binding on the government.

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

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

Q.216) Solution (a)

Minimum Support Price (MSP) provides the assurance of a minimum price that ensures the farmer recovers his cost of production and receives a decent return on investment.

MSP is a kind of sovereign guarantee that farmers will not be allowed to suffer losses if crop prices fall below the specified minimum price.

MSP works as an options contract. If price were to fall below the specified MSP, the government has the obligation to purchase from farmers at the MSP. At the same time, the farmer is under no obligation to sell to the government if the price stays above MSP. In the event, the farmer is free to sell in the open market at price higher than MSP.

Q.217) Perform, Achieve and Trade (PAT) Scheme is often in news. It deals with –

- a) reducing energy consumption and promoting enhanced energy efficiency among specific energy intensive industries in the country.
- b) project financing, wherein a private entity receives a concession from the private or public sector to finance, design, construct, own, and operate a facility stated in the concession contract.
- c) public-private partnership (PPP) project model in which a private organization builds, performs, achieves and trades some facility or structure with some degree of encouragement from the government.
- d) benefits under Startup India Action Plan.

Q.217) Solution (a)

The Perform, Achieve and Trade (PAT) Scheme is a programme launched by the Bureau of Energy Efficiency (BEE) to reduce energy consumption and promote enhanced energy efficiency among specific energy intensive industries in the country.

Q.218) Consider the following statements with regard to 'Prompt Corrective Action (PCA) Framework', which was in news recently. Identify the correct statement –

- a) RBI has come out with this framework in order to contain NPAs.
- b) NABARD has come out with this framework for regional rural banks (RRBs).
- c) Ministry of Home Affairs has come out with this framework for directing all NGOs and entities receiving foreign fundings.

- d) Lodha Panel has come out with this framework that will sort out the mess in sports once and for all.

Q.218) Solution (a) or (b)

Answer to this question can be both (a) and (b).

RBI had come out with 'Prompt Corrective Action (PCA) Framework' for banks.

Earlier, the PCA framework was applicable only to commercial banks and not extended to co-operative banks, non-banking financial companies (NBFCs) and FMIs.

The revised PCA framework by RBI could be applicable to all banks operating in India including small and foreign banks. PCA is aimed at improving banks' health. It also helps to contain NPAs.

The PCA framework specifies the trigger points or the level in which the RBI will intervene with corrective action. This trigger points are expressed in terms of parameters for the banks.

The parameters that invite corrective action from the central bank are:

- Capital to Risk weighted Asset Ratio (CRAR)
- Net Non-Performing Assets (NPA) and
- Return on Assets (ROA)
- Leverage ratio

In News:

The National Bank of Agriculture and Rural Development (Nabard) has come out with a 'Prompt Corrective Action (PCA) Framework' for regional rural banks (RRBs).

The framework is aimed at enabling RRBs that fail to meet prudential requirements relating to capital adequacy, net non-performing assets (NNPAs) and return on assets (ROA) to take self-corrective action to arrest further deterioration in their financial position.

The PCA will be invoked if RRBs breach trigger points on three parameters: capital to risk-weighted assets (CRAR) ratio, assets (NPAs), and profitability (ROA).

The PCA framework will be implemented based on the findings of Nabard's inspection with reference to RRBs' FY2019 financial performance.

Q.219) Consider the following statements about 'CRISIL Inclusix'

1. It is an index to measure India's progress on financial inclusion
2. Life insurance and Pension data are included to compute the Inclusix

Select the correct statements

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

Q.219) Solution (a)

CRISIL Inclusix is a unique index to measure the extent of financial inclusion in India across its 666 districts. It uses a statistically robust, transparent, and easy-to understand methodology, and is based on a modular, scalable architecture.

It is a relative index on a scale of 0 to 100, and combines four critical parameters of basic financial services - branch penetration, deposit penetration, credit penetration, and insurance penetration - into one metric.

In the latest edition of CRISIL Inclusix, life insurance data has been incorporated for the first time. CRISIL has not included pension to compute Inclusix, this edition carries details of the progress on the National Pension Scheme. Similarly, in the 2013 edition, CRISIL had incorporated microfinance data for the first time.

It enables districts, states and regions to track the progress made with respect to financial inclusion in their jurisdiction. Thus, CRISIL Inclusix assesses the degree of financial inclusion at the national, regional, state and district levels.

Q.220) Consider the following statements about E-Way Bill System

1. It offers the technological framework to track intra-state as well as inter-state movements of goods under the Goods and Services Tax (GST) regime
2. One e-way bill will be valid throughout the country for the movement of goods and it does away with the separate transit pass for every state
3. It has to be generated only for goods transported through roadways

Select the correct statements

- a) 1 Only
- b) 1 and 3
- c) 1 and 2

d) All of the above

Q.220) Solution (a)

E-Way Bill

- An electronic way bill or 'e-way bill' system offers the technological framework to track intra-state as well as inter-state movements of goods of value exceeding Rs 50,000, for sales beyond 10 km in the new Goods and Services Tax (GST) regime.
- The E-way bill must be raised before the goods are shipped and should include details of the goods, their consignor, recipient and transporter.
- Under the e-way bill system, there will be no need for a separate transit pass for every state — one e-way bill will be valid throughout the country for the movement of goods.
- Every E-way bill generated by a sender or buyer of goods is to be automatically updated in the outward sales return (GSTR1) of the supplier
- Whether goods are transported on one's own or hired conveyance, by air, rail or road, the E-way bill has to be generated.
- Where the goods are handed over to a transporter for conveyance by road and neither the consignor nor the consignee has generated the E-way Bill, the transporter becomes liable to generate it.
- When the consignor or transporter generates the E-way bill, the recipient for the consignment has to either accept or reject it on the portal. If no action is taken by the recipient in 72 hours, it shall be taken as accepted.

Exemptions

- The GST Council exempted 154 items of common use, such as meat, fish, curd, vegetables and some cereals, human blood, LPG for households and kerosene for the Public Distribution System (PDS).
- The system will not be applicable on goods being transported by non-motorised conveyance, and where goods are transported from the port, airport, air cargo complex and land Customs stations to an inland container depot or a container freight station for Customs clearance.

All the best

IASbaba