

ForumIAS

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Prelims Marathon

6th to 12th March, 2023

*HISTORY
ECONOMICS
POLITY
SCIENCE AND TECHNOLOGY
GEOGRAPHY AND ENVIRONMENT*

FORUMIAS



National Income & Central Bank and Its Power

Q.1) Which of the following is/are considered as distribution network model/s?

1. State
2. Market
3. State – Market mix

Choose the correct answer from below given codes:

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

ANS: D

Explanation: In the arena of distribution network, we have three historically existing models—state, market and state-market mix.

Source: Ramesh Singh

Q.2) The famous “Wealth of Nations” book was written by?

- a) Adam Smith
- b) David Ricardo
- c) J. M. Keynes
- d) B. R. Ambedkar

ANS: A

Explanation: The capitalistic form of economy has its origin in the famous work of Adam Smith—Wealth of Nations (1776).

Adam Smith (1723–1790), the Scottish philosopher-economist professor at the University of Glasgow, whose writings formed the basis of classical economics, had stressed certain fine ideas which were to take fancy among some of the western countries and finally capitalism took birth.

Source: Ramesh Singh

Q.3) The famous “The General Theory of Employment, Interest and Money” book was written by?

- a) Adam Smith
- b) David Ricardo
- c) J. M. Keynes
- d) B. R. Ambedkar

ANS: C

Explanation: The belief in the self-correcting quality of the market and the ‘invisible hand’ of Adam Smith got a major setback in early 20th century during the Great Depression (1929).

- The impact of the depression spread from the USA to other economies of Western Europe escalating large scale unemployment, downfall in demand and economic

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activities and lockouts in industrial enterprises. The prevailing Smithonian macro ideas failed to check the crisis.

- A new approach was needed which came in the famous work, The General Theory of Employment, Interest and Money (1936) by the English economist at Cambridge University, John Maynard Keynes (1883–1946).

Source: Ramesh Singh

Q.4) The term “market socialism” was coined by which of the following?

- a) Adam Smith
- b) David Ricardo
- c) J. M. Keynes
- d) Oscar Lange

ANS: D

Explanation: On the margins of these developments, it is interesting to note the developments that occurred in the state economies of the time.

- It was Oscar Lange (1904–65), the Polish philosopher, who in 1950s suggested the same things for the socialist economy as Keynes had suggested for the capitalist economy.
- Lange praised the state economy for many of its good things, but also suggested inclusion of some of the good things of the capitalistic economy.
- He advised the state economies to adopt ‘market socialism’ (the term was coined by him).

Source: Ramesh Singh

Q.5) The “World Development Report” often seen in news is released by?

- a) World Bank
- b) International Monetary Fund
- c) World Economic Forum
- d) UNDP

ANS: A

Explanation: The World Development Report is an annual report published since 1978 by the International Bank for Reconstruction and Development or World Bank. Each WDR provides in-depth analysis of a specific aspect of economic development.

Source: Ramesh Singh

Q.6) The term “Washington Consensus” often seen in news is related to which of the following?

- a) Economic reforms
- b) Migratory species protection
- c) Marine pollution
- d) Organic farming

ANS: A

Explanation: The term ‘Washington Consensus’ was coined by the US economist John Williamson (in 1989) under which he had suggested a set of policy reforms which most of the

official in Washington (i.e., International Monetary Fund and World Bank) thought would be good for the crisis-driven Latin American countries of the time.

Source: Ramesh Singh

Q.7) Which of the following is/are come/s under Gross Domestic Product (GDP)?

1. National private consumption
2. Gross investment
3. Government spending

Choose the correct answer from below given codes:

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

ANS: D

Explanation: Gross Domestic Product (GDP) is the value of the all final goods and services produced within the boundary of a nation during one year period.

For India, this calendar year is from 1st April to 31st March. It is also calculated by adding national private consumption, gross investment, government spending and trade balance (exports-minus-imports).

Source: Ramesh Singh

Q.8) GDP minus the total value of the 'wear and tear' (depreciation) is equal to?

- a) Net Domestic Product
- b) Net National Product
- c) Gross National Product
- d) Base effect

ANS: A

Explanation: Net Domestic Product (NDP) is the GDP calculated after adjusting the weight of the value of 'depreciation'.

- This is, basically, net form of the GDP, i.e., GDP minus the total value of the 'wear and tear' (depreciation) that happened in the assets while the goods and services were being produced.
- Every asset (except human beings) goes for depreciation in the process of their uses, which means them 'wear and tear'.
- The governments of the economies decide and announce the rates by which assets depreciate (done in India by the Ministry of Commerce and Industry) and a list is published, which is used by different sections of the economy to determine the real levels of depreciations in different assets.

Source: Ramesh Singh

Q.9) Gross National Product (GNP) is the GDP of a country added with its 'income from abroad'. Which of the following is/are come/s under income from abroad?

1. Private remittances
2. Interest on external loans
3. External grants

Choose the correct answer from below given codes:

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

ANS: D

Explanation: 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 are also taken into account. The items which are counted in the segment 'Income from Abroad' is:

- Private Remittances: the net outcome of the money which inflows and outflows on account of the 'private transfers' by Indian nationals working outside of India (to India) and the foreign nationals working in India (to their home countries).
- Interest on External Loans: the net outcome on the front of the interest payments, i.e., balance of inflow (on the money lend out by the economy) and outflow (on the money borrowed by the economy) of external interests.
- External Grants: the net outcome of the external grants i.e., the balance of such grants which flow to and from India. Today, India offers more such grants than it receives. India receives grants (grants or loan-grant mix) from few countries as well as UN bodies (like the UNDP) and offers several developmental and humanitarian grants to foreign nations.

Source: Ramesh Singh

Q.10) "Nelapattu bird sanctuary" is recently seen in news is located at?

- a) Andhra Pradesh
- b) Karnataka
- c) Kerala
- d) Assam

ANS: A

Explanation: Named after the village - 'Nelapattu', located just adjoining in the Sanctuary in Nellore district of Andhra Pradesh is this wetland mainly for migratory water birds.

- The farmers of Nelapattu and their bird visitors have a symbiotic relationship. The bird 'Guano' (waste matter) acts as a natural fertilizer to the crops and the villagers in turn protect the birds.
- The largest breeding ground for the Grey pelicans in South East Asia, with approximately 1,500 pelicans breeding every year.
- The local people of Nelapattu, Muchalagunta, Mylangam, etc; protect the birds as "celestial birds", as their arrival brings good rains and good crops.

Source: <http://forests.ap.gov.in/nelapattu.php>

Central Bank in India and its powers and Contribution

Q.1) Consider the following statements:

1. The Base Year was revised from 2004–05 to 2011–12 by the Central Statistics Office (CSO).
2. It was done in accordance with the recommendation of the National Statistical Commission (NSC).

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

ANS: C

Explanation: The Central Statistics Office (CSO), in January 2015, released the new and revised data of National Accounts, effecting two changes:

- The Base Year was revised from 2004–05 to 2011–12. This was done in accordance with the recommendation of the National Statistical Commission (NSC), which had advised to revise the base year of all economic indices every five years.
- This time, the methodology of calculating the National Accounts has also been revised in line with the requirements of the System of National Accounts (SNA)-2008, an internationally accepted standard.

Source: Ramesh Singh

Q.2) Consider the following statements regarding “NBFCs (Non-Banking Financial Companies)”:

1. NBFC’s raise funds from the public, directly or indirectly, and lend them to ultimate spenders.
2. NBFC’s advance loans to the various wholesale and retail traders, small-scale industries and self-employed persons.

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

ANS: C

Explanation: NBFC’s raise funds from the public, directly or indirectly, and lend them to ultimate spenders.

- They advance loans to the various wholesale and retail traders, small-scale industries and self-employed persons.
- Thus, they have broadened and diversified the range of products and services offered by a financial sector.

Source: Ramesh Singh

Q.3) “NBFCs (Non-Banking Financial Companies)” are regulated by which of the following?

- a) RBI
- b) Department of Financial Services
- c) Department of Economic Services
- d) Department of Disinvestment

ANS: A

Explanation: RBI, the regulator of the NBFCs, has gives 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.”

Source: Ramesh Singh

Q.4) Which of the following is/are classified under the NBFCs (Non-Banking Financial Companies)?

- 1. Asset Finance Company (AFC)
- 2. Investment Company (IC)
- 3. Loan Company (LC)

Choose the correct answer from below given codes:

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

ANS: D

Explanation: The NBFCs have been reclassified into three categories:

- (i) Asset Finance Company (AFC)
- (ii) Investment Company (IC) and
- (iii) Loan Company (LC).

Under this classification, an AFC is defined as a financial institution whose principal business is that of financing the physical assets, which support various productive and economic activities in the country.

Such NBFCs are supposed to play a very vital role in financing infrastructure projects in 2016–17, as per the Government of India.

Source: Ramesh Singh

Q.5) Consider the following statements regarding “Reserve Bank of India”:

- 1. It was set up by the RBI Act, 1934.
- 2. It was nationalized in 1955.

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

ANS: A

Explanation: The Reserve Bank of India (RBI) was set up in 1935 (by the RBI Act, 1934) as a private bank with two extra functions—regulation and control of the banks in India and being the banker of the government.

After nationalization in 1949, it emerged as the central banking body of India and it did not remain a 'bank' in the technical sense.

Source: Ramesh Singh

Q.6) Which of the following function/s is/are performed by the “Reserve Bank of India”?

1. It is the issuing agency of the currency and coins including rupee one currency and coin.
2. Distributing agent for currency and coins issued by the Government of India.
3. Banker of the government.

Choose the correct answer from below given codes:

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

ANS: C

Explanation: The governments have been handing over different functions to the RBI, which stand today as given below:

- (i) It is the issuing agency of the currency and coins other than rupee one currency and coin (which are issued by Ministry of Finance itself with the signature of the Finance Secretary on the note).
- (ii) Distributing agent for currency and coins issued by the Government of India.
- (iii) Banker of the government.
- (iv) Bank of the banks/Bank of last resort.

Source: Ramesh Singh

Q.7) Consider the following statements regarding “The cash reserve ratio (CRR)”:

1. It is the ratio of the total deposits of a bank in India which is kept with the RBI in the form of cash.
2. The ratio is fixed by the Department of Financial Services.

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

ANS: A

Explanation: The cash reserve ratio (CRR) is the ratio (fixed by the RBI) of the total deposits of a bank in India which is kept with the RBI in the form of cash. This was fixed to be in the range of 3 to 15 per cent.

A recent Amendment (2007) has removed the 3 per cent floor and provided a free hand to the RBI in fixing the CRR.

Source: Ramesh Singh

Q.8) The statutory liquidity ratio (SLR) is/are maintained under which of the following form/s?

1. Cash.
2. Gold.
3. Unencumbered approved securities valued at a price as specified by the RBI from time to time.

Choose the correct answer from below given codes:

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

ANS: D

Explanation: In terms of Section 24 (2-A) of the B.R. Act, 1949 all Scheduled Commercial Banks, in addition to the average daily balance which they are required to maintain under Section 42 of the RBI, Act, 1934, are required to maintain in India,

- a) in cash, or
- b) in gold valued at a price not exceeding the current market price,
- c) in unencumbered approved securities valued at a price as specified by the RBI from time to time.

an amount which shall not, at the close of the business on any day, be less than 25 per cent or such other percentage not exceeding 40 per cent as the RBI may from time to time, by notification in gazette of India, specify, of the total of its demand and time liabilities in India as on the last Friday of the second preceding fortnight,

At present, all SCBs are required to maintain a uniform SLR of 25 per cent of the total of their demand and time liabilities in India as on the last Friday of the second preceding fortnight which is stipulated under section 24 of the B.R. Act, 1949.

Source: Ramesh Singh

Q.9) Which of the following institution/s is/are raise the money under “Bank Rate”?

1. Government of India
2. State Governments
3. RBI

Choose the correct answer from below given codes:

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

ANS: B

Explanation: The interest rate which the RBI charges on its long-term lending's is known as the Bank Rate.

The clients who borrow through this route are the Government of India, state governments, banks, financial institutions, co-operative banks, NBFCs, etc.

Source: Ramesh Singh

Q.10) “Singalila National Park” is recently seen in news is located at?

- a) Bihar
- b) Assam
- c) West Bengal
- d) Odisha

ANS: C

Explanation: Singalila National Park is a National park of India located on the Singalila Ridge at an elevation of more than 2300 metres above sea level, in the Darjeeling district of West Bengal. It is well known for the trekking route to Sandakphu that runs through it.

Source: FORUMIAS

Money and Banking

Q.1) Consider the following statements:

1. The rate of interest the RBI charges from its clients on their short-term borrowing is the repo rate.
2. In practice it is not called an interest rate but considered a discount on the dated government securities.

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

ANS: C

Explanation: The rate of interest the RBI charges from its clients on their short-term borrowing is the repo rate in India.

- Basically, this is an abbreviated form of the 'rate of repurchase' and in western economies it is known as the 'rate of discount'.
- In practice it is not called an interest rate but considered a discount on the dated government securities, which are deposited by institution to borrow for the short term.
- When they get their securities released from the RBI, the value of the securities is lost by the amount of the current repo rate.
- The Call Money Market of India (inter-bank market) operates at this rate and banks use this route for overnight borrowings.

Source: Ramesh Singh

Q.2) Which of the following statements is/are correct about reverse repo rate?

1. It is the rate of interest the RBI pays to its clients who offer short-term loan to it.
2. It is reverse of the repo rate and this was started in November 2006 as part of liquidity Adjustment Facility (LAF) by the RBI.
3. In practice, financial institutions operating in India park their surplus funds with the RBI for shortterm period and earn money.

Choose the correct answer from below given codes:

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

ANS: B

Explanation: It is the rate of interest the RBI pays to its clients who offer short-term loan to it. It is reverse of the repo rate and this was started in November 1996 as part of liquidity Adjustment Facility (LAF) by the RBI.

- In practice, financial institutions operating in India park their surplus funds with the RBI for shortterm period and earn money.

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- It has a direct bearing on the interest rates charged by the banks and the financial institutions on their different forms of loans.

Source: Ramesh Singh

Q.3) Consider the following statements regarding “Marginal Standing Facility (MSF)”:

1. It was come into effect from 2015.
2. Under this scheme, banks can borrow overnight up-to 1 per cent of their net demand and time liabilities (NDTL) from the RBI.

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

ANS: B

Explanation: MSF is a new scheme announced by the RBI in its Monetary Policy, 2011–12 which came into effect from May, 2011.

Under this scheme, banks can borrow overnight up-to 1 per cent of their net demand and time liabilities (NDTL) from the RBI, at the interest rate 1 per cent (100 basis points) higher than the current repo rate.

Source: Ramesh Singh

Q.4) Which of the following is/are the participant/s of call money market?

1. Commercial banks
2. Cooperative banks
3. Regional rural banks

Choose the correct answer from below given codes:

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

ANS: C

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

- Participants in the call money market in India currently include scheduled commercial banks (SCBs)—excluding regional rural banks), cooperative banks (other than land development banks), insurance.
- 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.

Source: Ramesh Singh

Q.5) Consider the following statements regarding Open Market Operations (OMOs):

1. It is the sale/purchase of government securities (G-Sec) to/from the market by RBI.
2. It is an effective qualitative policy tool of RBI.

Which of the statements given above is/are NOT correct?

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

ANS: B

Explanation: OMOs are conducted by the RBI via the sale/purchase of government securities (G-Sec) to/from the market with the primary aim of modulating rupee liquidity conditions in the market.

OMOs are an effective quantitative policy tool in the armory of the RBI, but are constrained by the stock of government securities available with it at a point in time.

Source: Ramesh Singh

Q.6) Consider the following statements regarding “Market Stabilization Scheme (MSS)”:

1. It was introduced in 2014.
2. It has features of both, SLR and CRR.

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

ANS: B

Explanation: Market Stabilization Scheme (MSS) 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 mobilized cash is held in a separate government account with the Reserve Bank. The instrument thus has features of both, SLR and CRR.

Source: Ramesh Singh

Q.7) Consider the following statements regarding “Regional Rural Banks (RRB’s)”:

1. They were set up in 1975.
2. Its aim is to take banking services to the doorsteps of the rural masses specially in the remote areas with no access to banking services.

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

ANS: C

Explanation: The Regional Rural Banks (RRBs) were first set up on 2 October, 1975 (only 5 in numbers) with the aim to take banking services to the doorsteps of the rural masses specially in the remote areas with no access to banking services with twin duties to fulfill:

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- (i) To provide credit to the weaker sections of the society at concessional rate of interest who previously depended on private money lending, and
- (ii) To mobilize rural savings and channelize them for supporting productive activities in the rural areas.

Source: Ramesh Singh

Q.8) Which of the following committee/s is/are associated with Regional Rural Banks?

- 1. Kelkar Committee
- 2. Bhandari Committee
- 3. Basu Committee

Choose the correct answer from below given codes:

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

ANS: D

Explanation: Following the suggestions of the Kelkar Committee, the government stopped opening new RRBs in 1987—by that time their total number stood at 196.

- Due to excessive leanings towards social banking and catering to the highly economically weaker sections, these banks started incurring huge losses by early 1980s.
- For restructuring and strengthening of the banks, the governments set up two committees—the Bhandari Committee (1994–95) and the Basu Committee (1995–96).

Source: Ramesh Singh

Q.9) Consider the following statements regarding District Central Co-Operative Banks-DCCBs:

- 1. One district can have no more than one DCCB with a number of DCCBs reporting to the SCB.
- 2. They were under the supervision of NABARD.

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

ANS: C

Explanation: One district can have no more than one DCCB with a number of DCCBs reporting to the SCB.

They were under supervision of the RBI—later on this function was delegated to the NABARD.

Source: Ramesh Singh

Q.10) “Keibul Lamjao National Park” is recently seen in news is located at?

- a) Nagaland
- b) Manipur
- c) Mizoram
- d) Tripura

ANS: B

Explanation: The Keibul Lamjao National Park is a national park in the Bishnupur district of the state of Manipur in India.

It is 40 km² in area, the only floating park in the world, located in North East India, and an integral part of Loktak Lake.

Source: FORUMIAS

Banking reforms since Independence

Q.1) Who among the following was headed a high level committee on Financial System (CFS) to examine all aspects relating to structure, organization, function and procedures of the financial system?

- a) Sukomay Chakavarthy
- b) Kaka Kelkar
- c) Narsimham
- d) Rangarajan

ANS: C

Explanation: The three decades after nationalisation had seen a phenomenal expansion in the geographical coverage and financial spread of the banking system in the country.

- As certain weaknesses were found to have developed in the system during the late eighties, it was felt that these had to be addressed to enable the financial system to play its role ushering in a more efficient and competitive economy.
- Accordingly, a high level committee on Financial System (CFS) was set up on 14 August, 1991.
- To examine all aspects relating to structure, organization, function and procedures of the financial system—based on its recommendations, a comprehensive reform of the banking system was introduced in the fiscal 1992–93.
- CFS was headed by Narsimham.

Source: Ramesh Singh

Q.2) Which of the following recommendation/s is/are given by Narsimham Committee – I?

1. CRR should be progressively reduced.
2. SLR should be brought down to minimum level.
3. Directed credit programme should be continued.

Choose the correct answer from below given codes:

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

ANS: B

Explanation: The RBI was advised not to use the CRR as a principal instrument of monetary and credit control, in place it should rely on open market operations (OMOs) increasingly.

- CRR should be progressively reduced from the present high level of 15 per cent to 3 to 5 per cent;
- Concerning the SLR it was advised to cut it to the minimum level (i.e., 25 per cent) from the present high level of 38.5 per cent in the next 5 years (it was cut down to 25 per cent in October 1997).

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- Directed credit programme should be phased out gradually. As per the committee, agriculture and small scale industries (SSIs) had already grown to a mature stage and they did not require any special support.

Source: Ramesh Singh

Q.3) Which of the following recommendation/s is/are given by Narsimham Committee – I with respect to interest rates?

1. Interest rates to be broadly determined by market forces.
2. Bank rate to be the anchor rate and all other interest rates to be closely linked to it.
3. The RBI to be the sole authority to simplify the structure of interest rates.

Choose the correct answer from below given codes:

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

ANS: D

Explanation: The major recommendations on the structure of interest rates are:

- (i) Interest rates to be broadly determined by market forces;
- (ii) All controls of interest rates on deposits and lending to be withdrawn;
- (iii) Concessional rates of interest for PSL of small sizes to be phased out and subsidies on the IRDP loans to be withdrawn;
- (iv) Bank rate to be the anchor rate and all other interest rates to be closely linked to it; and
- (v) The RBI to be the sole authority to simplify the structure of interest rates.

Source: Ramesh Singh

Q.4) Which of the following is/are recommendation/s of M. Narsimham Committee – II?

1. Merger of the PSBs and the financial institutions (AIFIs) were suggested.
2. A 3-tier banking structure was suggested after merger.
3. Higher norms of Capital-to-Risk—Weighted Adequacy Ratio (CRAR) suggested.

Choose the correct answer from below given codes:

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

ANS: D

Explanation: The Narasimham Committee-II (popularly called by the Government of India) handed over its reports in April 1998, which included the following major suggestions:

- (i) Need for a stronger banking system for which mergers of the PSBs and the financial institutions (AIFIs) were suggested—stronger banks and the DFIs (development financial institutions, i.e., AIFIs) to be merged while weaker and unviable ones to be closed.
- (ii) A 3-tier banking structure was suggested after mergers.
- (iii) Higher norms of Capital-to-Risk—Weighted Adequacy Ratio (CRAR) suggested—increased to 10 per cent.

Source: Ramesh Singh

Q.5) Consider the following statements regarding “differential rate of interest (DRI)”:

1. It was launched in 1992, by the recommendation of Narsimham Committee.
2. It makes obligatory upon all the public sector banks in India to lend 1 per cent of the total lending of the preceding year to the poorest among the poor.

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

ANS: B

Explanation: The differential rate of interest (DRI) is a lending programme launched by the government in April 1972 which makes it obligatory upon all the public sector banks in India to lend 1 per cent of the total lending of the preceding year to ‘the poorest among the poor’ at an interest rate of 4 per cent per annum.

Source: Ramesh Singh

Q.6) Which of the following sector/s is/are come/s under priority sector lending?

1. Agriculture
2. Small & Medium enterprises
3. Road & Water transport

Choose the correct answer from below given codes:

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

ANS: D

Explanation: All Indian banks have to follow the compulsory target of priority sector lending (PSL).

The priority sector in India are at present the sectors— agriculture, small and medium enterprises (SMEs), road and water transport, retail trade, small business, small housing loans (not more than Rs. 10 lakhs), software industries, self help groups (SHGs), agro-processing, small and marginal farmers, artisans, distressed urban poor and indebted noninstitutional debtors besides the SCs, STs and other weaker sections of society.

Source: Ramesh Singh

Q.7) SARFAESI Act is often seen in news, related to which of the following?

- a) Nonperforming assets
- b) Priority sector lending
- c) Credit Risk Weighted Ratio
- d) Interest rates

ANS: A

Explanation: Government finally cracked down on the wilful defaulters by passing the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002.

The Act gives far reaching powers to the banks/FIs concerning NPAs.

Source: Ramesh Singh

Q.8) Basel Accords is often seen in news is related to which of the following?

- a) Capital Adequacy
- b) Developmental Financial Institutions
- c) Private sector lending
- d) Merging of Banks

ANS: A

Explanation: The capital adequacy ratio (CAR) norm has been the last provision to emerge in the area of regulating the banks in such a way that they can sustain the probable risks and uncertainties of lending.

It was in 1988 that the central banking bodies of the developed economies agreed upon such a provision, the CAR—also known as the Basel Accord.

Source: Ramesh Singh

Q.9) Which of the following is called as Narrow Money?

- a) M0
- b) M1
- c) M2
- d) M3

ANS: B

Explanation: In banking terminology, M1 is called narrow money as it is highly liquid and banks cannot run their lending programmes with this money.

Source: Ramesh Singh

Q.10) “Ntangki National Park” is recently seen in news is located at?

- a) Nagaland
- b) Assam
- c) Tripura
- d) Mizoram

ANS: A

Explanation: Ntangki National park is rich in flora and fauna and is one of the best National Parks in Nagaland has several species of plants and trees that are exclusively found in this region.

- The topography of this park makes it excellent for trekking and hiking for the people who want to explore the region internally.
- Ntangi covers a total area of 202.02 Km² and was declared as a National Park in 1993.
- You will find some of the most unique species of animals here including the Hoolock gibbon, Palm civets, Black stork, Tiger, Golden langur, Flying squirrel, Sloth bear, Wild dogs, Monitor lizard, Python among several others.
- The park has semi-tropical trees mostly and is known for its lush greenery.

Source: FORUMIAS

Revision

Q.1) Consider the following statements regarding “High Powered Money”:

1. The currency issued by the central bank is called high power money.
2. It is generally backed by supporting reserves and its value is guaranteed by the government and it is the source of all other forms of money.

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

ANS: C

Explanation: The central banks of all the countries are empowered to issue the currency.

- The currency issued by the central bank is called ‘high power money’ because it is generally backed by supporting ‘reserves’ and its value is guaranteed by the government and it is the source of all other forms of money.
- The currency issued by the central bank is, in fact, is a liability of the central bank and the government.

Source: Ramesh Singh

Q.2) Consider the following statements regarding “Minimum Reserve System (MRS)”:

1. The RBI is required to maintain a reserve equivalent of Rs. 200 crores in gold and foreign currency with itself, of which Rs. 115 crores should be in gold.
2. Against this reserve, the RBI is empowered to issue currency to any extent.

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

ANS: C

Explanation: The RBI is required to maintain a reserve equivalent of Rs. 200 crores in gold and foreign currency with itself, of which Rs. 115 crores should be in gold.

- Against this reserve, the RBI is empowered to issue currency to any extent.
- This is being followed since 1957 and is known as the Minimum Reserve System (MRS).

Source: Ramesh Singh

Q.3) Which of the following is/are part of “Reserve Money (RM)”?

1. RBI’s net credit to the Government
2. RBI’s net credit to the Banks
3. Net forex reserve with the RBI

Choose the correct answer from below given codes:

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

ANS: D

Explanation: 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:

- (i) RBI’s net credit to the Government;
- (ii) RBI’s net credit to the Banks;
- (iii) RBI’s net credit to the commercial banks;
- (iv) net forex reserve with the RBI;
- (v) government’s currency liabilities to the public;
- (vi) net non-monetary liabilities of the RBI.

Source: Ramesh Singh

Q.4) Which of the following is/are credit rating agency/agencies?

1. Fitch Ratings
2. Moody’s Investors Service
3. Dominion Bond Rating Service

Choose the correct answer from below given codes:

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

ANS: D

Explanation: India’s sovereign debt is usually rated by six major sovereign credit rating agencies (SCRAs) of the world which are:

- (i) Fitch Ratings,
- (ii) Moody’s Investors Service,
- (iii) Standard and Poor’s (S&P),
- (iv) Dominion Bond Rating Service (DBRS),
- (v) Japanese Credit Rating Agency (JCRA), and
- (vi) Rating and Investment Information Inc., Tokyo (R&I).

Source: Ramesh Singh

Q.5) Consider the following statements regarding “millets”:

1. The Government notified Millets as Nutri-cereals in April 2018.
2. Under the National Food Security Mission (NFSM), millets have been introduced to provide nutritional support.

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

ANS: C

Explanation: Given the nutritional value of the millets, the Government notified Millets as Nutri-cereals in April 2018.

- Under the National Food Security Mission (NFSM), millets have been introduced to provide nutritional support.
- A sub-mission on Nutri-cereals is being implemented since 2018-19 in 212 districts of 14 States.
- India has more than 500 start-ups working in the millet value chains, while the Indian Institute of Millets Research has incubated 250 start-ups under Rashtriya Krishi Vikas Yojana – Remunerative Approaches for Agriculture and Allied Sectors Rejuvenation (RKVYRAFTAAR).

Source: Economic Survey

Q.6) Which of the following is/are come/s under the allied sector/s of agriculture?

1. Forestry & logging
2. Fishing & aquaculture
3. Mining & Quarrying

Choose the correct answer from below given codes:

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

ANS: B

Explanation: The allied sectors of Indian agriculture - livestock, forestry & logging and fishing & aquaculture are gradually becoming sectors of buoyant growth and a potential source of better farm incomes.

Source: Economic Survey

Q.7) Consider the following statements regarding “Animal Husbandry Infrastructure Development Fund (AHIDF)”:

1. It was launched in 2020 worth of 15,000crores.
2. Under this scheme, the Central Government provides a 3 per cent interest subvention to the borrower.

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

ANS: C

Explanation: Cognisant of the importance of allied sectors, the Government has made several critical interventions to enhance infrastructure and improve livestock productivity and disease control.

- As a part of the Aatmanirbhar Bharat (ANB) stimulus package, the Animal Husbandry Infrastructure Development Fund (AHIDF) worth ₹15,000 crore was launched in 2020.
- Under this scheme, the Central Government provides a 3 per cent interest subvention to the borrower and credit guarantees up to 25 per cent of total borrowing.

Source: Economic Survey

Q.8) Consider the following statements regarding “Pradhan Mantri Matsya Sampada Yojana (PMMSY)”:

1. It was launched 2014.
2. PMMSY marks the highest-ever investment in the fisheries sector in India.

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

ANS: B

Explanation: In May 2020, as a part of the ANB package, the Government of India launched its flagship scheme Pradhan Mantri Matsya Sampada Yojana (PMMSY), with a total outlay of ₹20,050 crore.

PMMSY marks the highest-ever investment in the fisheries sector in India, to be implemented over five years from FY21 to FY25 in all States/Union Territories to drive sustainable and responsible development of the fisheries sector while ensuring socio-economic development of the fishers, fish farmers and fish workers.

Source: Economic Survey

Q.9) Consider the following statements regarding “cooperative societies”:

1. 98 per cent of villages are covered by Primary Agriculture Credit Societies (PACS).
2. 19 per cent of agriculture finance is through cooperative societies.

Which of the statements given above is/are correct?

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

ANS: C

Explanation: The cooperative societies, especially in the agriculture, dairy and fisheries sectors, provide the rural population with livelihood opportunities and a financial safety net with a communitybased approach. Cooperatives hold the key to rural economic transformation.

- There are 8.5 lakh registered cooperatives in the country, having more than 29 crore members mainly from the marginalised and lower-income groups in the rural areas, and 98 per cent of villages are covered by Primary Agriculture Credit Societies (PACS).
- To realise the vision of “Sahakar-see-Samriddhi”, a renewed impetus was given to the growth of the cooperative sector.
- Currently, around 19 per cent of agriculture finance is through cooperative societies.

Source: Economic Survey

Q.10) Which of the following tiger reserve is NOT part Karnataka state?

- a) Bandipur
- b) Bhadra
- c) Nagarahole
- d) Pench

ANS: D

Explanation: Karnataka has been declared as No.1 State in Tiger Population in the country. At present the Tiger population is estimated around 300.

- As per India Tiger estimate 2010 conducted by Ministry of Environment and Forests, Govt. of India.
- The State has 5 Tiger Reserves namely, Bandipur, Bhadra, Nagarahole, Dandeli-Anshi and BRT Tiger Reserves which is headed by Additional Pricipal Chief Conservator of Forests (Project Tiger), Mysuru & Shivamogga.

Source: FORUMIAS