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Prelims Marathon

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*HISTORY
ECONOMICS
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SCIENCE AND TECHNOLOGY
GEOGRAPHY AND ENVIRONMENT*

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Services Sector

Q.1) Consider the following statements regarding “National Common Mobility Card (NCMC)”:

1. It was launched in 2019.
2. It is a chip based, bank issued cards on Debit/Credit/Prepaid card product platform.

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: NCMC launched in 2019, is also known as One Nation, One Card for transport mobility.

- The customer may use a single card for payments across all segments including metro, bus, suburban railways, toll, parking, smart city, and retail.
- These are chip based, bank issued cards on Debit/Credit/Prepaid card product platform.
- Unlike other Chip based cards, NCMC's are dual Interface card which supports both contact and contactless transactions.
- It was developed by the Ministry of Housing and Urban Affairs in association with National Payments Corporation of India (NPCI), Centre for Development of Advanced Computing (C-DAC) and Bharat Electronics Limited (BEL).

Source: FORUMIAS

Q.2) Consider the following statements:

1. Indian Railways is the World's 4th largest railway network.
2. Deterioration in the Operating Ratio limits spending capacity on up-gradation and safety.

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: Indian Railways is the World's 4th largest railway network, after the US, China, and Russia, with the entire track covering a route length of more than 67,000 km.

- Deterioration in the Operating Ratio limits spending capacity on up-gradation and safety.
- The operating ratio (i.e., the ratio of working expenses to traffic earnings) was 107.4% in 2021-22.
- This implies Indian Railways spent Rs 107 to earn Rs 100 from traffic operations.

Source: FORUMIAS

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Q.3) Consider the following statements regarding “KAVACH System”:

1. It is an indigenously developed Automatic Train Protection (ATP) system by the Defense Research & Development Organization (DRDO).
2. It is a state-of-the-art electronic system with Safety Integrity Level-4 (SIL-4) standards.

Which of the statements given above is/are incorrect?

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

ANS: A

Explanation: The KAVACH is an indigenously developed Automatic Train Protection (ATP) system by the Research Design and Standards Organization (RDSO) in collaboration with the Indian industry.

- The trials were facilitated by the South Central Railway to achieve safety in train operations across Indian Railways.
- It is a state-of-the-art electronic system with Safety Integrity Level-4 (SIL-4) standards.
- It is meant to provide protection by preventing trains to pass the signal at Red (which marks danger) and avoid collision.
- It activates the train’s braking system automatically if the driver fails to control the train as per speed restrictions.
- In addition, it prevents the collision between two locomotives equipped with functional Kavach systems.
- The system also relays SoS messages during emergency situations. An added feature is the centralized live monitoring of train movements through the Network Monitor System.
- ‘Kavach’ is one of the cheapest, SIL-4 certified technologies where the probability of error is 1 in 10,000 years.

Source: <https://www.thehindu.com/news/national/explained-understanding-the-kavach-system/article66930707.ece>

Q.4) The “Bharat NCAP” is often seen in news related to?

- a) Railways safety
- b) Car safety
- c) Aviation guidelines
- d) Tourism industry

ANS: B

Explanation: The Ministry of Road Transport and Highways (MoRTH) has rolled out an indigenous star-rating system for vehicles to assess their safety in cases of collision.

- Bharat NCAP is modelled on the Global New Car Assessment Programme (Global NCAP) that promotes the universal adoption of the United Nation’s motor vehicle safety standards worldwide.
- Global NCAP is a major project of the Towards Zero Foundation, which is a UK-registered charity.

Source: FORUMIAS

Q.5) Which of the following statements is/are correct?

1. Major ports are under the direct administrative control of the Central Government and fall in the Union List in the 7th Schedule of the Constitution.
2. Minor ports are fall under the jurisdiction of the respective State Maritime Board and fall in the Concurrent List.
3. There are 16 Government owned major ports.

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: B

Explanation: Ports in India are broadly categorized into two types based on traffic they handle.

- Major Ports: They are under the direct administrative control of the Central Government and fall in the Union List in the 7th Schedule of the Constitution.
- Minor Ports: They fall under the jurisdiction of the respective State Maritime Board and fall in the Concurrent List.
- There are 12 Government owned major ports (with 6 on the East Coast and 6 on the West Coast).
- The Major Port Authorities Act, 2021 and the Indian Ports Act are the two principal statutes governing the functioning of Major Ports.

Source: FORUMIAS

Q.6) Consider the following statements regarding insurance sector in India:

1. In terms of total premium volumes of insurance, it is the 10th largest market globally.
2. In India, insurance density has increased from \$ 11.1 in 2001 to \$ 91 in 2021.

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: Current Status of the Insurance Sector in India:

- Total Premium: In terms of total premium volumes, it is the 10th largest market globally, with an estimated market share of 1.9%.
- Insurance Density: In India, it has increased from \$ 11.1 in 2001 to \$ 91 in 2021. Insurance density refers to the ratio of total insurance premiums to whole population of a given country in a given year.
- Insurance Penetration: In India, it has been steadily increasing (from 2.7% in 2000 to 4.2% in 2021). Insurance penetration refers to the ratio of total insurance premiums to gross domestic product in a given year.
- Insurance penetration in the life insurance sector was 3.2% in 2021 -twice more than emerging markets and slightly above the global average.

Source: FORUMIAS

Q.7) Consider the following statements regarding “Insurance Regulatory and Development Authority of India (IRDAI)”:

1. It was established as statutory body under an Act of Parliament.
2. Its headquarters is in Hyderabad

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: Insurance Regulatory and Development Authority of India (IRDAI) is a statutory body under an Act of Parliament, i.e., IRDAI Act 1999.

- Headquarters is in Hyderabad, Telengana.
- Ministry: Ministry Of Finance, Department of Financial Services.

Source: FORUMIAS

Q.8) Consider the following statements:

1. India has witnessed electricity demand increase at CAGR of around 4.1 % during the last decade.
2. Average CO2 emission rate from coal-based stations has been on a declining trend.

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: Recently, the Central Electricity Authority has notified the National Electricity Plan for 2022-32. Key highlights of NEP are:

- Rising energy demand: India has witnessed electricity demand increase at CAGR of around 4.1 % during the last decade.
- Installed capacity: Likely installed capacity for the year 2026-27 will be around 610 GW with around 57.4% non-fossil-based capacity (from around 40% as of March 2022).
- Carbon emission: Average CO2 emission rate from coal-based stations has been on a declining trend.
- Contribution of Renewable Energy (RE) sources: Installed capacity of RE sources is expected to contribute around 35% to the total energy mix by 2026-27.

Source: FORUMIAS

Q.9) The term “market coupling” is often seen in news related to?

- a) Energy sector
- b) Transport sector
- c) Agriculture sector
- d) Finance sector

ANS: A

Explanation: India has three power exchanges – IEX, Power Exchange India Limited (PXIL) and Hindustan Power Exchange Limited (HPX).

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- These are voluntary markets and each of them collect buy bids and sell bids on their own, and thus, come up with their own market clearing prices (MCP).
- In simple terms, currently, each power exchange has a different cost of electricity, even though it is usually higher or lower to each other only by a few paisa.
- Market coupling is a model where buy bids and sell bids from all power exchanges in the country will be aggregated and matched to discover a uniform MCP.
- It means there will be only one price for the electricity that is to be traded at any point of time through these exchanges.
- If implemented, power exchanges will be rendered as a platform where only buy and sell bids will be received and power dispatched to the buyer.

Source: FORUMIAS

Q.10) Which of the following is/are part of "Natural Gas"?

1. Methane
2. Nitrogen
3. Carbon Dioxide

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: Natural gas is a mixture of gases which are rich in hydrocarbons consisting of methane, nitrogen, carbon dioxide etc.

- Natural gas reserves are deep inside the earth near other solid & liquid hydrocarbon beds like coal and crude oil.
- It is not used in its pure form; it is processed and converted into cleaner fuel for consumption.
- India has targeted to increase the share of natural gas in primary energy mix in India from current 6.5% to 15% by 2030.

Source: FORUMIAS

Indian Financial Market

Q.1) Consider the following statements:

1. The money market fulfils the requirements of funds for the period more than 364 days.
2. The capital market fulfils the requirements of funds for the period less than 364 days.

Which of the statements given above is/are incorrect?

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

ANS: C

Explanation: Financial markets in every economy are having two separate segments today, one catering to the requirements of short-term funds and the other to the requirements of long-term funds.

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- The short-term financial market is known as the money market, while the long-term financial market is known as the capital market.
- The money market fulfils the requirements of funds for the period up to 364 days (i.e., short term) while the capital market does the same for the period above 364 days (i.e., long term).

Source: Ramesh Singh

Q.2) Who among the following is/are participate/s in “money market”?

1. Individuals
2. Companies
3. Banks

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: Money market is the short-term financial market of an economy. In this market, money is traded between individuals or groups (i.e., financial institutions, banks, government, companies, etc.), who are either cash-surplus or cash-scarce.

Source: Ramesh Singh

Q.3) The long term capital raised through which of the following source/s?

1. Corporate bonds
2. Bank loans
3. Debentures

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: Long-term capital can be raised either through bank loans, corporate bonds, debentures or shares (i.e., from the capital market).

Source: Ramesh Singh

Q.4) Which of the following committee/s is/are related to money market?

1. Chakravarthy Committee
2. Vahul Committee
3. Chellaiha committee

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: B

Explanation: The organized form of money market in India is just close to three decades old. However, its presence has been there, but restricted to the government only.

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It was the Chakravarty Committee (1985) which, for the first time, underlined the need of an organized money market in the country and the Vahul Committee (1987) laid the blue print for its development.

Source: Ramesh Singh

Q.5) Which of the following is/are indigenous banker/s?

1. Gujarati Shroffs
2. Bhotiyas
3. Chettiars

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: B

Explanation: Indigenous bankers receive deposits and lend money in the capacity of individual or private firms. There are, basically, four such bankers in the country functioning as nonhomogenous groups:

(a) Gujarati Shroffs: They operate in Mumbai, Kolkata as well as in industrial, trading and port cities in the region.

(b) Multani or Shikarpuri Shroffs: They operate in Mumbai, Kolkata, Assam tea gardens and North Eastern India.

(c) Marwari Kayas: They operate mainly in Gujarat with a little bit of presence in Mumbai and Kolkata.

(d) Chettiars: They are active in Chennai and at the ports of southern India.

Source: Ramesh Singh

Q.6) Which of the following "Treasury Bills (TBs)" is/are issued by government?

1. 14-day Auctionable TBs
2. 91-day TBs
3. 182-day TBs

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: B

Explanation: Treasury Bills (TBs): This instrument of the money market though present since Independence got organized only in 1986.

- They are used by the Central Government to fulfill its short-term liquidity requirement upto the period of 364 days.
- At present only the 91-day TBs, 182-day TBs and the 364-day TBs are issued by the government.

Source: Ramesh Singh

Q.7) Which of the following statement/s is/are correct about “Certificate of Deposit (CD)”?

1. They are used by financial institutions.
2. They are not tradable.
3. Financial institutions can issue CDs for the maturity periods above one year and upto three years.

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: B

Explanation: Certificate of Deposit (CD): Organized in 1989, the CD is used by banks and issued to the depositors for a specified period ranging less than one year—they are negotiable and tradable in the money market.

Since 1993 the RBI allowed the financial institutions to operate in it— IFCI, IDBI, IRBI (IIBI since 1997) and the Exim Bank—they can issue CDs for the maturity periods above one year and upto three years.

Source: Ramesh Singh

Q.8) Who among the following can issue Commercial Bill (CB)?

1. All India Financial Institutions
2. Non-Banking Finance Companies
3. Mutual Funds

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: Commercial Bill (CB): Organized in 1990, a CB is issued by the All India Financial Institutions (AIFIs), Non-Banking Finance Companies (NBFCs), Scheduled Commercial Banks, Merchant Banks, Co-operative Banks and the Mutual Funds. It replaced the old Bill Market available since 1952 in the country.

Source: Ramesh Singh

Q.9) Consider the following statements regarding “call money market”:

1. It is an inter-bank money market where funds are borrowed and lent.
2. Under this funds can be borrowed/raised for a maximum period upto 14 days.

Which of the statements given above is/are incorrect?

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

ANS: D

Explanation: Call Money Market (CMM): This is basically an inter-bank money market where funds are borrowed and lent, generally, for one day—that is why this is also known as over-night borrowing market (also called money at call).

- Fund can be borrowed/raised for a maximum period upto 14 days (called short notice).

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- Borrowing in this market may take place against securities or without securities.

Source: Ramesh Singh

Q.10) Consider the following statements regarding “Cash Management Bill (CMB)”:

1. It is a non-standard and discounted instruments issued for maturities less than 91 days.
2. It comes under the similar Ways & Means Advances provision of Government of India.

Which of the statements given above is/are incorrect?

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

ANS: B

Explanation: The Government of India, in consultation with the RBI, decided to issue a new short-term instrument, known as Cash Management Bills, since August 2009 to meet the temporary cash flow mismatches of the government.

- The Cash Management Bills are non-standard and discounted instruments issued for maturities less than 91 days.
- CBM does not come under WMAs provisions.

Source: Ramesh Singh

Revision

Q.1) Which of the following is/are advantage/s of investing in mutual funds?

1. Diversification of portfolio
2. Good investment management services
3. Liquidity

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: Advantages of investing in MFs include: (a) diversification of portfolio, (b) good investment management services, (c) liquidity, (d) strong government-backed regulatory help, (e) professional service, and (f) low cost for all the benefits.

Source: Ramesh Singh

Q.2) Consider the following statements regarding “Discount and Finance House of India Limited”:

1. It functions as the biggest ‘primary dealer’ in the economy and functions on commercial basis.
2. It deals in all kinds of instruments in the money market with an upper ceiling.

Which of the statements given above is/are incorrect?

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

ANS: B

Explanation: The Discount and Finance House of India Limited 13 (DFHI) was set up in April 1988 by the RBI jointly with the public sector banks and financial investment institutions (i.e., LIC, GIC and UTI).

- In 2004, the RBI transferred its total holding in the DFHI to the State Bank of India arm SBI Gilts Limited. Its new name is SBI DFHI.
- It functions as the biggest ‘primary dealer’ in the economy and functions on commercial basis.
- It deals in all kinds of instruments in the money market without any upper ceiling.
- Operating in ‘two way’ (as a lender and borrower) its objective is to provide needful liquidity and stability in the financial market of the country.

Source: Ramesh Singh

Q.3) Which of the following is/are all India Financial Institution/s?

1. NABARD
2. SIDBI
3. EXIM Bank

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: At present, there are only four financial institutions operating in the country as AIFIs regulated by the RBI, viz., the NABARD, SIDBI, Exim Bank and the NHB.

Source: Ramesh Singh

Q.4) Consider the following statements:

1. NABARD supervises regional rural banks as well as state and district cooperative banks.
2. SIDBI regulates the state finance corporations (SFCs).

Which of the statements given above is/are incorrect?

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

ANS: D

Explanation: Several other government bodies perform quasi-regulatory functions— National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), and National Housing Bank (NHB).

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- NABARD supervises regional rural banks as well as state and district cooperative banks.
- NHB regulates housing finance companies, and SIDBI regulates the state finance corporations (SFCs).

Source: Ramesh Singh

Q.5) Consider the following statements regarding “International Financial Services Centre (IFSC)”:

1. It caters to customers outside the jurisdiction of the domestic economy.
2. It can provide several services including fund-raising, Asset management and global portfolio diversification.

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: An IFSC caters to customers outside the jurisdiction of the domestic economy. Such centers deal with flows of finance, financial products and services across borders.

- It can provide several services including fund-raising, Asset management and global portfolio diversification, wealth management etc.
- IFSCA has been established in 2020 under the International Financial Services Centers Authority Act, 2019.

Source: FORUMIAS

Q.6) Consider the following statements regarding “Competition Act 2002”:

1. It replaced the Monopolies and Restrictive Trade Practices (MRTP) Act, 1969.
2. It provided for the establishment of the Competition Commission of India (CCI).

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: Competition Act 2002 replaced the Monopolies and Restrictive Trade Practices (MRTP) Act, 1969.

- It provided for the establishment of the Competition Commission of India (CCI).
- The Act forbids anti-competitive agreements, corporate abuse of dominant positions, and combinations (including acquisitions, takeovers of control, and mergers and acquisitions) that have or are likely to have a materially negative impact on competition in India.

Source: FORUMIAS

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Q.7) Which of the following is/are provision/s of Jan Vishwas (Amendment of Provisions) Act, 2023?

1. Decriminalizes some of provisions across 42 laws administered by ministries and departments.
2. Converts several fines into penalties.
3. Removes all offences and penalties under the Indian Post Office Act 1898.

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: Recently, the Jan Vishwas (Amendment of Provisions) Act, 2023 aims to give a boost to ease of living and ease of doing business. Key highlights of the Act:

- Decriminalizes 183 provisions across 42 laws administered by 19 Ministries/Departments.
- Converts several fines into penalties, implying that judicial prosecution is not necessary to administer punishment.
- Removes all offences and penalties under the Indian Post Office Act 1898.
- Periodic revision (10% increase of the minimum amount every three years) of fines and penalties for various offences in specified Acts.
- Changes in grievance redress and appellate mechanisms and appointment of one or more adjudicating officers for determining penalties under acts such as the Cinematograph Act, 1952, Environment (Protection) Act, 1986, Merchant Shipping Act, 1958, etc.

Source: FORUMIAS

Q.8) What is the rank of India in recently published Global Innovation Index, 2023?

- a) 32
- b) 38
- c) 40
- d) 44

ANS: C

Explanation: India maintains 40th Rank in the recently released GII 2023, by the World Intellectual Property Organization (WIPO).

- The GII is a reliable tool for governments across the world to assess the innovation-led social and economic changes in their respective countries.
- It is co-published annually by Cornell University, INSEAD Business School, and WIPO.

Source: FORUMIAS

Q.9) Which of the following treaty/treaties is India member?

1. Paris Convention for the Protection of Industrial Property
2. Berne Convention for the Protection of Literary and Artistic Works
3. Patent Cooperation Treaty

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: Major Treaties (India is a member of all three):

- Paris Convention for the Protection of Industrial Property (1998).
- Berne Convention for the Protection of Literary and Artistic Works (1928).
- Patent Cooperation Treaty (1998).

Source: FORUMIAS

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

- a) Nagaland
- b) Assam
- c) West Bengal
- d) Sikkim

ANS: B

Explanation: Orang National Park is a national park in India located on the northern bank of the Brahmaputra River in the Darrang and Sonitpur districts of Assam.

It covers an area of 79.28 km². It was established as a sanctuary in 1985 and declared a national park on 13 April 1999.

Source: FORUMIAS

Banking in India

Q.1) Which of the following activity/activities is/are taken by NBFCs (Non-Banking Financial Companies)?

1. Making loans and advances
2. Leasing
3. Construction of immovable property

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: B

Explanation: NBFCs (Non-Banking Financial Companies) are fast emerging as an important segment of Indian financial system.

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- It is an heterogeneous group of institutions (other than commercial and co-operative banks) performing financial intermediation in a variety of ways, like accepting deposits, making loans and advances, leasing, hire purchase, etc.
- They cannot have certain activities as their principal business—agricultural, industrial and salepurchase or construction of immovable property.

Source: Ramesh Singh

Q.2) Under which of the following act, Reserve Bank of India was set up?

- a) Government of India Act, 1919
- b) RBI Act, 1934
- c) RBI Act, 1949
- d) Nationalization of Banks Act, 1969

ANS: B

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.

Source: Ramesh Singh

Q.3) Which of the following is/are function/s of Reserve Bank of India?

1. Issuing agency of the currency and coins other than rupee one currency
2. Distributing agent for currency and coins issued by the Government of India.
3. Banker of the government.

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

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.4) "It is the ratio of the total deposits of a bank in India which is kept with the RBI in the form of cash"?

- a) Cash Reserve Ratio
- b) Statutory liquidity ratio
- c) Bank Rate
- d) Marginal Standing Facility

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.

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- 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.5) Which of the following is/are come/s under the definition of Statutory Liquidity Ratio (SLR)?

1. Cash
2. Gold
3. Treasury Bills of the Government of India

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: SLR assets shall be maintained by Scheduled commercial banks and local area banks, as -

(a) Cash; or

(b) gold as defined in Section 5(g) of Banking Regulation Act, 1949 valued at a price not exceeding the current market price: or

(c) Unencumbered investment in any of the following instruments [hereinafter referred to as Statutory Liquidity Ratio securities ("SLR securities")], namely:-

- Dated securities of the Government of India issued from time to time under the market borrowing programme and the Market Stabilization Scheme ; or
- Treasury Bills of the Government of India; or
- State Development Loans (SDLs) of the State Governments issued from time to time under the market borrowing programme.

Source: <https://www.rbi.org.in/commonperson/english/scripts/Notification.aspx?id=2283>

Q.6) Who among the following institution/s borrow through Bank Rate is/are?

1. Government of India
2. Cooperative Banks
3. NBFC's

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

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

- The clients who borrow through this route are the Government of India, state governments, banks, financial institutions, cooperative banks, NBFCs, etc.
- The rate has direct impact on long-term lending activities of the concerned lending bodies operating in the Indian financial system.

Source: Ramesh Singh

Q.7) Consider the following statements regarding “Repo Rate”:

1. It is the rate of interest the RBI charges from its clients on their short-term borrowing.
2. The Call Money Market of India operates at this rate.

Which of the statements given above is/are incorrect?

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

ANS: D

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’.
- The Call Money Market of India (inter-bank market) operates at this rate and banks use this route for overnight borrowings.
- This rate has direct relation with the interest rates banks charge on the loans they offer (as it affects the operational cost of the banks).

Source: Ramesh Singh

Q.8) Consider the following statements regarding “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 was started in November 1996 as part of liquidity Adjustment Facility (LAF) by 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: C

Explanation: Reverse Repo Rate 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.
- 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.9) Under which of the following “banks can borrow overnight upto 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”?

- a) Bank Rate
- b) Market Sterilization Scheme
- c) Marginal Standing Facility
- d) Open Market Operations

ANS: C

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 upto 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.10) Consider the following statements regarding “Open Market Operations”:

1. It is conducted by department of financial services.
2. Its primary aim is to modulate rupee liquidity conditions in the 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

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.
- Other than the institutions, now individuals will also be able to participate in this market.

Source: Ramesh Singh

Capital Market in India

Q.1) Consider the following statements regarding “Agriculture Insurance Company of India Limited (AICIL)”:

1. It is a dedicated agri-insurance company.
2. It is responsible for look after the PMFBY (Prime Minister Fasal Bima Yojana).

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 public sector insurance company, Agriculture Insurance Company of India Limited (AICIL) was set up by the Government of India in December 2002 (commenced its business in April 2003).

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- This is a dedicated agri-insurance company and aims “to serve the needs of farmers better and to move towards a sustainable actuarial regime”.
- This company was responsible to look after the National Agriculture Insurance Scheme (NAIS) which was launched in 1999.
- Since January 2016, the company is looking after the newly launched PMFBY (Prime Minister Fasal Bima Yojana) which subsumed the existing agri-insurance schemes— the NAIS and the Modified NAIS (of 2010).
- Till the AICIL was not set up, the agri-insurance responsibility of the government was being looked after by the General Insurance Corporation (GIC).

Source: Ramesh Singh

Q.2) Which of the following committee was related to insurance reforms?

- a) Narsimhan
- b) Vivek debroy
- c) Rangarajan
- d) R. N. Malhotra

ANS: D

Explanation: Under the process of economic reforms an Insurance Reforms Committee (IRC) was set up in April 1993 under the chairmanship of the ex-RBI Governor R. N. Malhotra.

Source: Ramesh Singh

Q.3) Which of the following organization/s was/were subsumed to form “Deposit Insurance and Credit Guarantee Corporation (DICGC)?

1. Deposit Insurance Corporation
2. Credit Guarantee Corporation
3. General Insurance Corporation of India

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: B

Explanation: DICGC was set up by merging the Deposit Insurance Corporation (1962) and the Credit Guarantee Corporation (1971) in 1978.

- While Deposit Insurance had been introduced in India out of concerns to protect depositors, ensure financial stability, instill confidence in the banking system and help mobilize deposits, the establishment of the Credit Guarantee Corporation was essentially in the realm of affirmative action to ensure that the credit needs of the hitherto neglected sectors and weaker sections were met.
- The essential concern was to persuade banks to make available credit to not so creditworthy clients. After the merger, the focus of the DICGC had shifted onto credit guarantees.

Source: Ramesh Singh

Q.4) Which of the following is/are reason/s for low penetration of insurance sector?

1. Complex and delayed claim settlement procedures
2. Lack of education and awareness among the masses
3. Lower income levels of the population

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: As per the area experts and the insurance regulator, there are several factors responsible for the low insurance penetration in the country—major ones of them are as given below: (i) Complex and delayed claim settlement procedures; (ii) Vague and incomprehensible rules and regulations of the insurance companies; (iii) Lack of education and awareness among the masses; (iv) Lower income levels of the population; (v) Socio-cultural factors; (vi) Lack of level playing field in the industry; and (vii) Less vibrancy in the regulatory framework.

Source: Ramesh Singh

Q.5) Consider the following statements:

1. The market in which the instruments of security market are traded directly between the capital-raiser and the instrument purchaser is known as the primary market.
2. The market where the instruments of security market are traded among the primary instrument holders is known as the secondary market.

Which of the statements given above is/are incorrect?

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

ANS: D

Explanation: Every security market has two complementary markets—primary and the secondary.

- The market in which the instruments of security market are traded (procured) directly between the capital-raiser and the instrument purchaser is known as the primary market.
- As for example, a share being directly purchased by anybody from the issuer which may be the company itself. The person is known as the primary shareholder.
- The market where the instruments of security market are traded among the primary instrument holders is known as the secondary market.
- Such transactions need an institutionalized floor for their trading which is made available by the stock exchanges.

Source: Ramesh Singh

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Q.6) Consider the following statements regarding “National Stock Exchange of India Ltd. (NSE)”:

1. It was set up in 1952.
2. It has a 50 share index and a 500 share index known as S&P CNX-50 (Nifty Fifty) and S&P CNX-500.

Which of the statements given above is/are incorrect?

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

ANS: A

Explanation: The National Stock Exchange of India Ltd. (NSE) was set up in 1992 and became operationalised 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.

Source: Ramesh Singh

Q.7) Which of the following indice/s is/are connected with “Bombay Stock Exchange Ltd. (BSE)”?

1. Sensex
2. BSE – 200
3. National index

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: The Bombay Stock Exchange Ltd. (BSE), earlier a regional stock exchange, converted into a national one in 2002. The biggest in India, it accounts for almost 75 per cent of total stocks traded in India and is the fifth largest in the world (on the basis of market capitalisation). There are at present four indices connected with the BSE:

- (i) **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.
- (ii) **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.
- (iii) **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.
- (iv) **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.

Source: Ramesh Singh

Q.8) Consider the following statements:

1. Broker is a registered member of a stock exchange who buys or sells shares/securities on his client's behalf and charges a commission on the gross value of the deal.
2. A jobber is a broker's broker or one who specializes in specific securities catering to the need of other brokers.

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: Broker is a registered member of a stock exchange who buys or sells shares/securities on his client's behalf and charges a commission on the gross value of the deal—such brokers are also known as commission brokers.

A jobber is a broker's broker or one who specialises in specific securities catering to the need of other brokers—in India also known as 'Taravaniwallah' (in the BSE).

Source: Ramesh Singh

Q.9) Consider the following statements regarding "Security and Exchange Board of India (SEBI)":

1. Initially it was set up as a non-statutory body.
2. Its initial paid-up capital was Rs. 5000 crore.

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 regulator of Indian stock market, set up under the Security and Exchange Board of India Act, 1992 (as a non-statutory body set on 12 April, 1988 through a government resolution in an effort to give the Indian stock market an organised structure) with its head office in Mumbai.

Its initial paid-up capital was Rs. 50 crore provided by the promoters—the IDBI, the IFCI and the ICICI.

Source: Ramesh Singh

Q.10) Consider the following statements:

1. The Forward Markets Commission is a statutory body set up under the Forward Contracts (Regulation) Act, 1952.
2. It functions under the administrative control of the Department of Consumer Affairs, Ministry of Consumer Affairs, Food & Public Distribution.

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 Forward Markets Commission is a statutory body set up under the Forward Contracts (Regulation) Act, 1952.

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- It functions under the administrative control of the Department of Consumer Affairs, Ministry of Consumer Affairs, Food & Public Distribution.
- In 2014, the commission was transferred to the Ministry of Finance.
- Headquartered at Mumbai with one regional office at Kolkata, the commission comprises a Chairman, and two members.

Source: Ramesh Singh

External Sector of India

Q.1) Which of the following factor/s is/are influence the “Currency Valuation”?

1. Interest rates
2. Inflation
3. Capital flow

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: Currency Valuation refers to the process of determining the relative worth or value of one currency in terms of another.

- The most common method to value currency is through exchange rates.
- It is influenced by several factors including interest rates, Inflation, capital flow, money supply etc.

Source: FORUMIAS

Q.2) The value of a currency is pegged to the value of another currency/ basket of currencies/a commodity like gold - related to?

- a) Fixed Exchange Rates
- b) Floating Exchange Rates
- c) Managed Exchange Rates
- d) Sterilization

ANS: A

Explanation: Fixed Exchange Rates: Value of a currency is pegged/fixed to the value of another currency/ basket of currencies/a commodity like gold.

Central banks actively intervene to maintain the fixed rate.

Source: FORUMIAS

Q.3) Which of the following is/are pillar/s of new foreign trade policy approach?

1. From Incentives to tax Remission
2. Greater Trade Facilitation through technology, automation, and continuous process re-arranging.
3. Export Promotion through collaboration

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: Four Pillars of New FTP Approach:

- From Incentives to tax Remission
- Greater Trade Facilitation through technology, automation, and continuous process re-arranging.
- Export Promotion through collaboration: exporters, states, districts.
- Focus on Emerging areas- E Commerce exports, developing districts as export hubs, streamlining SCOMET Policy.

Source: FORUMIAS

Q.4) The “Niryat Bandhu” scheme is often seen in news related to?

- a) Mentorship to aspiring exporters
- b) Agriculture entrepreneurs
- c) MSME credit incentive scheme
- d) Active ingredients import scheme

ANS: A

Explanation: The Niryat Bandhu Scheme involves mentorship provided by field officers to new and aspiring exporters.

These officers conduct counseling sessions, offer individual facilitation, and organize orientation programs to train and guide individuals for engagement in international trade.

Source: FORUMIAS

Q.5) The “SCOMET list” is recently seen in news related to?

- a) National Export Control List
- b) Satellite to control piracy
- c) Coast guard warship list
- d) Coastal defense installations

ANS: A

Explanation: SCOMET list: It is India’s National Export Control List and is aligned to the control lists of all the MECRs and conventions.

- SCOMET items are regulated under the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005.
- Imported goods covered under the SCOMET list are not permitted for export.
- Outreach Programmes on SCOMET: Will be organized by DGFT in association with Administrative Ministries/Departments and Trade Associations for effective awareness among the exporters/importers dealing with trade and manufacture, in particular, of SCOMET items.

Source: FORUMIAS

Q.6) Which of the following country/countries, India has signed the free trade agreement/s?

1. Sri Lanka
2. Thailand
3. Myanmar

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: B

Explanation: India has signed 13 FTAs with various countries.

These include Sri Lanka, Nepal, Bhutan, Thailand, Singapore, South Korea, Japan, Malaysia, Mauritius, United Arab Emirates and Australia.

Source: FORUMIAS

Q.7) Which of the following is/are type/s of free trade agreement/s?

1. Customs union
2. Common market
3. Economic union

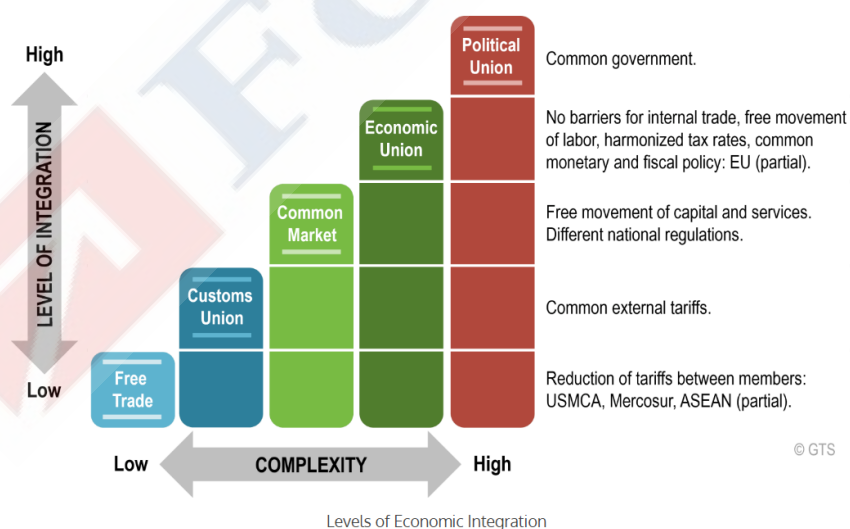
How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation:

Levels of Economic Integration



Source: FORUMIAS

Q.8) Which of the following is/are non tariff barrier/s?

1. Sanitary measures
2. Rules of origin
3. Trade related investment measures

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: There can be tariff and non-tariff barriers to trade.

Tariff Barriers: Simply, a tariff barrier is a tax and it adds to the cost borne by consumers of imported goods.

Non-Tariff Barriers (NTBs): Non-Tariff Measures (NTMs) are policy measures apart from tariffs that impact imports into a country. When NTMs become arbitrary, beyond scientific justification and create hurdles for trade, they are called NTBs.

The UN Conference on Trade and Development (UNCTAD) classifies 16 types of non-tariff barriers including-

- Technical barriers like Sanitary and phyto-sanitary measures etc.
- Non-technical barriers like trade-protective measures, Rules of Origin (RoO), Trade related Investment measures etc.
- Export related measures.

Source: FORUMIAS

Q.9) Which of the following organization releases the “Trade and Development Report”?

- a) WTO
- b) UNCTAD
- c) WEF
- d) IMF

ANS: B

Explanation: United Nations Conference on Trade and Development (UNCTAD) released Trade and Development Report 2023.

Source: FORUMIAS

Q.10) Which of the following organization released the “Migration and Development Brief: Leveraging Diaspora Finances for Private Capital Mobilization” report?

- a) WTO
- b) UNCTAD
- c) World Bank
- d) IMF

ANS: C

Explanation: The World Bank recently released an annual report “Migration and Development Brief: Leveraging Diaspora Finances for Private Capital Mobilization”.

Source: FORUMIAS

Tax Structure in India

Q.1) Consider the following statements:

1. The point where tax looks as being imposed is known as the impact of tax.
2. The point where tax makes its effect felt is known as the incidence of tax.

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: D

Explanation: The point where tax looks as being imposed is known as the incidence of tax —the event of tax imposition.

The point where tax makes its effect felt is known as the impact of tax—the after effect of tax imposition.

Source: Ramesh Singh

Q.2) Consider the following statements:

1. The tax which has incidence and impact at the different points is the direct tax.
2. The interest tax and income tax are examples of direct tax.

Which of the statements given above is/are incorrect?

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

ANS: A

Explanation: The tax which has incidence and impact both at the same point is the direct tax—the person who is hit, the same person bleeds. As for example income tax, interest tax, etc.

The tax which has incidence and impact at the different points is the indirect tax—the person who is hit does not bleed someone else's blood.

Source: Ramesh Singh

Q.3) Consider the following statements regarding “progressive taxation”:

1. It refers to increasing rates of tax for increasing value or volume on which the tax is being imposed.
2. Goods and Services Tax is example of progressive taxation.

Which of the statements given above is/are incorrect?

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

ANS: B

Explanation: Progressive Taxation: This method has increasing rates of tax for increasing value or volume on which the tax is being imposed.

Indian income tax is a typical example of it. The idea here is less tax on the people who earn less and higher tax on the people who earn more—classifying income earners into different slabs.

Source: Ramesh Singh

Q.4) Which of the following is/are principle/s of a good tax system?

1. Fairness
2. Efficiency
3. Flexibility

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: There is a broad consensus on five principles of a good tax system, among economists and the policymakers:

Though fairness (i.e., the first criteria of a good tax system) is not always easy to define, economists suggest inclusion of two elements in the tax system to make it fair namely, horizontal equity and vertical equity.

- Individuals in identical or similar situations paying identical or similar taxes are known as horizontal equity. When 'better off' people pay more taxes it is known as vertical equity.
- Efficiency of a tax system is its potential to affect or interfere the efficiency of the economy. A good tax system raises revenue with the least cost on the taxpayers and least interference on the allocation of resources in the economy.
- Taxes can improve efficiency of the economy—taxes on pollution or on smoking give revenue to the government and serves broader social purposes, too. This is known as the double dividend of a tax.
- A good tax system has the scope of desirable modifications in it if there is any such need.

Source: Ramesh Singh

Q.5) Which of the following tax/taxes is/are subsumed under Goods & Services tax?

1. Central excise duty
2. Service tax
3. Countervailing duty

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: The central taxes subsumed in GST are—central excise duty (cenvat); additional excise duty; service tax; additional customs duty (commonly known as countervailing duty; and special additional duty of customs.

Source: Ramesh Singh

Q.6) Consider the following statements regarding “Capital Gains Tax”:

1. It is an indirect tax.
2. It is imposed by the government on the profit earned from the sale of certain assets, such as stocks, bonds, real estate, or other investments.

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: Capital Gains tax is a direct tax and applies on the sales of all ‘assets’ if a profit (gain) has been made by the owner of the asset—a tax on the ‘gains’ one gets by selling assets.

Source: Ramesh Singh

Q.7) Consider the following statements regarding “Minimum Alternate Tax (MAT)”:

1. It is a direct tax imposed on the zero tax companies.
2. It was first imposed in 1997–98.

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 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. This was first imposed in 1997–98.

- Basically, income tax is paid as per the provisions of the Income Tax Act (IT Act), but companies calculate their profit (through profit and loss account) as per the provisions of the Companies Act.
- The IT Act allows several kinds of exemptions and other incentives from total income together with deductions on the gross income.
- Again, the rates of ‘depreciation’ under the Companies Act are higher than the IT Act.
- As a result of these exemptions, deductions and other incentives under IT Act together with higher depreciation under the Companies Act, companies show their taxable income either ‘nil’ or ‘negative’, and this way; the ‘zero tax’ companies emerge.

Source: Ramesh Singh

Q.8) Which of the following is/are N K Singh committee recommendation/s?

1. The combined debt-to-GDP ratio of the centre and states should be brought down to 60 per cent by 2023.
2. The Committee advocated fiscal deficit as the operating target to bring down public debt.
3. The Committee recommends that the central government should reduce its revenue deficit steadily by 0.25 percentage (of GDP) points each year.

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: The main recommendations of the NK Singh Committee are:

- 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.
- 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.
- 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.

Source: FORUMIAS

Q.9) Which of the following organization releases the "International Debt Report (IDR)"?

- a) IMF
- b) World Bank
- c) AIIB
- d) WEF

ANS: B

Explanation: World Bank releases annually International Debt Report (IDR), 2023.

The report analyses external debt statistics for 122 low- and middle-income countries (LMICs).

Source: FORUMIAS

Q.10) The Govind wildlife sanctuary is recently seen in news located at?

- a) Uttarakhand
- b) Bihar
- c) Jharkhand
- d) Andhra Pradesh

ANS: A

Explanation: The Govind Wildlife Sanctuary or Govind Pashu Vihar National Park and Sanctuary are located in the Uttarkashi district of Uttarakhand.

- Established in 1955 the sanctuary covers an area of 958 sq km and includes mountains like Swargarohini, Black Peak, and Bandarpunch.

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- The altitude at the park ranges from the average elevation of 1400mts to an astonishing 6323mts and consists of Chirpine, scrub tropical Euphorbia scrub and oak species.

Source: FORUMIAS

Public Finance in India

Q.1) Which of the following article of Indian Constitution has the provisions related to “Annual Financial Statement”?

- a) Article 98
- b) Article 110
- c) Article 112
- d) Article 117

ANS: C

Explanation: The Constitution of India has a provision (Art. 112) for such a document called Annual Financial Statement to be presented in the Parliament before the commencement of every new fiscal year—popular as the Union Budget. Same provision is there for the states, too.

Source: Ramesh Singh

Q.2) Which of the following sets of data present in the union budget?

1. Actual data of the preceding year
2. Provisional data of the current year
3. Budgetary estimates for the following year

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: The Union Budget has three sets of data for every concerned sector or sub sector of the economy:

- Actual data of the preceding year (here preceding year means one year before the year in which the Budget is being presented. Suppose the Budget presented is for the year 2017–18, the Budget will give the final/actual data for the year 2015-16.
- Provisional data of the current year (i.e., 2016–17) since the Budget for 2017–18 is presented at the end of the fiscal 2016–17, it provides Provisional Estimates for this year.
- Budgetary estimates for the following year (here following year means one year after the year in which the Budget is being presented or the year for which the Budget is being presented, i.e., 2017–18).

Source: Ramesh Singh

Q.3) Which of the following is/are interim data?

1. Revised estimate
2. Quick estimate
3. Advance estimate

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: One comes across certain other kinds of data, too in day-to-day government economic literature. There are three such data—

- (i) Revised Estimate (RE) Revised Estimate is basically a current estimation of either the budgetary estimates (BE) or the provisional estimates (PE). It shows the contemporary situation. It is an interim data.
- (ii) Quick Estimate (QE) Quick Estimate is a kind of revised estimate which shows the latest situation and is useful in the process of going for future projections for some sector or sub-sector. It is an interim data.
- (iii) Advance Estimate (AE) Advance Estimate is a kind of quick estimate but done ahead (is advance) **of the final stage when data should have been collected. It is an interim data.**

Source: Ramesh Singh

Q.4) Which of the following is/are non – tax revenue receipts?

1. Profits and dividends which the government gets from its public sector undertakings (PSUs).
2. Interests received by the government out of all loans forwarded by it.
3. Fiscal services of the government.

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: Non – tax includes all money earned by the government from sources other than taxes. In India they are:

- (i) Profits and dividends which the government gets from its public sector undertakings (PSUs).
- (ii) Interest's received by the government out of all loans forwarded by it, be it inside the country (i.e., internal lending) or outside the country (i.e., external lending). It means this income might be in both domestic and foreign currencies.
- (iii) Fiscal services also generate incomes for the government, i.e., currency printing, stamp printing, coinage and medals minting, etc.
- (iv) General Services also earn money for the government as the power distribution, irrigation, banking, insurance, community services, etc.
- (v) Fees, Penalties and Fines received by the government.
- (vi) Grants which the governments receives—it is always external in the case of the Central Government and internal in the case of state governments.

Source: Ramesh Singh

Q.5) Which of the following is NOT part of revenue expenditure?

- a) Construction of railway bridge
- b) Interest payments
- c) Subsidies
- d) Defense expenditures

ANS: A

Explanation: A broad category of things that fall under revenue expenditures in India are:

- (i) Interest payment by the government on the internal and external loans;
- (ii) Salaries, Pension and Provident Fund paid by the government to government employees;
- (iii) Subsidies forwarded to all sectors by the government;
- (iv) Defense expenditures by the government;
- (v) Postal Deficits of the government;
- (vi) Law and order expenditures (i.e., police & paramilitary);
- (vii) Expenditures on social services (includes all social sector expenditures as education, health care, social security, poverty alleviation, etc.) and general services (tax collection, etc.);
- (viii) Grants given by the government to Indian states and foreign countries.

Source: Ramesh Singh

Q.6) Which of the following is/are comes under capital receipts?

- 1. Postal deposits
- 2. Small saving schemes
- 3. Government bonds sold to the public

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: Other Receipts by the Government: This includes many long-term capital accruals to the government through the Provident Fund (PF), Postal Deposits, various small saving schemes (SSSs) and the government bonds sold to the public (as Indira Vikas Patra, Kisan Vikas Patra, Market Stabilisation Bond, etc.).

Such receipts are nothing but a kind of loan on which the government needs to pay interests on their maturities. But they play a role in capital raising process by the government.

Source: Ramesh Singh

Q.7) Which of the following is/are comes under capital expenditures?

1. Loan Disbursals by the Government
2. Loan Repayments by the Government
3. Capital Expenditures on Defense by the Government

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: All the areas which get capital from the government are part of the capital expenditure. It includes so many heads in India —

- (i) Loan Disbursals by the Government: The loans forwarded by the government might be internal (i.e., to the states, UTs, PSUs, FIs, etc.) or external (i.e., to foreign countries, foreign banks, purchase of foreign bonds, loans to IMF and WB, etc.).
- (ii) Loan Repayments by the Government: Again loan payments might be internal as well as external. This consists of only the capital part of the loan repayment as the element of interest on loans is shown as a part of the revenue expenditure.
- (iii) Plan Expenditure of the Government: This consists of all the expenditures incurred by the government to finance the planned development of India as well as the central government financial supports to the states for their plan requirements.
- (iv) Capital Expenditures on Defense by the Government: This consists of all kinds of capital expenses to maintain the defense forces, the equipment purchased for them as well as the modernization expenditures. It should be kept in mind that defense is a non-plan expenditure which has capital as well as revenue expenditures in its maintenance. The revenue part of expenditure in the defense is counted in the revenue expenditures by the government.

Source: Ramesh Singh

Q.8) The fiscal deficit excluding the interest liabilities for a year is?

- a) Revenue deficit
- b) Effective revenue deficit
- c) Primary deficit
- d) Capital deficit

ANS: C

Explanation: 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 fulfill any interest payments on the different loans and liabilities which it is obliged to—shown both in quantitative and percentage of GDP forms.

Source: Ramesh Singh

Q.9) Consider the following statements regarding government securities (G - Sec):

1. They are tradable instruments issued by the Central Government or the State Governments.
2. They are called risk-free gilt-edged instruments.

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: G-Secs are tradable instruments issued by the Central Government or the State Governments which acknowledges the Government's debt obligation.

- G-Secs carry practically no risk of default and, hence, are called risk-free gilt-edged instruments.
- Dated G-Sec's are securities which carry a fixed or floating coupon (interest rate) which is paid on the face value, on half-yearly basis.

Source: FORUMIAS

Q.10) Consider the following statements regarding "Goods and Service Tax":

1. It is a single domestic indirect tax law for the entire country.
2. It is a multi-stage, destination-based tax that is levied on every value addition.

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: GST is a single domestic indirect tax law for the entire country. It is a multi-stage, destination-based tax that is levied on every value addition.

- It came into effect on 1st July 2017 (101st Constitutional amendment) replacing indirect taxes in India such as the excise duty, VAT, services tax, etc.
- The idea of a nationwide GST in India was first proposed by the Kelkar Task Force on indirect taxes in 2000.

Source: Ramesh Singh

International Economic Organizations

Q.1) Which of the following is/are Bretton Woods' twins?

1. IMF
2. World Bank
3. World Trade Organization

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: B

Explanation: The International Monetary Fund (IMF) and the World Bank (with its first group-institution IBRD) were set up together—popularly called as the Bretton Woods' twins—both having their headquarters in Washington DC, USA.

Source: Ramesh Singh

Q.2) Which of the following is/are function/s of “International Monetary Fund”?

1. Facilitate international monetary cooperation
2. Promote exchange rate stability and orderly exchange arrangements
3. Assist in the establishment of a multilateral system of payments

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: The main functions of the IMF are as given below:

- (i) to facilitate international monetary cooperation;
- (ii) to promote exchange rate stability and orderly exchange arrangements;
- (iii) to assist in the establishment of a multilateral system of payments and the elimination of foreign exchange restrictions; and
- (iv) to assist member countries by temporarily providing financial resources to correct mal-adjustment in their balance of payments (BoPs).

Source: Ramesh Singh

Q.3) The “Flexible Credit Line (FCL)” is often seen in news related to?

- a) IMF
- b) World Bank
- c) AIIB
- d) ADB

ANS: A

Explanation: The Flexible Credit Line (FCL) is designed by IMF to meet the demand for crisis prevention and crisis-mitigation lending for countries with very strong policy frameworks and track records in economic performance.

Source: <https://www.imf.org/en/About/Factsheets/Sheets/2023/Flexible-Credit-Line-FCL>

Q.4) Which of the following is/are lending instrument/s of International Monetary Fund?

1. Extended Credit Facility
2. Standby Credit Facility
3. Rapid Credit Facility

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: All IMF members have access to the General Resources Account on non-concessional loans. The IMF also provides concessional financial support to its low-income members through the Poverty Reduction and Growth Trust (PRGT), which has three lending facilities:

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- Extended Credit Facility
- Standby Credit Facility
- Rapid Credit Facility

Source: <https://www.imf.org/en/About/Factsheets/IMF-Support-for-Low-Income-Countries>

Q.5) Which of the following institution is soft window of World Bank?

- International Bank for Reconstruction and Development (IBRD)
- International Development Agency (IDA)
- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)

ANS: B

Explanation: The International Development Agency (IDA) which is also known as the soft window of the WB was set up in 1960 with the basic aim of developing infrastructural support among the member nations, long-term lending for the development of economic services.

Source: Ramesh Singh

Q.6) Consider the following statements regarding “International Finance Corporation (IFC)”:

- It lends money to private sector companies of its member nations.
- It provides advice for private-public ventures and projects in partnership with private investors.

Which of the statements given above is/are correct?

- 1 only
- 2 only
- Both 1 and 2
- Neither 1 nor 2

ANS: C

Explanation: The International Finance Corporation (IFC) was set up in 1956 which is also known as the private arm of the WB. It lends money to private sector companies of its member nations.

- The interest rate charged is commercial but comparatively low. There are many attractive features of IFC's lending.
- It finances and provides advice for private-public ventures and projects in partnership with private investors and, through its advisory work, helps governments of the member nations to create conditions that stimulate the flow of both domestic and foreign private savings and investment.

Source: Ramesh Singh

Q.7) Which of the following organization of World Bank “provides technical assistance to help countries disseminate information on investment opportunities”?

- International Bank for Reconstruction and Development (IBRD)
- International Development Agency (IDA)
- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)

ANS: D

Explanation: The Multilateral Investment Guarantee Agency (MIGA), set up in 1988 encourages foreign investment in developing economies by offering insurance (guarantees) to foreign private investors against

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loss caused by non-commercial (i.e., political) risks, such as currency transfer, expropriation, war and civil disturbance.

It also provides technical assistance to help countries disseminate information on investment opportunities.

Source: Ramesh Singh

Q.8) The “Ordinary Capital Resources” is recently seen in news related to?

- a) IMF
- b) World Bank
- c) AIIB
- d) ADB

ANS: D

Explanation: ADB’s OCR operations are diverse, covering agriculture and natural resources, education, energy, finance, health and social protection, industry and trade, public sector management, transport and information and communication technology, multi-sector, and water supply and other municipal infrastructure and services.

- Regular market-based OCR loans are generally made to developing member countries (DMCs) that have attained a higher level of economic development while concessional OCR loans are made to lower-income DMCs.
- Regular OCR also supports ADB’s private sector (non-sovereign) operations in all DMCs.

Source: <https://www.adb.org/what-we-do/funds/ocr>

Q.9) Which of the following organization was established to run the “Marshall Plan”?

- a) IMF
- b) World Bank
- c) OECC
- d) ADB

ANS: C

Explanation: The Organization for European Economic Cooperation (OEEC) was established in 1947 to run the US-financed Marshall Plan for reconstruction of a continent ravaged by war.

- By making individual governments recognize the interdependence of their economies, it paved the way for a new era of cooperation that was to change the face of Europe.
- Encouraged by its success and the prospect of carrying its work forward on a global stage, Canada and the US joined OEEC members in signing the new OECD Convention on 14 December, 1960.
- The Organization for Economic Co-operation and Development (OECD) was officially born on September 30, 1961, when the Convention entered into force.

Source: Ramesh Singh

Q.10) The famous “Uruguay Round negotiations” related to which of the following?

- a) IMF
- b) World Bank
- c) WTO
- d) WEF

ANS: C

Explanation: The World Trade Organization (WTO) came into being as a result of the evolution of the multilateral trading system starting with the establishment of the General Agreement on Tariffs and Trade (GATT) in 1947.

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- The protracted Uruguay Round negotiations spanning the period 1986–1994, which resulted in the establishment of the WTO, substantially extended the reach of multilateral rules and disciplines related to trade in goods, and introduced multilateral rules applicable to trade in agriculture (Agreement on Agriculture), trade in services (General Agreement on Trade in Services— GATS) as well as Trade Related Intellectual Property Rights (TRIPS).
- A separate understanding on WTO dispute settlement mechanism (DSU) and trade policy review mechanism (TPRM) was also agreed upon.

Source: Ramesh Singh

Revision

Q.1) Which of the following statement/s is/are correct about GST structure?

1. Central GST is collected by the Central Government on an intra-state sale.
2. State GST is collected by the state government on an intra-state sale.
3. Interstate GST is collected by the Central Government for an inter-state sale.

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: GST Structure:

- Central GST (CGST): It is collected by the Central Government on an intra-state sale. Revenue is shared equally between the Centre and the State.
- State GST (SGST): It is collected by the state government on an intra-state sale. Revenue is shared equally between the Centre and the State.
- Interstate GST (IGST): It is collected by the Central Government for an inter-state sale. The Centre shares the IGST revenue with states based on the destination of goods.

Source: FORUMIAS

Q.2) Consider the following statements:

1. GST Council is a constitutional body established by the President under the Article 279A.
2. GST Appellate Tribunals (GSTAT) is a statutory body under the Central GST Act, 2017.

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: GSTAT is a statutory body under the Central GST Act, 2017. It is the forum of second appeal in GST laws and the first common forum of dispute resolution between Centre and States.

- It is mandated to hear appeals against orders passed by Appellate Authority or Revisional Authority.
- GST Council is a constitutional body established by the President under the Article 279A. It is a joint forum of the centre and states.

Source: FORUMIAS

Q.3) Consider the following statements regarding tax to GDP ratio in India:

1. A decrease in tax to GDP ratio of a country may indicate a slowing economic growth rate.
2. Tax to GDP ratio is about 11.1% in Financial Year 23 which includes Direct Taxes at 6 percent and Indirect taxes at 5.1 percent.

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: Tax to GDP ratio: Tax to GDP ratio is the ratio of the tax revenue (direct & indirect tax) of a country compared to the country's GDP.

- Tax to GDP ratio is about 11.1% in FY23 which includes Direct Taxes at 6% and Indirect taxes at 5.1%.
- It is useful measure of a country's capacity to generate tax revenue with rest to the size of its economy.
- A decrease in tax to GDP ratio of a country may indicate a slowing economic growth rate.

Source: FORUMIAS

Q.4) Consider the following statements:

1. The Code on Wages, 2019 provides for universal minimum wage and floor wage across organized and unorganized sectors.
2. Code on Social Security 2020 seeks to protect gig workers' rights by giving them social security protections.

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 Code on Wages, 2019: It provides for universal minimum wage and floor wage across organized and unorganized sectors, including gig workers.

- Code on Social Security 2020: It seeks to protect gig workers' rights by giving them social security protections.
- It attempts to define gig, platform, and unorganized workers while spelling out entitlements.
- It also proposed to establish a Social Security Fund and a National Social Security Board to supervise and formulate schemes for the well-being of gig and platform workers.

Source: FORUMIAS

Q.5) Consider the following statements regarding “Cash Reserve Ratio (CRR)”:

1. It is the share of a bank’s Net Demand and Time Liabilities (NDTL) that is mandated by the Reserve Bank of India (RBI) to be maintained with the latter as reserves in the form of liquid cash.
2. As per the RBI Act 1934, all Scheduled Commercial Banks are required to maintain the 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: C

Explanation: Cash Reserve Ratio (CRR): It is the share of a bank’s Net Demand and Time Liabilities (NDTL) that is mandated by the Reserve Bank of India (RBI) to be maintained with the latter as reserves in the form of liquid cash.

- Net Demand and Time Liabilities (NDTL) shows the difference between the sum of demand and time liabilities (deposits) of a bank (with the public or the other bank) and the deposits in the form of assets held by the other bank.
- As per the RBI Act 1934, all Scheduled Commercial Banks (that includes public and private sector banks, foreign banks, regional rural banks, and cooperative banks) are required to maintain the CRR.

Source: FORUMIAS

Q.6) Which of the following is/are liquidity management tool/s of Reserve Bank of India?

1. Standing Deposit Facility (SDF)
2. Altering Repo and Reverse repo rates
3. Ways and Means Advances (WMA)

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) Only three
- d) None

ANS: C

Explanation: Liquidity Management Tools:

- Standing Deposit Facility (SDF): SDF allows the RBI to absorb liquidity (deposit) from banks without giving government securities in return to the banks.
- Altering Repo and Reverse repo rates: Altering these rates directly affects the deposit rate in banks as well as their lending rates.
- Open Market Operation (OMO): OMO refers to sale or purchase of government securities (bonds) by the RBI.
- Ways and Means Advances (WMA): It is a temporary loan facility to the central and state governments.

Source: FORUMIAS

Q.7) Consider the following statements regarding “Dabba (Box) Trading”:

1. It is informal trading that takes place outside the purview of stock exchanges.
2. It is recognized as an offence under Securities Contracts (Regulation) Act (SCRA), 1956.

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: Dabba (Box) Trading: National Stock Exchange (NSE) issued notices naming entities involved in dabba trading.

- Dabba trading is informal trading that takes place outside the purview of stock exchanges.
- Traders bet on stock price movements without incurring a real transaction to take physical ownership of a particular stock as is done in an exchange.
- Since there are no proper records of income or gain, it helps dabba traders escape taxation.
- It is recognized as an offence under Securities Contracts (Regulation) Act (SCRA), 1956.

Source: FORUMIAS

Q.8) Consider the following statements regarding “Investor Services Fund (ISF)”:

1. It aims to provide different kinds of services to the investing public such as investor education and awareness programs.
2. The stock exchange shall set aside at least 50 percent of the listing fees received for ISF for providing services to the investing public.

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: ISF aims to provide different kinds of services to the investing public such as investor education and awareness programs, dissemination of companies’ information etc.

The stock exchange shall set aside at least 20% of the listing fees received for ISF for providing services to the investing public.

Source: FORUMIAS

Q.9) The “Washington Convention” is associated with which of the following?

- a) IBRD
- b) IDA
- c) IFC
- d) ICSID

ANS: D

Explanation: International Centre for Settlement of Investment Disputes (ICSID) is an autonomous international institution established under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID or the Washington Convention).

Source: FORUMIAS

Q.10) Consider the following statements regarding “Special Drawing Right (SDR)”:

1. The IMF created the SDR as a supplementary international reserve asset in 1969.
2. The SDR is not a currency, but its value is based on a basket of five currencies.

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 IMF created the SDR as a supplementary international reserve asset in 1969, when currencies were tied to the price of gold and the US dollar was the leading international reserve asset.

- The IMF defined the SDR as equivalent to a fractional amount of gold that was equivalent to one US dollar.
- The SDR is an international reserve asset. The SDR is not a currency, but its value is based on a basket of five currencies—the US dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling.

Source: <https://www.imf.org/en/About/Factsheets/Sheets/2023/special-drawing-rights-sdr>