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# Prelims Marathon

September, 2025

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HISTORY  
ECONOMICS  
POLITY  
SCIENCE AND TECHNOLOGY  
GEOGRAPHY AND ENVIRONMENT

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## Soils And Their Distribution in India

1. **Consider the following statements regarding Alluvial Soils in India:**

1. Alluvial soils are primarily found in the Indo-Gangetic Plains and are formed by the deposition of sediments by rivers.
2. Khadar soils, a type of alluvial soil, are older deposits and less fertile compared to Bangar soils.
3. Alluvial soils are rich in potash and phosphorus but deficient in nitrogen and organic matter.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

**Correct Answer:** B

**Explanation:**

**Statement 1: Correct.** Alluvial soils are deposited by rivers and are predominant in the Indo-Gangetic Plains, deltas, and coastal regions.

**Statement 2: Incorrect.** Khadar soils are newer, annually replenished alluvial deposits and are more fertile than the older Bangar soils.

**Statement 3: Correct.** Alluvial soils are typically rich in potash and phosphorus but lack nitrogen and organic matter.

2. **In the context of Black Soils in India, consider the following statements:**

1. Black soils, also known as regur soils, are formed from the weathering of basaltic lava of the Deccan Traps.
2. These soils are highly retentive of moisture due to their high clay content and are ideal for cotton cultivation.
3. Black soils are predominantly found in the Gangetic Plains and support rice as the primary crop.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer:** A

**Explanation:**

**Statement 1: Correct.** Black soils are formed from the weathering of basaltic lava of the Deccan Traps, found in regions like Maharashtra and Madhya Pradesh.

**Statement 2: Correct.** Due to high clay content, black soils retain moisture well, making them suitable for cotton cultivation.

**Statement 3: Incorrect.** Black soils are primarily found in the Deccan Plateau, not the Gangetic Plains, where alluvial soils support rice cultivation.

3. **With reference to Laterite Soils in India, consider the following statements:**

1. Laterite soils develop under high temperature and heavy rainfall conditions with intense leaching.
2. These soils are rich in iron and aluminium oxides but poor in nitrogen, phosphorus, and organic matter.
3. Laterite soils are extensively used for rice cultivation in the eastern coastal plains.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer:** A

**Explanation:**

**Statement 1: Correct.** Laterite soils form in high-temperature, high-rainfall regions like the Western Ghats due to intense leaching.

**Statement 2: Correct.** Laterite soils are rich in iron and aluminium oxides but deficient in nitrogen, phosphorus, and organic matter.

**Statement 3: Incorrect.** Laterite soils are not suitable for rice; they are used for crops like cashew and tapioca or for brick-making due to their poor fertility.

4. **Consider the following statements about Red and Yellow Soils in India:**

1. Red and yellow soils develop on crystalline igneous rocks in areas of low rainfall, such as parts of the Deccan Plateau.
2. The red colour of these soils is due to the diffusion of iron oxides, while yellow colour appears under hydrated conditions.

**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

**Correct Answer:** C

**Explanation:**

**Statement 1: Correct.** Red and yellow soils form on crystalline igneous rocks in low-rainfall areas like parts of the Deccan Plateau and eastern India.

**Statement 2: Correct.** The red colour results from iron oxide diffusion, while the yellow hue appears when the iron is hydrated.

5. **Consider the following statements about Forest Soils in India:**

1. Forest soils are found in the Himalayan foothills and Western Ghats, with high organic matter content due to dense vegetation.
2. These soils are highly fertile and support intensive agriculture like rice and wheat cultivation.

**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

**Correct Answer:** A

**Explanation:**

**Statement 1: Correct.** Forest soils occur in areas like the Himalayan foothills and Western Ghats, rich in organic matter due to forest cover.

**Statement 2: Incorrect.** Forest soils vary in fertility and are not typically used for intensive agriculture like rice or wheat, which require alluvial soils.

6. Consider the following statements about Arid Soils in India:

1. Arid soils, found in the Thar Desert, have a sandy texture and are deficient in organic matter due to low vegetation.
2. These soils are highly fertile due to the accumulation of soluble salts in the topsoil.

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

**Correct Answer:** A

**Explanation:**

**Statement 1: Correct.** Arid soils in the Thar Desert are sandy, with low organic matter due to sparse vegetation in arid conditions.

**Statement 2: Incorrect.** Arid soils are not highly fertile; their high salt content and low organic matter limit agricultural productivity.

7. Which of the following factors influence the formation and distribution of soils in India?

1. Parent rock material, such as basalt or granite, determines the mineral composition of soils.
  2. High rainfall and leaching lead to the formation of laterite soils in tropical regions.
  3. Cold desert conditions in Ladakh result in soils with high organic content.
  4. Riverine deposition contributes to the formation of alluvial soils in the Indo-Gangetic Plains.
  5. Topography influences soil thickness, with thinner soils on steep slopes and thicker soils in valleys.
- Select the correct answer using the code given below.

- A. 1 and 2 only
- B. 1, 2, 4 and 5 only
- C. 3 and 4 only
- D. 1, 3 and 5 only

**Correct Answer:** B

**Explanation:**

**Statement 1: Correct.** Parent rock material, like basalt for black soils or granite for red soils, determines soil mineralogy.

**Statement 2: Correct.** High rainfall and leaching in tropical areas like the Western Ghats form laterite soils.

**Statement 3: Incorrect.** Cold desert soils in Ladakh have low organic content due to sparse vegetation.

**Statement 4: Correct.** Riverine deposition forms alluvial soils in the Indo-Gangetic Plains.

**Statement 5: Correct.** Topography affects soil thickness, with steeper slopes having thinner soils and valleys having thicker deposits.

8. Which of the following statements describe the characteristics of Peaty and Marshy Soils in India?

1. Peaty soils are found in high-rainfall areas like Kerala and the Sundarbans, with high organic matter content.
2. These soils are acidic due to the accumulation of partially decomposed organic matter.
3. Marshy soils are well-suited for intensive agriculture like wheat and sugarcane cultivation.
4. Peaty soils often develop under waterlogged conditions, leading to anaerobic decomposition.

Select the correct answer using the code given below.

- A. 1 and 3 only

- B. 1, 2 and 4 only
- C. 2 and 3 only
- D. 1, 2 and 4 only

**Correct Answer:** B

**Explanation:**

**Statement 1: Correct.** Peaty soils occur in high-rainfall areas like Kerala and the Sundarbans, rich in organic matter.

**Statement 2: Correct.** These soils are acidic due to the slow decomposition of organic matter in waterlogged conditions.

**Statement 3: Incorrect.** Marshy soils are not suitable for intensive agriculture like wheat or sugarcane due to waterlogging and low fertility.

**Statement 4: Correct.** Peaty soils form under waterlogged, anaerobic conditions, leading to incomplete organic decomposition.

9. **Which of the following statements highlight the agricultural significance of soils in India?**

1. Alluvial soils in the Indo-Gangetic Plains support intensive agriculture due to their high fertility and water retention.
2. Black soils in the Deccan Plateau are ideal for cotton due to their moisture-retention capacity.
3. Laterite soils in the Western Ghats are extensively used for rice cultivation due to their high nutrient content.
4. Red soils in southern India support millets and groundnuts with proper irrigation and fertilization.

**Select the correct answer using the code given below.**

- A. 1 and 2 only
- B. 1, 2 and 4 only
- C. 3 and 4 only
- D. 1, 3 and 4 only

**Correct Answer:** B

**Explanation:**

**Statement 1: Correct.** Alluvial soils in the Indo-Gangetic Plains are highly fertile, supporting crops like rice and wheat.

**Statement 2: Correct.** Black soils, with high clay content, are ideal for cotton due to their moisture retention.

**Statement 3: Incorrect.** Laterite soils are poor in nutrients and not suitable for rice; they support crops like cashew or tapioca.

**Statement 4: Correct.** Red soils, with proper irrigation and fertilization, support millets and groundnuts in southern India.

10. **Which of the following soils is most suitable for cotton cultivation in India due to its high moisture-retention capacity?**

- A. Alluvial Soil
- B. Black Soil
- C. Laterite Soil
- D. Red Soil

**Correct Answer:** B

**Explanation:**

Black soil, also known as regur soil, is ideal for cotton cultivation due to its high clay content and excellent moisture-retention capacity, found mainly in the Deccan Plateau.



## India Flora and Fauna

1. Consider the following statements regarding factors influencing India's natural vegetation:
  1. Relief features like altitude and slope significantly affect vegetation types, with montane forests at higher elevations.
  2. Photoperiod, or day length, plays a crucial role in the growth of tropical vegetation due to India's location near the equator.
  3. Soil type has minimal impact on vegetation distribution, as climate overrides edaphic factors in most regions.
  4. Precipitation patterns determine the transition from evergreen to deciduous forests in India.Which of the statements given above are correct?
  - A. 1, 2 and 3 only
  - B. 1, 2 and 4 only
  - C. 1, 3 and 4 only
  - D. 2, 3 and 4 only

Correct Answer: B

Explanation:

Statement 1: Correct. Relief, including altitude, influences vegetation, with montane forests in the Himalayas.

Statement 2: Correct. Photoperiod affects plant growth, with longer days supporting diverse tropical vegetation in India.

Statement 3: Incorrect. Soil type significantly impacts vegetation, such as laterite soils supporting specific flora.

Statement 4: Correct. Precipitation levels determine evergreen (high rainfall) vs. deciduous (moderate rainfall) forests.

2. In the context of Tropical Evergreen Forests in India, consider the following statements:
  1. These forests are found in regions with annual rainfall exceeding 200 cm and short dry seasons, like the Western Ghats.
  2. Species like rosewood and ebony dominate, with multi-layered canopies restricting undergrowth due to dense shade.
  3. These forests exhibit seasonal shedding of leaves, adapting to monsoon variability.
  4. Commercial exploitation is limited due to the heterogeneous species composition and difficult terrain.Which of the statements given above are correct?
  - A. 1, 2 and 3 only
  - B. 1, 2 and 4 only
  - C. 1, 3 and 4 only
  - D. 2, 3 and 4 only

Correct Answer: B

Explanation:

Statement 1: Correct. Tropical Evergreen Forests occur in high-rainfall areas (>200 cm) like the Western Ghats and Northeast India.

Statement 2: Correct. Species like rosewood and ebony form multi-layered structures, limiting undergrowth.

Statement 3: Incorrect. These forests do not shed leaves seasonally; they remain green year-round.

Statement 4: Correct. Heterogeneous species and accessibility issues limit commercial exploitation.

3. With reference to Tropical Deciduous Forests in India, consider the following statements:

1. These forests, also known as monsoon forests, shed leaves during the dry season to conserve water.
2. They are divided into moist and dry types, with teak dominant in moist deciduous forests.
3. Dry deciduous forests transition into thorn forests in regions with rainfall below 70 cm.
4. These forests are less economically valuable than evergreen forests due to lower timber quality.

Which of the statements given above are correct?

- A. 1, 2 and 3 only
- B. 1, 2 and 4 only
- C. 1, 3 and 4 only
- D. 2, 3 and 4 only

Correct Answer: A

Explanation:

Statement 1: Correct. Tropical Deciduous Forests shed leaves in the dry season for water conservation.

Statement 2: Correct. Divided into moist (teak dominant) and dry types based on rainfall.

Statement 3: Correct. Dry deciduous forests grade into thorn forests in low-rainfall areas (<70 cm).

Statement 4: Incorrect. These forests are economically valuable for timber like teak and sal.

4. Consider the following statements about Thorn Forests and Scrubs in India:

1. Thorn forests occur in semi-arid regions with rainfall less than 70 cm, like Rajasthan and Gujarat.
2. Species such as acacias, palms, and euphorbias dominate, with adaptations like succulent stems.
3. These forests provide fodder for livestock and fuelwood but have limited timber value.
4. Scrubs are degraded forms of thorn forests due to overgrazing and deforestation.
5. Thorn forests support diverse wildlife, including large herbivores like elephants.
6. Climate change may expand thorn forest areas by increasing aridity in marginal regions.

Which of the statements given above are correct?

- A. 1, 2, 3 and 4 only
- B. 1, 2, 3, 4 and 6 only
- C. 2, 3, 4, 5 and 6 only
- D. 1, 3, 4, 5 and 6 only

Correct Answer: B

Explanation:

Statement 1: Correct. Thorn forests are in semi-arid areas (<70 cm rainfall) like Rajasthan.

Statement 2: Correct. Species like acacias and euphorbias have adaptations for water conservation.

Statement 3: Correct. They provide fodder and fuelwood but little timber.

Statement 4: Correct. Scrubs result from degradation of thorn forests.

Statement 5: Incorrect. They support smaller wildlife like deer, not large herbivores like elephants.

Statement 6: Correct. Increasing aridity due to climate change may expand these areas.

5. In the context of Montane Forests in India, consider the following statements:

1. Montane forests show vertical zonation, with wet temperate types between 1,000–2,000 meters.
2. Conifers like pine and deodar dominate in the temperate zone above 1,500 meters.
3. Alpine vegetation above 3,600 meters consists of shrubs and grasses, transitioning to tundra.
4. Montane forests in the Himalayas are less diverse than those in the Western Ghats due to altitude.
5. Blue pine and spruce are common in the moist temperate forests.
6. These forests are crucial for watershed protection and biodiversity hotspots.

Which of the statements given above are correct?

- A. 1, 2, 3 and 4 only



- B. 1, 2, 3, 5 and 6 only
- C. 2, 3, 4, 5 and 6 only
- D. 1, 3, 4, 5 and 6 only

Correct Answer: B

Explanation:

Statement 1: Correct. Vertical zonation in montane forests, with wet temperate at 1,000–2,000 m.

Statement 2: Correct. Conifers like pine and deodar in temperate zones above 1,500 m.

Statement 3: Correct. Alpine zone above 3,600 m has shrubs and grasses, leading to tundra.

Statement 4: Incorrect. Himalayan montane forests are diverse; comparison with Western Ghats is not about less diversity due to altitude alone.

Statement 5: Correct. Blue pine and spruce in moist temperate forests.

Statement 6: Correct. They protect watersheds and are biodiversity hotspots.

6. With reference to Mangrove Forests in India, consider the following statements:

1. Mangroves are tidal forests found in coastal deltas like the Sundarbans, adapted to saline conditions.
2. Species like sundari and rhizophora have pneumatophores for breathing in anaerobic soils.
3. Mangroves act as natural barriers against cyclones and tsunamis, protecting coastlines.
4. The Ganga-Brahmaputra delta hosts the largest mangrove forest in the world.
5. Mangroves support limited biodiversity due to high salinity.
6. Climate change poses threats through sea-level rise and altered salinity.

Which of the statements given above are correct?

- A. 1, 2, 3 and 4 only
- B. 1, 2, 3, 4 and 6 only
- C. 2, 3, 4, 5 and 6 only
- D. 1, 3, 4, 5 and 6 only

Correct Answer: B

Explanation:

Statement 1: Correct. Mangroves in tidal coastal areas like Sundarbans, adapted to salinity.

Statement 2: Correct. Species like sundari have pneumatophores for aeration.

Statement 3: Correct. They buffer against cyclones and tsunamis.

Statement 4: Correct. Sundarbans is the world's largest mangrove forest.

Statement 5: Incorrect. Mangroves support rich biodiversity, including tigers and fish.

Statement 6: Correct. Sea-level rise and salinity changes threaten mangroves.

7. Consider the following statements about India's wildlife distribution:

1. India has about 8% of the world's biodiversity, with high endemism in the Western Ghats and Himalayas.
2. The Asiatic lion is endemic to Gir National Park in Gujarat.
3. The one-horned rhinoceros is primarily found in the Brahmaputra Valley.
4. Himalayan fauna includes species like the snow leopard and red panda.
5. Desert wildlife in India includes the Indian bustard and wild ass, adapted to arid conditions.

Which of the statements given above are correct?

- A. 1 and 2 only
- B. 1, 2, 3 and 4 only
- C. 2, 3 and 5 only
- D. 1, 2, 3, 4 and 5

Correct Answer: D

Explanation:

Statement 1: Correct. India hosts 8% of global biodiversity with high endemism in hotspots like Western Ghats.

Statement 2: Correct. Asiatic lion is confined to Gir in Gujarat.

Statement 3: Correct. One-horned rhino in Kaziranga, Brahmaputra Valley.

Statement 4: Correct. Snow leopard and red panda in Himalayas.

Statement 5: Correct. Indian bustard and wild ass in Thar Desert.

8. In the context of endangered species and conservation in India, consider the following statements:
1. Project Tiger was launched in 1973 to conserve the Bengal tiger, leading to increased tiger reserves.
  2. The Indian elephant is protected under Project Elephant, focusing on migration corridors.
  3. Vultures in India have declined due to diclofenac use in livestock, affecting ecological balance.
  4. The Great Indian Bustard is critically endangered due to habitat loss from agriculture.
  5. Biosphere reserves like Nilgiri aim to conserve biodiversity while allowing sustainable human activity.

Which of the statements given above are correct?

- A. 1, 2 and 3 only
- B. 1, 2, 3 and 4 only
- C. 2, 3, 4 and 5 only
- D. 1, 2, 3, 4 and 5

Correct Answer: D

Explanation:

Statement 1: Correct. Project Tiger (1973) has established numerous tiger reserves.

Statement 2: Correct. Project Elephant protects elephants by securing corridors.

Statement 3: Correct. Diclofenac caused vulture decline, disrupting scavenging.

Statement 4: Correct. Great Indian Bustard endangered by habitat conversion.

Statement 5: Correct. Biosphere reserves like Nilgiri balance conservation and sustainability.

9. With reference to biodiversity hotspots and protected areas in India, consider the following statements:

1. The Western Ghats and Eastern Himalayas are recognized as global biodiversity hotspots.
2. National parks like Kaziranga are strictly protected with no human activity allowed.
3. Wildlife sanctuaries permit limited human activities like grazing, unlike national parks.
4. Man and Biosphere Programme designates areas like Sunderbans for integrated conservation.
5. Endemic species like the Nilgiri tahr are protected in specific reserves like Eravikulam.

Which of the statements given above are correct?

- A. 1, 2 and 3 only
- B. 1, 2, 3 and 4 only
- C. 2, 3, 4 and 5 only
- D. 1, 2, 3, 4 and 5

Correct Answer: D

Explanation:

Statement 1: Correct. Western Ghats and Eastern Himalayas are hotspots with high endemism.

Statement 2: Correct. National parks like Kaziranga prohibit human activities.

Statement 3: Correct. Sanctuaries allow limited activities like grazing.

Statement 4: Correct. MAB designates biosphere reserves like Sunderbans.

Statement 5: Correct. Nilgiri tahr protected in Eravikulam National Park.

10. Which of the following is the largest biosphere reserve in India, known for its mangrove forests and Royal Bengal tigers?
- A. Nilgiri Biosphere Reserve
  - B. Sunderbans Biosphere Reserve
  - C. Gulf of Mannar Biosphere Reserve
  - D. Nanda Devi Biosphere Reserve

Correct Answer: B

Explanation:

The Sunderbans Biosphere Reserve is the largest in India, famous for its extensive mangroves and as a habitat for the Royal Bengal tiger.

### Economic Geography of the world

1. **Consider the following statements regarding primary economic activities:**
- 1. Subsistence agriculture is characterized by low productivity and dependence on natural factors, prevalent in regions like Sub-Saharan Africa.
  - 2. Nomadic herding is adapted to arid and semi-arid climates, where mobility allows exploitation of sparse vegetation resources.
  - 3. Mining as a primary activity is location-specific due to the geological occurrence of minerals, often leading to boom-and-bust cycles in economies.
- Which of the statements given above are correct?**
- A. 1 and 2 only
  - B. 2 and 3 only
  - C. 1 and 3 only
  - D. 1, 2 and 3

Correct Answer: D

Explanation:

**Statement 1: Correct.** Subsistence agriculture involves small plots, family labor, and low yields, common in developing regions like Sub-Saharan Africa.

**Statement 2: Correct.** Nomadic herding involves seasonal migration in arid areas to utilize sparse pastures, as seen in the Sahel or Mongolian steppes.

**Statement 3: Correct.** Mining is tied to mineral deposits, causing economic fluctuations in resource-dependent areas like parts of Australia or Zambia.

2. **In the context of secondary economic activities, consider the following statements:**
- 1. Manufacturing industries are classified based on inputs like agro-based or mineral-based, influencing their location near raw material sources.
  - 2. The footloose industries are less dependent on specific location factors due to their reliance on ubiquitous raw materials and skilled labor.
  - 3. Household industries, or cottage industries, are capital-intensive and typically located in urban centers for market access.
- Which of the statements given above are correct?**
- A. 1 and 2 only
  - B. 1 and 3 only

- C. 2 and 3 only
- D. 1, 2 and 3

**Correct Answer:** A

**Explanation:**

**Statement 1: Correct.** Industries like textiles (agro-based) or steel (mineral-based) locate near raw materials to minimize transport costs.

**Statement 2: Correct.** Footloose industries, such as electronics, can locate flexibly due to light inputs and focus on labor or markets.

**Statement 3: Incorrect.** Household industries are labor-intensive, small-scale, and often rural, not capital-intensive or urban-focused.

3. **With reference to tertiary economic activities, consider the following statements:**

1. Tertiary activities involve services like retail and wholesale trade, which have grown due to urbanization and rising disposable incomes.
2. Transport services in tertiary sector are influenced by terrain and technology, with pipelines being efficient for liquids over long distances.
3. Tourism as a tertiary activity is resource-based and often leads to environmental degradation in fragile ecosystems.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer:** D

**Explanation:**

**Statement 1: Correct.** Tertiary services like trade expand with urban growth and economic development, as seen in global cities.

**Statement 2: Correct.** Transport modes vary by factors; pipelines are cost-effective for oil/gas, minimizing losses over distances.

**Statement 3: Correct.** Tourism relies on natural/cultural attractions but can cause overuse, as in coastal or mountain areas.

4. **Consider the following statements about quaternary economic activities:**

1. Quaternary activities focus on knowledge-based services like research and development, prominent in developed economies.
2. Information technology hubs, such as Silicon Valley, exemplify quaternary activities due to agglomeration of skilled workforce.

**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

**Correct Answer:** C

**Explanation:**

**Statement 1: Correct.** Quaternary involves high-level decision-making and R&D, dominant in advanced

nations like the USA or Japan.

**Statement 2: Correct.** IT clusters like Silicon Valley benefit from knowledge spillovers and talent concentration in quaternary sectors.

5. **Consider the following statements about quinary economic activities:**

1. Quinary activities include top-level decision-making roles, such as government policies and corporate strategies.
2. These activities are concentrated in global financial centers like New York, influencing worldwide economic trends.

**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

**Correct Answer: C**

**Explanation:**

**Statement 1: Correct.** Quinary encompasses highest decision-makers, e.g., CEOs or policymakers, shaping economic directions.

**Statement 2: Correct.** Centers like New York host quinary functions in finance and governance, impacting global markets.

6. **Consider the following statements about industrial location factors:**

1. Weber's theory emphasizes transport costs as a key factor in industrial location, aiming for least-cost points.
2. Market-oriented industries locate near consumers to reduce distribution costs for perishable goods.

**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

**Correct Answer: C**

**Explanation:**

**Statement 1: Correct.** Alfred Weber's model focuses on minimizing transport costs for raw materials and products.

**Statement 2: Correct.** Industries like beverages or bakery locate near markets to avoid spoilage and high shipping costs.

7. **In the context of commercial agriculture, which of the following are characteristics distinguishing it from subsistence farming?**

1. Large farm sizes with mechanization to achieve economies of scale.
2. Focus on cash crops for market sale rather than family consumption.
3. Dependence on chemical inputs for higher yields in monoculture systems.
4. Vulnerability to global market fluctuations in prices and demand.
5. Minimal labor input due to advanced technology in developed regions.

**Select the correct answer using the code given below.**

- A. 1 and 2 only



- B. 3 and 4 only
- C. 1, 2, 3 and 4 only
- D. 1, 2, 3, 4 and 5

**Correct Answer:** D

**Explanation:**

**Statement 1: Correct.** Commercial farms are large and mechanized, e.g., in the US prairies.

**Statement 2: Correct.** Oriented towards markets with crops like wheat or coffee.

**Statement 3: Correct.** Uses fertilizers and pesticides in single-crop systems.

**Statement 4: Correct.** Exposed to international price volatility.

**Statement 5: Correct.** High tech reduces labor needs in regions like Europe or North America.

**8. How do location factors influence the siting of heavy industries?**

1. Proximity to raw materials like coal and iron ore to minimize transport costs.
2. Availability of cheap power sources, such as hydroelectricity or thermal plants.
3. Access to large markets for bulky finished products to reduce distribution expenses.
4. Skilled labor pools in urban areas for complex manufacturing processes.

**Select the correct answer using the code given below.**

- A. 1 and 2 only
- B. 1, 2 and 3 only
- C. 2 and 4 only
- D. 1, 2, 3 and 4

**Correct Answer:** D

**Explanation:**

**Statement 1: Correct.** Heavy industries like steel locate near resources, e.g., Pittsburgh.

**Statement 2: Correct.** Energy-intensive, so near power, e.g., aluminum near hydro sites.

**Statement 3: Correct.** Bulky goods favor market proximity, e.g., auto industries.

**Statement 4: Correct.** Require skilled workers, often in cities like Detroit or Ruhr.

**9. In what ways do quaternary and quinary activities differ from tertiary services?**

1. Quaternary involves information processing and R&D, unlike basic tertiary services.
2. Quinary focuses on high-level decisions, setting it apart from routine tertiary tasks.
3. Both quaternary and quinary require advanced education, contrasting with many tertiary jobs.
4. Growth in these activities is linked to knowledge economies in developed nations.

**Select the correct answer using the code given below.**

- A. 1 and 3 only
- B. 2 and 4 only
- C. 1, 2 and 3 only
- D. 1, 2, 3 and 4

**Correct Answer:** D

**Explanation:**

**Statement 1: Correct.** Quaternary: IT, research; tertiary: retail, transport.

**Statement 2: Correct.** Quinary: executives, policymakers; distinct from general services.

**Statement 3: Correct.** Need specialized skills vs. varied tertiary requirements.

**Statement 4: Correct.** Prominent in post-industrial economies like USA, Japan.



10. With reference to pastoral nomadism, which of the following regions is primarily associated with reindeer herding as a primary activity?
- A. Sahel Region of Africa
  - B. Mongolian Steppes
  - C. Tundra Regions of Siberia
  - D. Australian Outback

**Correct Answer:** C

**Explanation:**

Reindeer herding is adapted to cold tundra climates in Siberia, where nomads like the Yakuts move seasonally for pastures, unlike cattle/sheep in other arid/semi-arid regions.

## Natural resources and mineral resources and distribution across the world and India

1. Consider the following statements regarding the classification and types of natural resources:

1. Natural resources are categorized as renewable and non-renewable, with minerals like coal and petroleum classified as non-renewable due to their finite nature and long formation periods.
2. Ubiquitous resources such as air and water are uniformly distributed globally, while localized resources like iron ore are confined to specific geological formations.
3. Human resources, though not natural, influence the utilization of natural resources through technology and economic development.

**Which of the statements given above are correct?**

- A. 1 and 3 only
- B. 1, 2 and 3
- C. 1 and 2 only
- D. 2 and 3 only

**Correct Answer:** B

**Explanation:**

- **Statement 1:** Correct. Classifications are resources as renewable (e.g., solar, wind) and non-renewable (e.g., coal, petroleum), noting their exhaustible nature due to long geological formation times.
  - **Statement 2:** Correct. Ubiquitous resources (air, water) available globally and localized resources (minerals like iron ore) tied to specific geological regions, such as mining areas.
  - **Statement 3:** Correct. Human skills and technology (e.g., in agriculture or mining) transform natural resources, integrating human factors in resource utilization.
2. In the context of mineral resources and their global distribution, consider the following statements:
1. Iron ore deposits are concentrated in the Mesabi Range in the USA and the Pilbara region in Australia, owing to ancient geological processes forming banded iron formations.
  2. Bauxite, the primary ore for aluminum, is predominantly found in tropical regions like Guinea and Australia due to intense weathering and leaching in high-rainfall areas.
  3. Copper mining is significant in the Andean region of South America, where porphyry deposits result from tectonic activity along plate boundaries.

**Which of the statements given above are correct?**

- A. 2 and 3 only
- B. 1 and 3 only
- C. 1, 2 and 3
- D. 1 and 2 only

**Correct Answer: C**

**Explanation:**

- **Statement 1:** Correct. Major iron ore regions like Mesabi (USA) and Pilbara (Australia), linked to Precambrian banded iron formations.
- **Statement 2:** Correct. Bauxite forms in tropical climates with high rainfall, concentrating in Guinea and Australia due to weathering, as noted in mining discussions.
- **Statement 3:** Correct. Copper deposits in the Andes (e.g., Chile) are tied to subduction-related porphyry deposits.

**3. With reference to the distribution of key natural resources in India, consider the following statements:**

1. Coal reserves in India are primarily Gondwana type, concentrated in the Damodar Valley due to ancient riverine sedimentation.
2. Petroleum deposits in India are mostly found in the Assam-Arakan belt and the Mumbai High offshore, formed in tertiary sedimentary basins.
3. Manganese ore, essential for steel production, is abundantly available in Odisha and Karnataka, associated with Dharwar rock systems.

**Which of the statements given above are correct?**

- A. 1, 2 and 3
- B. 1 and 2 only
- C. 2 and 3 only
- D. 1 and 3 only

**Correct Answer: A**

**Explanation:**

- **Statement 1:** Correct. India's Gondwana coal in the Damodar Valley (Jharkhand) formed by Carboniferous sedimentation processes.
- **Statement 2:** Correct. Petroleum in Assam-Arakan and Mumbai High is located in tertiary sedimentary basins.
- **Statement 3:** Correct. Manganese in Odisha and Karnataka is linked to ancient Dharwar formations, crucial for steel.

**4. Consider the following statements about forest resources and their distribution:**

5. Tropical rainforests, rich in biodiversity, are distributed in the Amazon Basin and Congo Basin, supported by an equatorial climate with high rainfall and temperature.
6. Taiga forests, dominated by conifers, are found in high-latitude regions like Siberia and Canada, adapted to long winters and short growing seasons.

**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

**Correct Answer: C**

**Explanation:**

- **Statement 1:** Correct. Tropical rainforests in the Amazon and Congo Basins, thriving in hot, wet equatorial conditions with high biodiversity.
- **Statement 2:** Correct. Taiga (boreal) forests in Siberia and Canada are coniferous, adapted to sub-arctic climates with long winters.
- 

5. **Consider the following statements regarding water resources distribution:**

1. Freshwater resources are unevenly distributed, with Brazil holding the largest share due to the Amazon River system.
2. Groundwater aquifers like the Ogallala in the USA are overexploited, leading to depletion in arid agricultural regions.

**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

**Correct Answer: C**

**Explanation:**

- **Statement 1:** Correct. Brazil's significant freshwater resources due to the Amazon River's vast discharge.
- **Statement 2:** Correct. Overexploitation of aquifers like Ogallala for irrigation in arid regions, causing depletion concerns.
- 

6. **Consider the following statements about soil as a natural resource:**

1. Alluvial soils, fertile due to river deposition, are widely distributed in the Indo-Gangetic Plain and Nile Delta.
2. Laterite soils, formed by leaching in tropical areas, are poor in nutrients but common in India's Deccan Plateau.

**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

**Correct Answer: C**

**Explanation:**

- **Statement 1:** Correct. Alluvial soils in river plains like Indo-Gangetic and Nile, supporting agriculture due to fertility.
- **Statement 2:** Correct. Laterite soils in tropical regions like the Deccan are nutrient-poor due to leaching.

7. **Consider the following statements concerning renewable energy resources:**

1. Solar energy potential is highest in desert regions like the Sahara and Thar due to high insolation and clear skies.
2. Wind energy distribution favors coastal and high-altitude areas, with leading producers like Denmark and Germany in Europe.

**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

**Correct Answer: C**

**Explanation:**

- **Statement 1:** Correct. High solar potential in deserts like Sahara and Thar due to intense sunlight and minimal cloud cover.
- **Statement 2:** Correct. Wind energy thrives in coastal/highland areas; Denmark and Germany are leaders.

**8. Which of the following countries is the largest producer of bauxite globally, attributed to its vast lateritic deposits formed under tropical weathering?**

- A. Brazil
- B. China
- C. Australia
- D. India

**Correct Answer: C**

**Explanation:**

Australia is the largest bauxite producer due to extensive lateritic deposits in tropical/sub-tropical regions.

**9. Among the following, which region in India is known for the highest concentration of mica reserves, essential for electrical industries?**

- A. Jharkhand
- B. Rajasthan
- C. Andhra Pradesh
- D. Odisha

**Correct Answer: C**

**Explanation:**

Andhra Pradesh, particularly Nellore, holds major mica deposits linked to ancient rock systems, crucial for electrical industries.

**10. With reference to global petroleum distribution, which of the following basins is renowned for its supergiant oil fields formed in Mesozoic sedimentary rocks?**

- A. North Sea Basin
- B. Permian Basin
- C. Persian Gulf Basin
- D. Orinoco Basin

**Correct Answer: C**

**Explanation:**

The Persian Gulf Basin, with fields like Ghawar, contains supergiant oil reserves in Mesozoic rocks due to tectonic traps

## Races & Tribes, Settlement & Migration in world and in India

1. **Consider the following statements regarding races and tribes in the world:**

1. The Mongoloid race is predominantly found in East Asia and the Arctic regions, characterized by epicanthic eye folds.
2. The San tribe of Southern Africa relies on hunting and gathering, maintaining a nomadic lifestyle in the Botswana Desert.
3. The Australoid race includes indigenous populations of Australia and parts of India, adapted to diverse climates over millennia.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer: C**

**Explanation:**

- **Statement 1:** Correct. Mongoloid features like epicanthic folds in East Asia and Arctic regions (e.g., Inuit).
- **Statement 2:** Incorrect. The San (Bushmen) are described as hunter-gatherers with a nomadic lifestyle in the Kalahari, per anthropological references.
- **Statement 3:** Correct. Australoids include Australian Aborigines and some Indian tribes (e.g., Andamanese), adapted to varied environments.

2. **Arrange the following countries in descending order with respect to population:**

1. Mexico
2. Nigeria
3. Brazil
4. USA

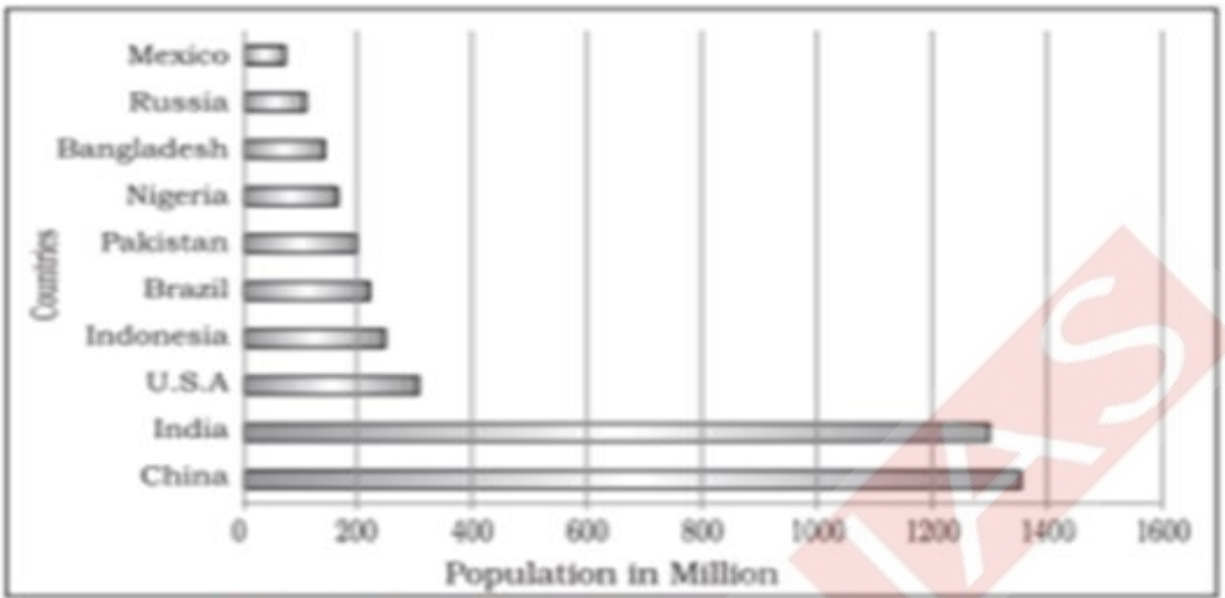
**Choose the correct answer from given codes:**

- A. 1, 2, 3, 4
- B. 4, 3, 2, 1
- C. 4, 3, 1, 2
- D. 1, 2, 4, 3

**Correct Answer: B**

**Explanation:** Patterns of population distribution and density help us to understand the demographic characteristics of any area.

- The term population distribution refers to the way people are spaced over the earth's surface.
- Broadly, 90 per cent of the world population lives in about 10 per cent of its land area.
- The 10 most populous countries of the world contribute about 60 per cent of the world's population.



**Fig. 2.1: Most Populous Countries**

3. **In the context of tribal populations in India, consider the following statements:**

1. The Gonds, a major tribal group, inhabit the central Indian states of Madhya Pradesh and Chhattisgarh, practicing shifting cultivation.
2. The Bhils, known for their archery skills, are concentrated in Maharashtra and Chhattisgarh, with a semi-nomadic past.
3. The Toda tribe of the Nilgiri Hills follows a pastoral lifestyle, rearing buffaloes for dairy products.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer: C**

**Explanation:**

- **Statement 1:** Correct. Gonds in central India, practicing shifting cultivation (e.g., podu).
- **Statement 2:** Incorrect. Bhils in Rajasthan and Gujarat are known for archery and historical semi-nomadism, per tribal studies.
- **Statement 3:** Correct. The Todas in Nilgiri Hills are pastoral, focusing on buffalo rearing, as noted in Indian tribal contexts.

4. **With reference to migration patterns globally, consider the following statements:**

1. Availability of water
2. Urbanization
3. Social and political unrest

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only



- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer:** D

**Explanation:**

**Availability of water:** Water is the most important factor for life. So, people prefer to live in areas where fresh water is easily available.

- Water is used for drinking, bathing and cooking – and also for cattle, crops, industries and navigation.
- It is because of this that river valleys are among the most densely populated areas of the world.

**Urbanization:** Cities offer better employment opportunities, educational and medical facilities, better means of transport and communication.

- Good civic amenities and the attraction of city life draw people to the cities. It leads to rural to urban migration and cities grow in size.
- Mega cities of the world continue to attract large number of migrants every year.

Some places attract more people because they have religious or cultural significance. In the same way – people tend to move away from places where there is **social and political unrest**.

4. **Consider the following statements about settlements in the world:**

1. Clustered settlements are common in fertile river valleys, such as the Ganges Plain, due to agricultural suitability.
2. Dispersed settlements predominate in hilly regions like the Alps, where terrain limits dense habitation.

**Which of the statements given above is/are correct?**

- A. 1 only
- B. Neither 1 nor 2
- C. Both 1 and 2
- D. 2 only

**Correct Answer:** C

**Explanation:**

- **Statement 1:** Correct. Clustered settlements in fertile areas like the Ganges Plain for farming.
- **Statement 2:** Correct. Dispersed settlements in hilly regions like the Alps are due to rugged terrain, per settlement patterns.

5. **Consider the following statements about migration in India:**

1. Seasonal migration occurs among agricultural laborers in states like Bihar, seeking work during off-seasons.
2. Urban-to-rural migration has increased due to reverse commuting trends in metropolitan areas.

**Which of the statements given above is/are correct?**

- A. Neither 1 nor 2
- B. 2 only
- C. 1 only
- D. Both 1 and 2

**Correct Answer:** C

**Explanation:**

- **Statement 1:** Correct. Seasonal migration of laborers from Bihar to other regions.
- **Statement 2:** Incorrect. Urban-to-rural migration is not a significant trend; rural-to-urban dominates, per migration data.

6. With reference to the tribes of India, consider the following pairs:

List I (Tribe)	List II (Associated with)
1. Soliga Tribe	A. Ramar Koothu dance
2. Pardhi Tribe	B. Increasing tiger population
3. Irula Tribe	C. Nomadic community

Which of the pairs given above are correctly matched?

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

**Correct Answer: D**

**Explanation:** The provided text contains the following information:

- **Soliga Tribe:** The Prime Minister praised this tribe for their role in increasing the tiger population in the BRT Tiger Reserve, Karnataka. This matches pair 1 with B.
- **Pardhi Tribe:** This is described as a nomadic community that faced an order for search and surveillance. This matches pair 2 with C.
- **Irula Tribe:** The text mentions a workshop to revive Ramar Koothu, a traditional dance-drama of this tribe.

7. Consider the following statements regarding mixed farming:

1. Mixed farms are moderate in size and usually the crops associated with it are wheat, barley, fodder and root crops.
2. Mixed farming is characterized by high capital expenditure on farm machinery and building, extensive use of chemical fertilizers.

Which of the statements given above is/are correct?

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

**Correct Answer: C**

**Explanation:**

Mixed Farming is a form of agriculture is found in the highly developed parts of the world, e.g. North-western Europe, Eastern North America, parts of Eurasia and the temperate latitudes of Southern continents.

- Mixed farms are moderate in size and usually the crops associated with it are wheat, barley, oats, rye, maize, fodder and root crops. Fodder crops are an important component of mixed farming.
- Crop rotation and intercropping play an important role in maintaining soil fertility. Equal emphasis is laid on crop cultivation and animal husbandry.
- Animals like cattle, sheep, pigs and poultry provide the main income along with crops.
- Mixed farming is characterized by high capital expenditure on farm machinery and building, extensive use of chemical fertilizers and green manures and also by the skill and expertise of the farmers.

8. Consider the following pairs:

Tribe	Region
-------	--------

I. Naga	Northeast	India
II. Khasi	Central	India
III. Bodo	Western India	

In how many of the above rows is the given information correctly matched?

- (a) Only one
- (b) Only two
- (c) All the three
- (d) None

**Correct Answer:** (a)

**Explanation:**

- **Pair I:** Correct. Nagas inhabit Northeast India (e.g., Nagaland).
- **Pair II:** Incorrect. Khasis are in Northeast India (Meghalaya), not Central India.
- **Pair III:** Incorrect. Bodos are in Northeast India (Assam), not Western India.
- Only one pair is correct.

9. The term “Kolkhoz” is related to which of the following?

- A. Collective farming
- B. Cooperative farming
- C. Contract farming
- D. Credit farming

**Correct Answer:** A

**Explanation:**

Explanation: The basic principle behind collective farming based on social ownership of the means of production and collective labour. Collective farming or the model of Kolkhoz was introduced in erstwhile Soviet Union to improve upon the inefficiency of the previous methods of agriculture and to boost agricultural production for self-sufficiency.

10. Among the following, which region in the world is characterized by the highest concentration of Inuit settlements?

- A. Greenland
- B. Patagonia
- C. Siberia
- D. Sahara

**Correct Answer:** A

**Explanation:**

Greenland hosts the largest Inuit population, adapted to Arctic conditions, as noted in global tribal distributions.

## Agriculture, Animal Husbandry, Fisheries and Aquaculture and Land Reforms and Land use pattern

1. With reference to agricultural reforms in India, consider the following statements:

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1. The Land Ceiling Act aimed to redistribute surplus land to landless farmers.
2. Tenancy reforms sought to provide security of tenure to tenant farmers.
3. The consolidation of holdings improved agricultural productivity by reducing fragmentation.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer: D**

**Explanation:**

- **Statement 1:** Correct. The Land Ceiling Act for redistributing surplus land. Set of laws enacted in India to set a maximum limit on agricultural and urban land ownership, with the core goal of redistributing surplus land to the landless and marginalized communities to curb land monopolization and reduce socio-economic inequality.
- **Statement 2:** Correct. Tenancy reforms provided tenure security, per land reform policies.
- **Statement 3:** Correct. Consolidation reduced fragmentation, boosting productivity.

**2. Regarding fisheries and aquaculture development, consider the following statements:**

1. Brackish water aquaculture is practiced in coastal areas like Andhra Pradesh.
2. Marine fisheries contribute the majority of India's fish production.
3. Freshwater aquaculture relies heavily on species like tilapia in northern India.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer: A**

**Explanation:**

- **Statement 1:** Correct. Brackish water aquaculture (e.g., shrimp) in Andhra Pradesh.
- **Statement 2:** Correct. Marine fisheries dominate India's fish production (Chapter 5).
- **Statement 3:** Incorrect. Tilapia is less common; carp (e.g., rohu) dominates freshwater aquaculture.

**3. Which of the following land use pattern shown increasing trend after 1950 – 51?**

1. Barren and uncultivable waste land
2. Culturable waste land
3. Fallow other than current fallow

**Select the correct answer from below given codes:**

- A. Only one
- B. Only two
- C. Only three
- D. None

**Correct Answer: D**

**Explanation:**

Explanation: Four categories have undergone increases, while four have registered declines. Share of area

under forest, area under non-agricultural uses, current fallow lands and net area sown have shown an increase. The four categories that have registered a decline are barren and wasteland, culturable wasteland, area under pastures and tree crops and fallow lands

4. Consider the following statements about land use changes in India:

1. The area under non-agricultural use has increased due to urbanization.
2. The share of pasture land has declined due to conversion to cropland.

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

Correct Answer: C

Explanation:

- o **Statement 1:** Correct. Increased non-agricultural use from urbanization.
- o **Statement 2:** Correct. Pasture land has decreased due to cropland expansion.

5. Consider the following statements:

**Statement I:** The adoption of organic farming in India has increased to address soil degradation.

**Statement II:** Government subsidies for chemical fertilizers discourage organic farming practices.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement I and Statement II are correct and Statement II explains Statement I
- (b) Both Statement I and Statement II are correct but Statement II does not explain Statement I
- (c) Statement I is correct but Statement II is not correct
- (d) Statement I is not correct but Statement II is correct

Correct Answer: (a)

Explanation:

- o **Statement I:** Correct. Adoption of organic farming practices in India has increased as a response to severe soil degradation caused by the extensive use of chemical fertilizers and pesticides in conventional agriculture.
- o **Statement II:** Correct. Hinder the adoption of organic farming by making chemical inputs artificially cheap, reducing the incentive for farmers to switch to more costly organic alternatives, and contributing to soil degradation that makes organic transitions harder.

6. Consider the following pairs:

**Crop Primary Region**

- I. Tea Assam
- II. Coffee Tamil Nadu
- III. Rubber Kerala

In how many of the above rows is the given information correctly matched?

- (a) Only one
- (b) Only two
- (c) All the three
- (d) None

**Correct Answer:** (c)

**Explanation:**

- o **Pair I:** Correct. Assam is a primary tea-growing region. India is the world's second-largest tea producer, consuming most of its domestic production while also being a major exporter of renowned Assam and Darjeeling teas.
- o **Pair II:** Correct. Tamil Nadu leads in coffee production. India's coffee cultivation, which started with Baba Budan planting Mocha seeds in the 1600s, is now a global industry centered in the Western Ghats of Karnataka, Kerala, and Tamil Nadu, with Arabica and Robusta as primary crops.
- o **Pair III:** Correct. Kerala is a major rubber producer. The Rubber Board, in partnership with the Central government and the Automotive Tyre Manufacturers' Association, is spearheading a project to increase the area dedicated to natural rubber in the Northeastern States, excluding Sikkim but including West Bengal.

7. **With reference to land reforms, which state in India was the first to implement the Land Ceiling Act?**

- A. Punjab
- B. West Bengal
- C. Kerala
- D. Jammu and Kashmir

**Correct Answer:** D

**Explanation:**

Jammu and Kashmir was the first Indian state to pass a Land Ceiling Act in the late 1950s or early 1960s. While other states implemented these laws around the same period, Kashmir's Act was the initial legislation setting a maximum limit on land holdings within the state. Kerala was a pioneer in implementing its own comprehensive Land Reforms Act in 1963 that established a ceiling area for land ownership and was significantly amended and enforced from 1970, which was a landmark event in land reform history.

8. **Among the following, which crop is primarily grown under the zaid season in India?**

- A. Wheat
- B. Watermelon
- C. Rice
- D. Mustard

**Correct Answer:** B

**Explanation:**

Zaid crops, also known as summer or gap-filler crops, are short-duration crops grown in India from March to June between the Rabi (winter) and Kharif (monsoon) seasons, requiring hot, dry conditions and irrigation. Common examples include watermelon, cucumber, muskmelon, bitter melon, fodder, pumpkin, and pulses like lentils, and also includes sugarcane and strawberries.

9. **Which of the following is the most significant inland fishery state in India?**

- A. Punjab
- B. Andhra Pradesh
- C. Gujarat
- D. Odisha

**Correct Answer:** B

**Explanation:**



Andhra Pradesh is consistently ranked as India's most significant inland fishery state, recognized for its substantial fish production and leadership in freshwater aquaculture. Following Andhra Pradesh, the next most significant states for inland fisheries are West Bengal, known for its rivers and ponds, and Gujarat, a major producer and exporter of fish.

10. Match the following land use categories with their salient features:

Land Use Category	Salient Feature
<b>Net Sown Area</b>	This area can be brought under cultivation with efforts but should be put under afforestation for long-term conservation.
<b>Area Sown more than once</b>	Rajasthan has the largest area under this category, while Punjab and Haryana have the highest proportion of it.
<b>Cultivable Waste</b>	This type of land use is significant as increasing it is the only way to increase agricultural production after all arable land has been brought under cultivation.
<b>Fallow Lands</b>	Andhra Pradesh has the largest area under 'current fallow' and Rajasthan has the largest area under 'fallow other than current fallow'.

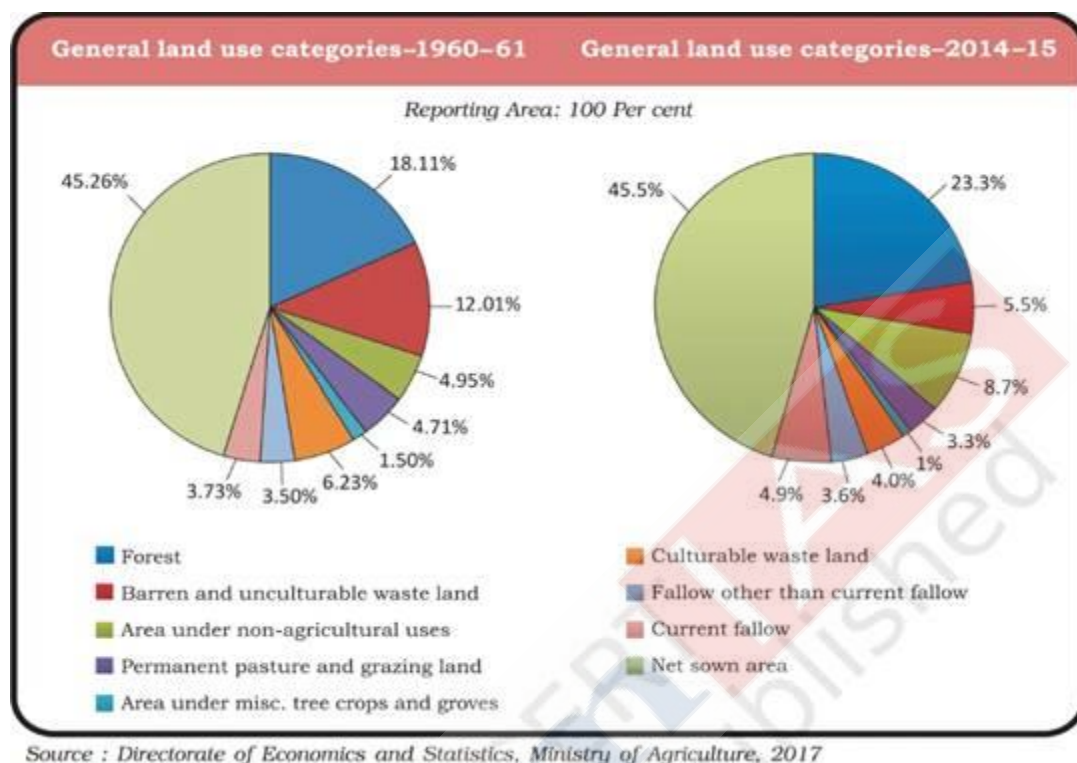
Which of the following is the correct match?

- A. A-2, B-3, C-1, D-4
- B. A-3, B-2, C-1, D-4
- C. A-2, B-4, C-1, D-3
- D. A-4, B-3, C-2, D-1

**Correct Answer: A**

**Explanation:**

- **Statement 1:** Net Sown Area (NSA) refers to the total area of land cultivated with crops and orchards in a particular agricultural year, with any land sown more than once counted only once (e.g., Punjab). Rajasthan has the largest NSA of 18.35 million ha... In terms of proportions of NSA to total area, Punjab & Haryana have some of the highest proportions.
- **Statement 2: Area Sown more than once:** Since almost all the arable land had been brought under cultivation, the only way to increase agricultural production is to increase cropping intensity, which can be done by increasing the area sown more than once.
- **Statement 3: Cultivable Waste:** This area can be brought under cultivation with efforts but should be put under afforestation for long-term conservation.
- **Statement 4: Fallow Lands:** Under current fallow, Andhra Pradesh has the largest area" and "The largest area of 'fallow other than current fallow' is in Rajasthan.



## Industries- types and their locational factors etc., and Transport and Communication in India

1. Consider the following statements regarding the classification of manufacturing industries:

- Footloose industries are characterized by location flexibility and are not affected by factors like resources, land, labour, or capital.
- Non-footloose industries, such as the sugar and jute industries, must be located near raw materials due to time-sensitive production requirements.

Which of the statements given above is/are correct?

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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** Footloose industries can be set up anywhere without being influenced by traditional locational factors, as they use lightweight raw materials and produce high-value products.

**Statement 2: Correct.** Non-footloose industries depend on proximity to raw materials to minimize transportation costs and time, with examples including sugar, jute, and tea industries.

2. Consider the following statements:

**Statement I:** According to Alfred Weber's Theory of Industrial Location, the primary focus is on minimizing transportation costs, labour costs, and agglomeration costs.

**Statement II:** Geographical factors like raw materials, power sources, and market proximity are crucial for industrial location, as they directly influence economic viability.

**Which one of the following is correct in respect of the above statements?**

- (a) Both Statement I and Statement II are correct and Statement II explains Statement I
- (b) Both Statement I and Statement II are correct but Statement II does not explain Statement I
- (c) Statement I is correct but Statement II is not correct
- (d) Statement I is not correct but Statement II is correct

**Correct Answer: (b)**

**Explanation:**

**Statement I: Correct.** Weber's theory emphasizes three main factors: transportation, labour, and agglomeration costs to determine optimal industrial locations.

**Statement II: Correct.** Geographical factors such as raw materials (e.g., sugar mills near sugarcane), power (e.g., aluminium near hydro sources), and markets (e.g., textiles in Mumbai) are key, but they align with rather than explain Weber's cost-minimization framework.

**3. Consider the following pairs:**

World Industrial Region	Region Characteristic
Eastern North America	Located near temperate areas and sea ports
Western and Central Europe	Primarily near coal fields
Eastern Asia	Focused in tropical regions away from ports

**How many pairs given above are correctly matched?**

- (a) Only one pair
- (b) Only two pairs
- (c) All three pairs
- (d) None

**Correct Answer: (b)**

**Explanation:**

**Pair 1: Correct.** Eastern North America is a major industrial region in temperate areas with access to sea ports.

**Pair 2: Correct.** Western and Central Europe developed near coal fields and temperate zones. **Pair 3: Incorrect.** Eastern Asia's industrial regions are in temperate areas, near sea ports and coal fields, not tropical regions.

**4. Consider the following pairs:**

Major Industrial Region of India	Key Industry
Mumbai-Pune	Largest cotton textile hub in Asia
Kolkata-Hooghly	Largest jute producing region in the world
Bangalore-Chennai	Dominated by sugar and leather industries

**How many pairs given above are correctly matched?**

- (a) Only one pair
- (b) Only two pairs

- (c) All three pairs
- (d) None

**Correct Answer: (b)**

**Explanation:**

**Pair 1: Correct.** The Mumbai-Pune region is the largest cotton textile hub, along with sectors like automobiles and engineering.

**Pair 2: Correct.** The Kolkata-Hooghly region is the world's largest jute producer, with textiles and iron-steel.

**Pair 3: Incorrect.** Bangalore-Chennai focuses on cotton textiles, machine tools, IT, and public sector units like Hindustan Aeronautics, not primarily sugar and leather.

**5. With reference to industrial corridors in India, which one of the following corridors aims to connect Chennai and Bangalore while leveraging skilled workforce and infrastructure for growth in refineries and steel mills?**

- (a) Delhi-Mumbai Industrial Corridor
- (b) Amritsar-Kolkata Industrial Corridor
- (c) Chennai-Bangalore Industrial Corridor
- (d) East Coast Economic Corridor

**Correct Answer: (c)**

**Explanation:** The Chennai-Bangalore Industrial Corridor (CBIC) spans Karnataka and Tamil Nadu, focusing on sectors like cotton textiles, machine tools, and public units, with growth prospects in new refineries near Chennai and steel mills in Salem, utilizing skilled labour and infrastructure.

**6. With reference to the Sugar Industry in India, consider the following statements:**

- 1. The Sugarcane Control Order mandates a specific minimum distance between two sugar mills to ensure a steady supply of raw material.
- 2. The main challenge faced by sugar mills in the southern states is the shorter crushing season compared to mills in northern states.
- 3. The Rangarajan Committee recommended the removal of the distance criterion between sugar mills.

**Which of the statements given above is/are correct?**

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

**Correct Answer: (b) 1 and 3 only**

**Explanation:**

**Statement 1 is correct.** Sugarcane Control Order mandate a specific minimum distance between two sugar mills" to ensure an adequate supply of sugarcane.

**Statement 2 is incorrect.** **Short crushing season** is a key challenge for the sugar industry as a whole , and in the "North India and South India sugar industries" table, it shows that the South has a **longer** crushing season (200-250 days) compared to the North (150-180 days).

**Statement 3 is correct.** "Rangarajan Committee recommendations" for the sugar industry included the "Removal of distance criterion between mills".

**7. With reference to the iron and steel industry, which of the following factors has contributed to the present location of industries away from raw material sources?**

- (a) Exclusive reliance on proximity to coal fields
- (b) Shift towards market-oriented locations due to reduced transportation costs
- (c) Dependence on perishable raw materials like sugarcane
- (d) Focus on tropical climates for thread production

**Correct Answer: (b)**

**Explanation:** The iron and steel industry has shifted from raw material proximity (e.g., ore, coal) to market-oriented locations to lower transportation costs and enhance economic viability, as seen in global and Indian patterns.

**8. In the context of service and technology industries in India, consider the following statements:**

1. The IT industry in Bengaluru benefits from a moderate climate, skilled workforce, and government policies like Software Technology Parks.
2. Semiconductor industries require pure water, dust-free environments, and skilled labour, making locations like Bengaluru and Hyderabad suitable.
3. Decentralization of the IT industry to Tier-2/3 cities is driven by efforts to bridge the urban-rural divide and promote inclusive growth.

**Which of the statements given above are correct?**

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

**Correct Answer: (d)**

**Explanation:**

**Statement 1: Correct.** Bengaluru's IT hub status is due to factors like climate, skilled labour, and initiatives like STPI.

**Statement 2: Correct.** Semiconductors need high-purity water, clean rooms, and expertise, favoring tech hubs like Bengaluru.

**Statement 3: Correct.** Government efforts are decentralizing IT to cities like Coimbatore and Bhubaneswar for balanced growth.

**9. In the context of agro-based industries in India, consider the following statements:**

1. The sugar industry's shift to southern states is due to higher sucrose content in tropical sugarcane and longer crushing seasons.
2. The cotton industry's decentralization is influenced by factors like humid climate in Maharashtra and Gujarat to prevent thread breakage.
3. The jute industry faces challenges from synthetic substitutes, while the tea industry benefits from GI tags like Darjeeling for market promotion.

**Which of the statements given above are correct?**

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

**Correct Answer: (d)**

**Explanation:**



**Statement 1: Correct.** Southern shift in sugar industry is due to tropical advantages like higher sucrose and extended seasons.

**Statement 2: Correct.** Cotton decentralization aligns with cotton-growing areas and humid climates in states like Maharashtra.

**Statement 3: Correct.** Jute competes with synthetics like nylon; tea uses GI tags (e.g., Darjeeling) and schemes like AROMA for promotion.

10. **Consider the following statements regarding other industries in India:**

1. The pharmaceutical industry's location is influenced by skilled labour, R&D facilities, and government initiatives like the Production Linked Incentive scheme.
2. The automobile industry's growth in clusters like Chennai and Pune is due to market proximity, infrastructure, and export potential, making India Asia's fourth-largest exporter.

**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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** Pharma hubs like Hyderabad benefit from skilled workforce, R&D, and schemes like PLI for domestic production.

**Statement 2: Correct.** Auto industry in regions like Chennai (export hub) and Pune leverages infrastructure and market access, positioning India as a major exporter.

## Map based questions from India and world Map

1. **The Bhitarkanika National Park is renowned for its mangrove ecosystem and diverse wildlife. It is associated with which of the following rivers?**

1. Brahmani
2. Baitarani
3. Teesta
4. Gomti

**Select the correct option from the codes given below:**

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

**Correct Answer: (a)**

**Explanation:**

**Rivers 1 and 2: Correct.** The major rivers associated with Bhitarkanika National Park are Brahmani, Baitarani, Dhamra, and Pathsala.

**River 3: Incorrect.** The Teesta River is located in Sikkim and West Bengal, not associated with Bhitarkanika.

**River 4: Incorrect.** The Gomti River flows through Uttar Pradesh and is not linked to the park.



2. The Red Sea is a seawater inlet of the Indian Ocean, known for recent geopolitical tensions. It borders which of the following countries?

1. Saudi Arabia
2. Egypt
3. Yemen
4. Iran

Select the correct option from the codes given below:

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

**Correct Answer: (b)**

**Explanation:**

**Countries 1, 2 and 3: Correct.** The Red Sea borders Saudi Arabia, Egypt, Yemen, Sudan, Eritrea, and Djibouti. Country 4: Incorrect. Iran borders the Persian Gulf and Gulf of Oman, not the Red Sea directly.



3. The Adriatic Sea is a body of water separating the Italian Peninsula from the Balkans. It borders which of the following countries?

1. Italy
2. Croatia

3. Greece
4. Albania

Select the correct option from the codes given below:

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

**Correct Answer: (b)**

**Explanation:**

**Countries 1, 2 and 4: Correct.** The Adriatic Sea borders Italy, Croatia, Albania, Montenegro, Bosnia and Herzegovina, and Slovenia.

**Country 3: Incorrect.** Greece borders the Ionian Sea and Aegean Sea, not the Adriatic Sea directly.



**4. Consider the following statements:**

1. It is located in the Bastar district and is known for its limestone caves like Kotumsar and Kailash.
2. It features a mixed moist deciduous forest with species like Sal, Teak, and Bamboo.
3. The Kanger River flows through it, supporting diverse fauna including tigers and leopards.

**Which of the following national parks is described in the above statements?**

- (a) Bhitarkanika National Park
- (b) Kanger Valley National Park
- (c) Kuno National Park

(d) Orang National Park

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Correct.** Kanger Valley National Park is in Bastar district, Chhattisgarh, famous for limestone caves like Kotumsar, Dandak, and Kailash.

**Statement 2: Correct.** The park has mixed moist deciduous forests including Sal, Semal, Mahua, Tendu, Teak, and Bamboo.

**Statement 3: Correct.** The Kanger River flows through the park, with fauna like Tiger, Leopard, Indian Bison, and Wild Boar.

**5. Consider the following statements:**

1. It is situated on the northern bank of the Brahmaputra River in Darrang and Sonitpur districts.
2. It is known as "Mini Kaziranga" due to its grassland ecosystem and high density of Indian one-horned rhinoceroses.
3. It is designated as an Important Bird Area (IBA) with species like Bengal Floricans and Great Hornbills. Which of the following national parks is described in the above statements? (a) Kuno National Park (b) Bannerghatta National Park (c) Orang National Park (d) Kakadu National Park

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** Orang National Park is on the northern bank of the Brahmaputra in Assam's Darrang and Sonitpur districts.

**Statement 2: Correct.** It is called "Mini Kaziranga" for its similar floodplain grasslands and rhinoceros population.

**Statement 3: Correct.** It is an IBA with birds like Spot-Billed Pelicans, Great Hornbills, and Bengal Floricans.

**6. Consider the following statements:**

1. It is a Ramsar wetland site protecting 368 glaciers in the Olivares and Colorado River basins.
2. It is located in the Andes area of the Santiago Metropolitan Region.
3. It aims to protect 46% of the ice in the region from climate change impacts.

**Which of the following national parks is described in the above statements?**

- a) Kakadu National Park
- b) Bannerghatta National Park
- c) Santiago Glaciers National Park
- d) Pobitora Wildlife Sanctuary

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** Santiago Glaciers National Park protects 368 glaciers and is a Ramsar site equivalent in importance.

**Statement 2: Correct.** It is in the Andes of Chile's Santiago Metropolitan Region.

**Statement 3: Correct.** The park protects 46% of the Andean ice in the region amid melting due to climate change.

**7. Arrange the following locations in India from north to south based on their geographical positions:**

1. Hanle, Ladakh
2. Munsiyari
3. Tawang,

4. Modhera Village

Select the correct option from the codes given below:

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

**Correct Answer: (a)**

**Explanation:** The order from north to south is: Hanle, Ladakh (approx. 34°N), Munsiyari (Uttarakhand, approx. 30°N), Tawang, Arunachal Pradesh (approx. 27°N), Modhera Village (Gujarat, approx. 23°N). This reflects their latitudinal positions on the map.

8. Consider the following pairs:

National Park/Sanctuary	State/Location
Wayanad Wildlife Sanctuary	Kerala
Askot Wildlife Sanctuary	Uttarakhand
Karaivetti Bird Sanctuary	Tamil Nadu
Debrigarh	Odisha
Aralam Wildlife Sanctuary	Karnataka

Which of the pairs given above are correctly matched?

- a) 1, 2 and 3 only
- b) 1, 3, 4 and 5 only
- c) 1, 2, 3 and 4 only
- d) 2, 3 and 5 only

**Correct Answer: (c)**

**Explanation:**

**Pair 1: Correct.** Wayanad Wildlife Sanctuary is in Kerala.

**Pair 2: Correct.** Askot Wildlife Sanctuary is in Uttarakhand.

**Pair 3: Correct.** Karaivetti Bird Sanctuary is in Tamil Nadu.

**Pair 4: Correct.** Debrigarh is in Odisha.

**Pair 5: Incorrect.** Aralam Wildlife Sanctuary is in Kerala, not Karnataka.

9. Consider the following pairs:

Island/Location	Associated Ocean/Sea
Andaman and Nicobar Islands	Indian Ocean
Galapagos Islands	Pacific Ocean
Snake Island	Black Sea
Agalega Island	Indian Ocean
Tuscan Archipelago	Mediterranean Sea

Which of the pairs given above are correctly matched?

- a) 1, 2 and 3 only
- b) 1, 2, 4 and 5 only
- c) 2, 3 and 4 only



d) 1, 2, 3, 4 and 5

**Correct Answer: (d)**

**Explanation:**

**Pair 1: Correct.** Andaman and Nicobar Islands are in the Indian Ocean.

**Pair 2: Correct.** Galapagos Islands are in the Pacific Ocean off Ecuador.

**Pair 3: Correct.** Snake Island (likely referring to the one in news) is in the Black Sea near Ukraine.

**Pair 4: Correct.** Agalega Island is in the Indian Ocean near Mauritius.

**Pair 5: Correct.** Tuscan Archipelago is in the Mediterranean Sea off Italy.

10. Which of the following countries of South America does not lie on the Tropic of Capricorn?

- a) Argentina
- b) Bolivia
- c) Paraguay
- d) Chile

**Correct Option: (b)**

**Explanation:**

**Option (b) is the correct answer:** The Tropic of Capricorn does not pass through Bolivia.

**South American Countries and Tropic of Capricorn:** The Tropic of Capricorn passes through a number of countries including Argentina, Australia, Botswana, Brazil, Chile, Madagascar, Mozambique, Namibia, and Paraguay.



## Climate Composition and Structure

### 1. Consider the following statements:

1. The proportion of gases in the atmosphere remains constant up to an altitude of about 80-90 km, beyond which it varies.
2. Water vapour decreases with altitude and is concentrated in the lower layers, playing a key role in atmospheric stability.

**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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** The atmosphere has a homogeneous composition (homosphere) up to 80-90 km, after which it becomes heterogeneous (heterosphere).

**Statement 2: Correct.** Water vapour is mostly in the troposphere, decreasing with height, and influences weather through absorption and release of heat.

### 2. Consider the following statements:

1. It represents the long-term average of atmospheric conditions over a large area, typically 30-35 years.
2. It is determined by aggregating elements like temperature, pressure, wind, humidity, and precipitation.
3. Unlike short-term variations, it shows stability but can be altered by human activities leading to changes.

**Which of the following is described in the above statements?**

- (a) Weather
- (b) Climate
- (c) Insolation
- (d) Air Mass

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Correct.** Climate is the composite or average of weather conditions over extended periods.

**Statement 2: Correct.** Key elements include temperature, pressure, winds, humidity, cloudiness, and precipitation.

**Statement 3: Correct.** Climate is more stable than weather but susceptible to changes from factors like greenhouse gases.

### 3. Consider the following statements:

1. The amount of insolation decreases from equator to poles due to the increasing slant of solar rays.
2. In the Earth's heat budget, about 51% of incoming solar radiation is absorbed by the surface, while 17% is absorbed by the atmosphere.

**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



**Correct Answer: (a)**

**Explanation:**

**Statement 1: Correct.** Vertical rays at equator cover less area with more energy; oblique rays at poles spread over larger area with less energy.

**Statement 2: Incorrect.** The surface absorbs 51 units, but the atmosphere absorbs 23 units (6 from scattered + 17 direct), with total incoming as 100 units.

**4. Consider the following statements:**

1. This process involves the upward movement of heated air and is responsible for cloud formation in the troposphere.
2. It is enhanced by terrestrial radiation, where the Earth emits long-wave heat back to the atmosphere at night.
3. Factors like latitude and altitude primarily control its horizontal and vertical distribution on Earth.

**Which of the following mechanisms is primarily described in the above statements?**

- (a) Conduction
- (b) Advection
- (c) Convection
- (d) Inversion

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** Convection causes warm air to rise, cool, and condense into clouds. **Statement 2: Correct.** Terrestrial radiation heats the lower atmosphere, aiding convection. **Statement 3: Correct.** Temperature decreases with latitude (equator hot, poles cold) and altitude (lapse rate).

**5. Consider the following statements:**

1. Temperature inversion occurs when cold air overlies warm air, typically in the stratosphere due to ozone absorption.
2. It can lead to stable atmospheric conditions, preventing vertical mixing and causing fog in valleys.

**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

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Incorrect.** Inversion is warm air over cold air; in stratosphere, it's due to ozone, but surface inversions are from ground cooling.

**Statement 2: Correct.** Inversions stabilize air, trap moisture/pollutants, leading to fog and poor dispersion.

**6. Consider the following pairs:**

Pressure Belt/Wind	Characteristic
Equatorial Low	Convergence of trade winds, rising air, heavy rainfall
Subpolar Low	Divergence of westerlies, descending air, dry conditions

Planetary Winds	Trade winds, westerlies, and polar easterlies, influenced by Coriolis force
Air Masses	Large bodies with uniform temperature/humidity, fronts form at their boundaries

Which of the pairs given above are correctly matched?

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

**Correct Answer: (b)**

**Explanation:**

**Pair 1: Correct.** Doldrums have low pressure, convection.

**Pair 2: Incorrect.** Subpolar lows have convergence, ascending air, cyclonic activity.

**Pair 3: Correct.** Permanent winds deflected by rotation.

**Pair 4: Correct.** Air masses classified by source; fronts cause weather changes.

**7. Arrange the following stages of a tropical cyclone in the order of development:**

1. Mature stage with eye formation
2. Incipient stage over warm oceans
3. Dissipation over land or cold water
4. Intensification with low pressure and high winds

**Select the correct option from the codes given below:**

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

**Correct Answer: (a)**

**Explanation:** Tropical cyclones start as disturbances (incipient), intensify with convergence, reach maturity with calm eye, then weaken upon landfall or cooler areas.

**8. Consider the following statements:**

1. This form of condensation occurs when air temperature drops below freezing, depositing ice crystals on surfaces.
2. It requires saturation of air and is common in clear, calm winter nights.
3. Unlike dew, it does not involve liquid water but direct sublimation.

**Which of the following is described in the above statements?**

- (a) Fog
- (b) Mist
- (c) Frost
- (d) Cloud

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** Frost forms by freezing of water vapour.

**Statement 2: Correct.** Needs high humidity and radiative cooling.

**Statement 3: Correct.** Frost is deposition (gas to solid), bypassing liquid phase.

**9. Consider the following pairs:**

Rainfall Type	Distribution/Characteristic
Convectional	Afternoon showers in equatorial regions, high intensity short duration
Orographic	Windward slopes of mountains, e.g., Western Ghats, creating rain shadows
Cyclonic	Temperate latitudes, associated with fronts, widespread gentle rain
Monsoonal	Seasonal reversal, heavy in summer over Asia, variable distribution

**Which of the pairs given above are correctly matched?**

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

**Correct Answer: (d)**

**Explanation:** All pairs are correct: Convectional in tropics; orographic topographic; cyclonic mid-latitude; monsoonal seasonal.

**10. With reference to Koeppen's climate classification, which of the following denotes a hot desert climate with low precipitation and high evaporation, often found in subtropical high-pressure belts?**

- (a) Af
- (b) BWh
- (c) Cfb
- (d) ET

**Correct Answer: (b)**

**Explanation:** BWh is dry (B), hot desert (Wh), with arid conditions due to subsidence; Af is tropical wet, Cfb temperate oceanic, ET tundra.

## Economics Discipline & National Income Accounting

**1. With reference to the sectors of an economy, which of the following statements is/are correct?**

1. The primary sector encompasses activities involving direct use of natural resources, such as agriculture, forestry, and fishing.
2. In India, mining is classified under the primary sector, unlike some economies where it falls under the secondary sector.

**Select the correct answer using the code given below:**

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

**Correct answer is C.**

**Statement 1 is correct.** The primary sector includes all economic activities with direct use of natural resources like agriculture, forestry, fishing, fuels, metals, and minerals.

**Statement 2 is correct.** While some economies place mining in the secondary sector, India includes it in the primary sector due to the direct use of natural resources.

**2. With reference to the types of economies, consider the following statements:**

1. An economy is classified as agrarian if the primary sector contributes 50% or more to its GDP.
2. In a service economy, the tertiary sector accounts for 50% or more of the GDP, and typically more than half the population depends on it for livelihood.
3. India transitioned from an agrarian economy at Independence to showing symptoms of a service economy, with the tertiary sector contributing over 65% to overall growth in recent decades.

**Which of the above statements are correct?**

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

**Correct answer is B.**

**Statement 1 is correct.** An economy is agrarian when the primary sector's share in GDP is 50% or more.

**Statement 2 is incorrect.** In a service economy, the tertiary sector contributes 50% or more to GDP, but dependency on it for livelihood may not exceed half the population, as seen in India where primary sector dependency remains high.

**Statement 3 is correct.** At Independence, India's primary sector share was 50% or more in GDP, but now the tertiary sector contributes 65% to overall growth, indicating service economy traits.

**3. Consider the following pairs: :**

Concept	Description
National Income	Focal point for measuring development and human development
Nominal Income	Wage received minus current inflation rate
Real Income	Wage received after deducting direct taxes
Disposable Income	Income adjusted for inflation and available for spending

**Which of the pairs given above are correctly matched?**

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

**Correct answer is B.**

**Pair 1 is correctly matched.** Income serves as the focal point for development and human development, heavily influencing the human development index through education and life expectancy investments.

**Pair 2 is incorrectly matched.** Nominal income is the wage received in hand per day or month, without adjustments.

**Pair 3 is incorrectly matched.** Real income is nominal income minus the current inflation rate. **Pair 4 is correctly matched.** Disposable income is the net part of nominal or real income after deducting direct taxes, available for use.

**4. Which of the following activities constitute real sector in the economy?**

1. Farmers harvesting their crops

2. Textile mills converting raw cotton into fabrics
3. A commercial bank lending money to a trading company.
4. A corporate body issuing Rupee Denominated Bonds overseas.

Select the correct answer using the code given below:

Correct answer is B

**Statements 1 and 2 are correct.** The real sector's statistics encompass various data and indicators, such as production in the agricultural and industrial sectors, GDP, private investment and consumption, price indices/inflation, and employment. The real sector deals with production, while the nominal economy deals with finance, with examples of the former being farmers harvesting their crops and textile mills converting raw cotton into fabrics.

**Statements 3 and 4 are not correct.** Financial activities primarily support real production activity and generate factor income but do not contribute significantly to the economy itself. Examples of financial sector activities are commercial banks lending money to trading companies and corporate bodies issuing Rupee Denominated Bonds overseas. .

**5. In the context of national income accounting, which one of the following best describes Net Domestic Product (NDP)?**

- (a) GDP adjusted for income from abroad
- (b) GDP minus depreciation, used to analyze historical and sectoral loss due to wear and tear
- (c) GNP minus indirect taxes plus subsidies
- (d) NNP at market cost minus depreciation

Correct answer is B.

**NDP= GDP-Depreciation**, reflecting net value after accounting for wear and tear on assets. It helps understand historical depreciation situations and sectoral analysis in industry and trade, as well as achievements in research and development to minimize depreciation levels.

**6. Arrange the following components of 'Income from Abroad' in the typical order contributing to India's negative balance, leading to GNP being lower than GDP:**

1. Private remittances
2. Trade balance
3. Interest on external loans

Select the correct option from the codes given below:

- (a) 1-2-3
- (b) 2-3-1
- (c) 3-1-2
- (d) 2-1-3

Correct answer is B.

Trade balance is typically negative due to higher imports than exports. Interest on external loans is negative as India is a net borrower. Private remittances are positive, with India being the highest recipient globally, but overall 'Income from Abroad' remains negative, making **GNP = GDP - Income from Abroad**.

**7. With reference to Net National Product (NNP), consider the following statements:**

1. NNP is GNP minus depreciation and represents the purest form of national income.
2. Per capita income is derived by dividing NNP by the total population, influenced by varying depreciation rates across nations.
3. NNP at factor cost is calculated as NNP at market cost minus indirect taxes plus subsidies.



Which of the above statements are correct?

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

**Correct answer is D.**

**Statement 1 is correct.** NNP equals GNP minus depreciation, serving as the national income (NI) and the purest income measure.

**Statement 2 is correct.** Per capita income is NNP divided by population, with differences in depreciation rates affecting international comparisons.

**Statement 3 is correct.** To derive NNP at factor cost, subtract indirect taxes and add subsidies to NNP at market cost.

8. Consider the following pairs::

Aspect of National Income	Description
Factor Cost	Input costs like labour, raw materials, and rent, also known as factory price
Market Cost	Factor cost plus indirect taxes, representing ex-factory price
Constant Prices	Prices holding inflation at a base year level for reliable growth measurement
Current Prices	Prices including present-day inflation, equivalent to maximum retail price

Which of the pairs given above are correctly matched?

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

**Correct answer is D.**

**Pair 1 is correctly matched.** Factor cost is the input cost incurred in production, termed factory price or production cost.

**Pair 2 is correctly matched.** Market cost is factor cost plus indirect taxes like cenvat and CST, known as ex-factory price.

**Pair 3 is correctly matched.** Constant prices fix inflation at a base year, providing reliable data for growth measurement.

**Pair 4 is correctly matched.** Current prices include current inflation, reflecting the maximum retail price printed on goods.

9. With reference to taxes and national income, consider the following statements:

- Direct taxes like income tax and corporate tax require no adjustment in national income calculation at factor cost or market cost.
- Indirect taxes are deducted from NNP at market cost to derive national income at factor cost, avoiding double-counting.
- In India, national income at factor cost is preferred due to non-uniformity in taxes and lack of printed prices on goods.

Which of the above statements are correct?

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

**Correct answer is D.**

**Statement 1 is correct.** Direct taxes are collected from incomes and remain the same at both factor and market costs, needing no adjustment.

**Statement 2 is correct.** Indirect taxes are added twice—once in disposable income and once in government receipts—so they are deducted from NNP at market cost for factor cost calculation.

**Statement 3 is correct.** India uses factor cost due to tax non-uniformity and absence of printed prices, while developed nations use market cost for reliable data.

10. **With reference to subsidies, base year revision, and national income accounting method, which of the following statements is/are correct?**

1. Subsidies are added to NNP at market cost to derive national income at factor cost, as they adjust for prices lower than real factor costs.
2. The 2015 revision shifted the base year to 2011-12 and adopted SNA-2008, measuring growth at GDP constant market prices.

**Select the correct answer using the code given below:**

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

**Correct answer is C.**

**Statement 1 is correct.** Subsidies are forwarded on factor costs, making market prices lower than real values, so they are added to NNP at market cost for factor cost derivation.

**Statement 2 is correct.** The Central Statistics Office revised the base year from 2004-05 to 2011-12 and aligned methodology with SNA-2008, using GDP at constant market prices for growth measurement.

India's Gross Domestic Product (GDP) is undergoing a revision from its current base year of 2011-12 to a proposed new base year of 2022-23. This change is being made by the Ministry of Statistics and Programme Implementation (MoSPI) to better reflect structural changes in the economy, incorporate new data sources like Goods and Service Tax (GST) and Unified Payments Interface (UPI) data, and provide a more accurate measurement of real economic growth. The revised data is expected to be released on February 27, 2026.

1. **With reference to the concept of Economic Growth in the Indian Economy, which of the following statements is/are correct?**

1. Economic growth can be measured in absolute terms, such as tonnes for food production or kilometers for road networks, as observed over a decade.
2. The growth rate of a dairy farm producing 100 liters of milk last month and 105 liters this month is calculated as a 5% increase.

**Select the correct answer using the code given below:**

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

**Correct answer is C.**

**Statement 1 is correct.** Economic growth is quantifiable in absolute terms, with examples including food production in tonnes and road networks in kilometers over a decade.

**Statement 2 is correct.** The growth rate is calculated as the percentage difference between periods; here,  $(105 - 100) / 100 \times 100 = 5\%$ .

**2. With reference to the World Happiness Report (WHR), consider the following statements:**

1. The report is published by the Wellbeing Research Centre at the University of Oxford in partnership with Gallup and the UN Sustainable Development Solutions Network (UNSDSN).
2. The happiness score is determined by seven key indicators, including GDP per capita, social support, and healthy life expectancy.

**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

**Correct Answer: A**

**Explanation:**

- **Statement 1 is correct.** The Wellbeing Research Centre at the University of Oxford in partnership with Gallup, the UN Sustainable Development Solutions Network (UNSDSN) has published the World Happiness Report (WHR) 2025.
- **Statement 2 is incorrect.** The text states that the happiness score is determined by **six** key indicators, not seven. The six indicators are: GDP per capita, social support, healthy life expectancy, freedom, generosity, and perceptions of corruption.

**3. Which of the following indicators is/are covered under “human development index”?**

1. Climate change
2. Biodiversity conservation
3. Standard of living

**Select the correct answer from below given codes:**

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

**Correct Answer: A**

**Explanation:** The HDR measures development by combining three indicators—Health, Education and Standard of Living—converted into a composite human development index, the HDI.

**4. The famous “Barro and Lee methodology” is related to which of the following?**

- a) Circular economy
- b) Educational attainment
- c) Purchasing power
- d) Environmental conservation

**Correct Answer: B**

**Explanation:** The Barro-Lee Educational Attainment Dataset uses a variety of methodologies to estimate educational attainment for countries around the world. Mean of years of schooling (for adults aged 25 years): This is estimated based on educational attainment data from censuses and surveys available in the UNESCO Institute for Statistics database and Barro and Lee (2010) methodology.

**5. With reference to the Human Development Report (HDR) 2025, consider the following statements:**

1. India has been ranked 130th out of 193 countries and territories.
2. The report is titled "A Matter of Choice: People and Possibilities in the Age of AI".
3. Among India's neighbors, China (78th) and Bhutan (125th) rank below India, while Sri Lanka (89th) ranks above India.

**Which of the statements given above is/are correct?**

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

**Correct Answer:** (A) 1 and 2 only

**Explanation:**

- **Statement 1 is correct.** India has been ranked 130th out of 193 countries and territories in the 2025 Human Development Report (HDR).
- **Statement 2 is correct.** The title of the report, "A Matter of Choice: People and Possibilities in the Age of AI".
- **Statement 3 is incorrect.** Both China (78th) and Sri Lanka (89th) rank **above** India, while Bhutan (125th) also ranks above India. The statement incorrectly claims that China and Bhutan rank below India.

**6. Which of the following is not a parameter of "Gross National Happiness" index?**

- a) Good governance
- b) Per capita income
- c) Environmental protection
- d) Educational attainment

**Correct Answer:** D

**Explanation:** Gross National Happiness: Bhutan, a small Himalayan kingdom and an economic non-entity, developed a new concept of assessing development in the early 1970s—the Gross National Happiness (GNH). Without rejecting the idea of human development propounded by UNDP, the kingdom has been officially following the targets set by the GNH. Bhutan has been following the GNH since 1972 which has the following parameters to attain happiness/development:

- Higher real per capita income
- Good governance
- Environmental protection
- Cultural promotion (i.e., inculcation of ethical and spiritual values in life without which, it says, progress may become a curse rather than a blessing)

**7. Which of the following ministries is responsible for the report on India's national and per capita income?**

- a) Ministry of Home Affairs
- b) Ministry of Planning

- c) Ministry of Statistics and Programme Implementation
- d) Ministry of Human Resource Development

**Correct Answer: C**

**Explanation:**

**Ministry of Statistics and Programme Implementation (MoSPI):** The MoSPI, through its National Statistical Office (NSO), is the primary body in India responsible for the collection, compilation, and dissemination of a wide range of official statistics, including national accounts and per capita income estimates.

**8. Which of the following is/are parameters of "World Happiness Report"?**

- 1. Social support
- 2. Generosity
- 3. Environmental conservation

**Select the correct answer from below given codes:**

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

**Correct Answer: B**

**Explanation:** The World Happiness Report released by the Sustainable Development Solution Network (UN body). The report measures happiness and well-being of the nations to help guide public policy on the basis of the following six parameters:

- 1. GDP per capita (at PPP)
- 2. Social support (someone to count on)
- 3. Healthy life expectancy at birth
- 4. Freedom to make life choices
- 5. Generosity
- 6. Perception of corruption

**9. With reference to the Union Budget 2025 and its fiscal policy changes, consider the following statements:**

- 1. The government will adopt the debt-to-GDP ratio as its new fiscal anchor from FY 2026-27.
- 2. The central government's debt-to-GDP ratio is projected to decline from 57.1% in FY 2024-25 to 50% by FY 2031.

**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

**Correct Answer: (C) Both 1 and 2**

**Explanation**

- **Statement 1 is correct.** The government is "setting the debt-GDP ratio as the new fiscal anchor, replacing the fiscal deficit target from FY 2026-27." This is a fundamental change in fiscal policy outlined in the budget.
- **Statement 2 is correct.** The debt-to-GDP ratio: "projected to: 57.1% in FY 2024-25 (Revised Estimate)... Declining towards 50% by FY 2031." This shows the government's long-term goal of debt reduction.



**10. The “Global Gender Gap Index” is often seen in news released by?**

- a) UNDP
- b) World Bank
- c) World Economic Forum
- d) International labor organization

**Correct Answer: C**

**Explanation:** The Global Gender Gap Index was first introduced by the World Economic Forum in 2006 to benchmark progress towards gender parity across four dimensions: economic opportunities, education, health and political leadership.

## Evolution of Indian Economy & Economic Planning

**1. Consider the following statements regarding the economic conditions in India at the time of Independence:**

- 1. The economy exhibited structural distortions primarily in agriculture and industry, with the state playing a marginal role.
- 2. There was a unilateral transfer of investible capital to Britain, known as the 'drain of wealth', which crippled India's commerce and handloom industry.
- 3. Literacy rates were around 17%, and life expectancy at birth was 32.5 years, reflecting neglect of the social sector.

**Which of the statements given above is/are correct?**

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

**Correct Answer: D**

**Explanation:**

**Statement 1: Correct.** The economy was in distress at Independence, with structural distortions in agriculture and industry due to its colonial setup serving the UK, and the state had a minimal role.

**Statement 2: Correct.** The 'drain of wealth' involved tax revenues from Bengal financing exports to Britain and opium to China, leading to an unequal exchange that damaged commerce and the handloom sector.

**Statement 3: Correct.** Literacy stood at 17% and life expectancy at 32.5 years at Independence, indicating British neglect of the social sector, which impacted economic productivity.

**2. With reference to the consensual views of political leaders and industrialists before Independence, consider the following:**

- 1. Assigning a direct responsibility to the state for development and emphasizing the public sector.
- 2. Promoting heavy industries while discouraging foreign investment.
- 3. Advocating for economic planning as a key strategy.

**Which of the above were among the major strategic issues agreed upon?**

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

**Correct Answer: D**

**Explanation:**

**Statement 1: Correct.** Political leaders and industrialists agreed pre-Independence that the state should have direct responsibility for development and a vital role for the public sector, reflecting a strategic consensus on state-led growth.

**Statement 2: Correct.** The consensus included the necessity of heavy industries and discouragement of foreign investment, aiming for self-reliance and industrial development, as part of the pre-Independence strategy.

**Statement 3: Correct.** The need for economic planning was a pre-Independence consensus among leaders, driven by figures like Nehru, forming a conceptual foundation for organized economic progress.

**3. Consider the following statements about the choice of the prime moving force (PMF) for India's economy post-Independence:**

1. Industry was selected as the PMF despite lacking prerequisites like infrastructure, technology, and skilled manpower.
2. This choice was influenced by the need to modernize agriculture through industrial support and build defense capabilities.
3. Agriculture was initially considered but rejected due to its association with backwardness in global economic thinking of the 1950s.

**Which of the statements given above is/are conceptually accurate?**

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

**Correct Answer: B**

**Explanation:**

**Statement 1: Correct.** Industry was chosen as PMF despite the absence of infrastructure, technology, and skilled manpower, a decision noted as illogical given the resource constraints at the time.

**Statement 2: Correct.** The selection of industry was influenced by its potential to modernize agriculture and establish a defense base, serving dual growth and security objectives.

**Statement 3: Incorrect.** While agriculture was a logical choice, the rejection was not solely due to its 1950s association with backwardness; global bodies favored industrialization then, but this perception shifted only in the 1990s.

**4. In the context of India's economic planning evolution, the National Planning Committee (NPC) was established in which year, and what was its primary impetus?**

- a) 1938, to address the need for economic planning before Independence
- b) 1944, to counter the Bombay Plan's capitalist leanings
- c) 1947, as part of the Interim Government's development agenda
- d) 1950, coinciding with the First Five-Year Plan's drafting

**Correct Answer: A**

**Explanation:** The NPC was set up in 1938 by nationalist leaders who recognized the need for economic planning, influencing the post-Independence choice of industry as the leading force.

**5. Regarding the policy shift declaring agriculture as India's prime moving force (PMF), consider the following:**

1. This occurred during the Tenth Five-Year Plan (2002-07), addressing challenges like food security, poverty alleviation, and market failure.
2. It aimed to generate agricultural surplus for exports under WTO and boost rural income to create demand for industrial goods.
3. The shift was immediate post-1991 reforms to counter industrial dominance.

**Which of the statements given above is/are correct?**

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

**Correct Answer: A**

**Explanation:**

**Statement 1:** The 2002 shift in the Tenth Plan targeted food security, poverty alleviation, and market failure, aligning with the policy's outlined goals.

**Statement 2:** The policy aimed to generate exportable surplus under WTO and increase rural income to enhance purchasing power, addressing market dynamics.

**Statement 3: Incorrect.** The shift occurred in 2002, over a decade after 1991 reforms, making it a later policy adjustment rather than an immediate response.

**6. Consider the following regarding India's core industries:**

1. Originally six basic industries (iron and steel, cement, coal, crude oil, oil refining, electricity) were identified as essential for industrialization.
2. By the 2004-05 base year, natural gas and fertilizer were added, making eight core industries with a combined IIP weight of 37.90%.
3. These industries required state intervention due to high capital needs and lack of private sector feasibility, leading to public sector dominance.

**Which of the above statements blends factual details with the conceptual rationale correctly?**

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

**Correct Answer: D**

**Explanation:**

**Statement 1: Correct.** The original six basic industries were identified as foundational for industrial growth.

**Statement 2: Correct.** The expansion to eight core industries with a 37.90% IIP weight by 2004-05 reflects an updated industrial framework.

**Statement 3: Correct.** High capital and market challenges made private sector involvement unfeasible, necessitating state dominance.

**7. With reference to Public Sector Undertakings (PSUs) being termed the 'temples of modern India', consider the following conceptual aspects:**

1. This reflected Nehru's view of PSUs as engines of equitable growth through trickle-down effects and employment generation.
2. PSUs were envisioned to provide profits for social sector development, like education and healthcare.
3. The term emphasized PSUs' role in regional balance and self-sufficiency, beyond mere infrastructure.

**Which of the statements given above is/are accurate?**

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

**Correct Answer: D**

**Explanation:**

**Statement 1: Correct.** Nehru termed PSUs 'temples of modern India' to signify their role in equitable growth and employment via trickle-down effects

**Statement 2: Correct.** PSUs were intended to generate profits for social goods like education and healthcare, though many later incurred losses.

**Statement 3: Correct.** PSUs aimed at balanced regional development and self-sufficiency, extending beyond infrastructure to broader economic goals.

**8. The term "Gosplan" is associated with which economic model, and how did it influence India's planning approach?**

- a) Soviet Union's command economy, inspiring India's centralized resource allocation in a mixed setup
- b) France's indicative planning, adopted for India's private sector incentives
- c) UK's post-WWII reconstruction, focusing on welfare state elements in India
- d) China's agrarian reforms, influencing India's 2002 agriculture shift

**Correct Answer: A**

**Explanation:**

Gosplan was the Soviet planning system, influencing India's planned mixed economy by providing a model for state-directed growth, though adapted to democratic needs.

**9. Consider the terms "perestroika and glasnost" in the context of economic reforms:**

- 1. They refer to restructuring and openness initiated in the Soviet Union in 1985, leading to the end of command economies.
- 2. These reforms influenced global shifts away from heavy state intervention, impacting India's 1991 liberalization.
- 3. In India, similar concepts were embedded in the First Five-Year Plan's outline for minimal coercion in planning.

**Which of the statements given above is/are conceptually linked?**

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

**Correct Answer: B**

**Explanation:**

**Statement 1: Correct.** Perestroika and glasnost were 1985 Soviet reforms aimed at restructuring and openness, contributing to the decline of command economies.

**Statement 2: Correct.** The global rethinking post these reforms influenced India's 1991 economic liberalization, aligning with international trends.

**Statement 3: Incorrect.** The First Plan's minimal coercion was pre-1985 and not directly linked to perestroika and glasnost, which were later phenomena.

10. The title 'A Plan of Economic Development for India' is associated with which pre-Independence economic proposal, and what was its key feature?

- a) Bombay Plan, prepared by leading capitalists advocating for state-supported industrialization
- b) People's Plan, emphasizing agrarian reforms and cooperative farming
- c) Gandhian Plan, focusing on village-centric, self-sufficient economy
- d) Congress Plan, outlining socialist principles for nationalization

**Correct Answer: A**

**Explanation:**

The Bombay Plan (1944) by capitalists like Tata and Birla proposed state-supported industrialization, influencing post-Independence planning, as contextualized in the text's planning evolution.

## Planning in India

1. Consider the following statements regarding the Gandhian Plan's approach to agriculture:

- 1. It emphasized agriculture as the primary sector, promoting cottage and village-level industries over large-scale industrialization.
- 2. The plan advocated for a centralized economic structure with heavy reliance on foreign capital for agricultural development.

**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

**Correct Answer: (A)**

**Explanation:**

**Statement 1: Correct.** The Gandhian Plan, formulated by Sriman Narayan Agarwal in 1944, laid more emphasis on agriculture and promoted cottage and village-level industries, articulating a decentralized economic structure with self-contained villages.

**Statement 2: Incorrect.** The plan did not advocate for centralized structure or reliance on foreign capital; instead, it opposed heavy industrialization and favored self-reliance, drawing from Gandhian principles against machinery and commercialization.

2. Consider the following statements:

**Statement I:** The Sarvodaya Plan emphasized land reforms, self-dependent villages, and a decentralized participatory form of planning focused on agriculture.

**Statement II:** The plan was inspired by Gandhian techniques and was critical of the centralizing nature of Indian planning by the early 1960s.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement I and Statement II are correct and Statement II explains Statement I
- (b) Both Statement I and Statement II are correct but Statement II does not explain Statement I
- (c) Statement I is correct but Statement II is not correct
- (d) Statement I is not correct but Statement II is correct

**Correct Answer: (a)**

**Explanation:**



**Both statements are correct, and Statement II explains Statement I** because the Sarvodaya Plan, formulated by Jaiprakash Narayan in 1950, drew inspirations from Gandhian constructive works and trusteeship, leading to its emphasis on agriculture and land reforms, while Narayan later criticized centralization in planning, aligning with the plan's decentralized focus.

**3. Consider the following pairs related to land reforms in pre-independence plans on Land Reforms**

1. Bombay Plan - Abolition of all intermediaries like zamindari
2. People's Plan - Emphasis on agrarian restructuring with cooperatives and credit supports
3. Gandhian Plan - Land reforms as part of self-contained villages

**In how many of the above pairs is the feature correctly matched with the plan?**

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

**Correct Answer: (a)**

**Explanation:**

**Pair 1: Correct.** The Bombay Plan agreed on agrarian restructuring, including abolition of intermediaries (zamindari abolition), minimum wages, and cooperatives.

**Pair 2: Incorrect.** The People's Plan, based on Marxist socialism, advocated equally for agricultural and industrial sectors but did not specifically emphasize agrarian restructuring like the Bombay Plan.

**Pair 3: Incorrect.** The Gandhian Plan emphasized agriculture and decentralized structure but did not explicitly focus on land reforms; that was more prominent in the Sarvodaya Plan.

**4. With reference to the First Five Year Plan's priority on agriculture, which one of the following statements is correct?**

- a) It allocated about 44.6% of the plan outlay to agriculture, irrigation, and power projects due to foodgrains import pressures.
- b) It shifted emphasis from agriculture to heavy industries to address price rise issues.
- c) It ignored agriculture entirely, focusing on post-war reconstruction.
- d) It prioritized agriculture only in the context of urban development.

**Correct Answer: (A)**

**Explanation:**

The First Plan (1951-56) accorded the highest priority to agriculture, including irrigation and power projects, with about 44.6% of the outlay, in response to foodgrains import (1951) and price rise pressures.

**5. In the context of the Tenth Five Year Plan declaring agriculture as the Prime Moving Force (PMF), consider the following statements:**

1. It aimed to solve food security, employment generation, and rural poverty by prioritizing agriculture over industry.
2. The plan suggested that 92% of employment was generated by agriculture at the time.
3. Nobel Laureate Amartya Sen supported prioritizing agriculture as the PMF.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer: (D)**

**Explanation:**

**Statement 1: Correct.** The Tenth Plan prioritized agriculture to address food security, employment, and rural poverty issues.

**Statement 2: Correct.** It noted that 92% of employment was generated by agriculture.

**Statement 3: Correct.** Amartya Sen suggested prioritizing agriculture on similar lines.

**6. Consider the following statements regarding growth targets for agriculture in the Twelfth Five Year Plan:**

1. It targeted a 4% average growth in the agriculture sector, with foodgrains at 2% and non-foodgrains at 5-6%.
2. Higher agricultural growth was seen as essential to restrain inflation and benefit rural populations.

**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

**Correct Answer: (C)**

**Explanation:**

**Statement 1: Correct.** The Twelfth Plan emphasized 4% growth in agriculture, with foodgrains at about 2% and non-foodgrains (including horticulture, livestock, dairying, poultry, and fisheries) at 5-6%.

**Statement 2: Correct.** It noted that higher growth in agriculture would provide broad-based income benefits to rural populations and help restrain inflation.

**7. Consider the following pairs in the context of inclusive growth and agriculture in Indian planning:**

Initiative/Aspect Relation to Inclusive Growth

1. Twelfth Plan - Real GDP growth of 8%, with agriculture at 4% for sustainable growth
2. Tenth Plan - Agriculture as PMF for employment and poverty reduction
3. Eleventh Plan - Focus on water resources management for agricultural dynamism

**In how many of the above pairs is the relation correctly matched?**

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

**Correct Answer: (C)**

**Explanation:**

**Pair 1: Correct.** The Twelfth Plan targeted 8% GDP growth, with 4% in agriculture for sustainable and inclusive growth.

**Pair 2: Correct.** The Tenth Plan declared agriculture as PMF to promote inclusive growth through employment and poverty alleviation.

**Pair 3: Correct.** The Eleventh Plan addressed restoring dynamism in agriculture and managing water resources as part of inclusive growth strategies.

**8. With reference to Centrally Sponsored Schemes (CSS) related to agriculture and fisheries, which one of the following is a scheme under the Department of Agriculture and Cooperation during the Twelfth Plan?**

- A. Nirmal Bharat Abhiyan
- B. Rashtriya Krishi Vikas Yojana
- C. National Rural Health Mission
- D. Mid-Day Meal Scheme

**Correct Answer: (B)**

**Explanation:**

Rashtriya Krishi Vikas Yojana (RKVY) was listed under the Department of Agriculture and Cooperation as a CSS during the Twelfth Plan, focusing on agricultural development.

9. In the context of investment models in Indian planning involving agriculture, consider the following statements:

1. The planning process promoted agri-industries and agro-exports in the era of economic reforms for quality employment.
2. Market reforms were suggested to address discrepancies from over-emphasis on PSUs in agriculture.
3. The Twelfth Plan argued for new legislation on land acquisition to balance development needs.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer: (D)**

**Explanation:**

**Statement 1: Correct.** In reforms era, planning emphasized agri-industries and agro-exports for gainful employment.

**Statement 2: Correct.** Market reforms were needed to phase out discrepancies from PSU emphasis.

**Statement 3: Correct.** The Twelfth Plan called for new land acquisition legislation striking a balance.

10. Match the following pre-independence plans with their key proponents:

List I (Plan)	List II (Proponent)
Visvesvaraya Plan	M.N. Roy
FICCI Proposal	M. Visvesvaraya
People's Plan	Jaiprakash Narayan
Sarvodaya Plan	N.R. Sarkar

**In how many of the above pairs is the given information correctly matched?**

- a) Only one
- b) Only two
- c) Only three
- d) All four

**Correct Answer: D**

**Explanation:** All four pairs are correctly matched.

- The Visvesvaraya Plan was proposed by M. Visvesvaraya.
- The FICCI Proposal was led by its president, N.R. Sarkar.
- The People's Plan was formulated by M.N. Roy.

- The Sarvodaya Plan was formulated by Jaiprakash Narayan.

## Climate Composition and Structure

### 1. Consider the following statements:

1. The proportion of gases in the atmosphere remains constant up to an altitude of about 80-90 km, beyond which it varies.
2. Water vapour decreases with altitude and is concentrated in the lower layers, playing a key role in atmospheric stability.

**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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** The atmosphere has a homogeneous composition (homosphere) up to 80-90 km, after which it becomes heterogeneous (heterosphere).

**Statement 2: Correct.** Water vapour is mostly in the troposphere, decreasing with height, and influences weather through absorption and release of heat.

### 2. Consider the following statements:

1. It represents the long-term average of atmospheric conditions over a large area, typically 30-35 years.
2. It is determined by aggregating elements like temperature, pressure, wind, humidity, and precipitation.
3. Unlike short-term variations, it shows stability but can be altered by human activities leading to changes.

**Which of the following is described in the above statements?**

- (a) Weather
- (b) Climate
- (c) Insolation
- (d) Air Mass

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Correct.** Climate is the composite or average of weather conditions over extended periods.

**Statement 2: Correct.** Key elements include temperature, pressure, winds, humidity, cloudiness, and precipitation.

**Statement 3: Correct.** Climate is more stable than weather but susceptible to changes from factors like greenhouse gases.

### 3. Consider the following statements:

1. The amount of insolation decreases from equator to poles due to the increasing slant of solar rays.
2. In the Earth's heat budget, about 51% of incoming solar radiation is absorbed by the surface, while 17% is absorbed by the atmosphere.

**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

**Correct Answer: (a)**

**Explanation:**

**Statement 1: Correct.** Vertical rays at equator cover less area with more energy; oblique rays at poles spread over larger area with less energy.

**Statement 2: Incorrect.** The surface absorbs 51 units, but the atmosphere absorbs 23 units (6 from scattered + 17 direct), with total incoming as 100 units.

**4. Consider the following statements:**

1. This process involves the upward movement of heated air and is responsible for cloud formation in the troposphere.
2. It is enhanced by terrestrial radiation, where the Earth emits long-wave heat back to the atmosphere at night.
3. Factors like latitude and altitude primarily control its horizontal and vertical distribution on Earth.

**Which of the following mechanisms is primarily described in the above statements?**

- (a) Conduction  
(b) Advection  
(c) Convection  
(d) Inversion

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** Convection causes warm air to rise, cool, and condense into clouds. **Statement 2: Correct.** Terrestrial radiation heats the lower atmosphere, aiding convection. **Statement 3: Correct.** Temperature decreases with latitude (equator hot, poles cold) and altitude (lapse rate).

**5. Consider the following statements:**

1. Temperature inversion occurs when cold air overlies warm air, typically in the stratosphere due to ozone absorption.
2. It can lead to stable atmospheric conditions, preventing vertical mixing and causing fog in valleys.

**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

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Incorrect.** Inversion is warm air over cold air; in stratosphere, it's due to ozone, but surface inversions are from ground cooling.

**Statement 2: Correct.** Inversions stabilize air, trap moisture/pollutants, leading to fog and poor dispersion.

**6. Consider the following pairs:**

Pressure Belt/Wind	Characteristic
Equatorial Low	Convergence of trade winds, rising air, heavy rainfall
Subpolar Low	Divergence of westerlies, descending air, dry conditions



Planetary Winds	Trades, westerlies, and polar easterlies, influenced by Coriolis force
Air Masses	Large bodies with uniform temperature/humidity, fronts form at their boundaries

Which of the pairs given above are correctly matched?

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

**Correct Answer: (b)**

**Explanation:**

**Pair 1: Correct.** Doldrums have low pressure, convection.

**Pair 2: Incorrect.** Subpolar lows have convergence, ascending air, cyclonic activity.

**Pair 3: Correct.** Permanent winds deflected by rotation.

**Pair 4: Correct.** Air masses classified by source; fronts cause weather changes.

**7. Arrange the following stages of a tropical cyclone in the order of development:**

1. Mature stage with eye formation
2. Incipient stage over warm oceans
3. Dissipation over land or cold water
4. Intensification with low pressure and high winds

**Select the correct option from the codes given below:**

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

**Correct Answer: (a)**

**Explanation:** Tropical cyclones start as disturbances (incipient), intensify with convergence, reach maturity with calm eye, then weaken upon landfall or cooler areas.

**8. Consider the following statements:**

1. This form of condensation occurs when air temperature drops below freezing, depositing ice crystals on surfaces.
2. It requires saturation of air and is common in clear, calm winter nights.
3. Unlike dew, it does not involve liquid water but direct sublimation.

**Which of the following is described in the above statements?**

- (a) Fog
- (b) Mist
- (c) Frost
- (d) Cloud

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** Frost forms by freezing of water vapour.

**Statement 2: Correct.** Needs high humidity and radiative cooling.

**Statement 3: Correct.** Frost is deposition (gas to solid), bypassing liquid phase.

**9. Consider the following pairs:**

Rainfall Type	Distribution/Characteristic
Convectional	Afternoon showers in equatorial regions, high intensity short duration
Orographic	Windward slopes of mountains, e.g., Western Ghats, creating rain shadows
Cyclonic	Temperate latitudes, associated with fronts, widespread gentle rain
Monsoonal	Seasonal reversal, heavy in summer over Asia, variable distribution

**Which of the pairs given above are correctly matched?**

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

**Correct Answer: (d)**

**Explanation:** All pairs are correct: Convectional in tropics; orographic topographic; cyclonic mid-latitude; monsoonal seasonal.

**10. With reference to Koeppen's climate classification, which of the following denotes a hot desert climate with low precipitation and high evaporation, often found in subtropical high-pressure belts?**

- (a) Af
- (b) BWh
- (c) Cfb
- (d) ET

**Correct Answer: (b)**

**Explanation:** BWh is dry (B), hot desert (Wh), with arid conditions due to subsidence; Af is tropical wet, Cfb temperate oceanic, ET tundra.

## 16 September Prelims Marathon

**1. Consider the following statements:**

1. India's economic reforms have emphasized gradualism and evolutionary transition rather than rapid restructuring or 'shock therapy'.
2. This gradualism has been praised by advocates of reform both inside and outside the country.

**Which of the statements given above is/are correct?**

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

**Correct Answer: (a)**

**Explanation:**

**Statement 1: Correct.** Key feature of India's reform programme is gradualism and evolutionary transition, as stated by Montek S. Ahluwalia.

**Statement 2: Incorrect.** Gradualism has often been the subject of unfavourable comment by more impatient advocates of reform.

**2. Consider the following statements:**

1. Statement I: The planning model, influenced by socialism, led many developing countries to adopt protectionist policies and import substitution after independence.
2. Statement II: By the 1970s, socialist and planned economies showed slow growth or stagnation, giving rise to the Washington Consensus.

**Which one of the following is correct in respect of the above statements?**

- (a) Both Statement I and Statement II are correct and Statement II explains Statement I
- (b) Both Statement I and Statement II are correct but Statement II does not explain Statement I
- (c) Statement I is correct but Statement II is not correct
- (d) Statement I is not correct but Statement II is correct

**Correct Answer: (a)**

**Explanation:**

Both Statement I and Statement II are correct and Statement II explains Statement I. Post-independence developing countries, influenced by socialism, adopted protectionism and import substitution due to fears of foreign domination, but by the 1970s, these economies' poor performance led to the emergence of the Washington Consensus advocating market-oriented policies.

**3. Consider the following pairs:**

Washington Consensus Policies –	Promoting
I. Privatisation –	State-owned companies
II. Liberalisation –	Minimal role for government
III. Macroeconomic Stability –	Boosting aggregate demand

**In how many of the above rows is the given information correctly matched?**

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

**Correct Answer: (b)**

**Explanation:**

**I: Correct.** The Washington Consensus suggested privatising state-owned companies.

**II: Correct.** It argued for a minimal role of the government in the economy.

**III: Incorrect.** Macroeconomic stability measures under the Consensus focused on boosting aggregate demand, as part of broader reforms, not exclusively the Consensus; the Consensus emphasized privatising, liberalising, and eliminating government interventions.

**4. What is the primary difference between 'token' disinvestment (pre-2000) and 'strategic' disinvestment (post-2000) as discussed in the context of Indian reforms?**

- A. Token disinvestment was aimed at revenue generation, while strategic disinvestment was aimed at improving the efficiency of PSUs.
- B. Token disinvestment involved selling a minority stake in PSUs, while strategic disinvestment involved transferring ownership and management control to the private sector.
- C. Token disinvestment was restricted to profitable PSUs, while strategic disinvestment was applied only to loss-making PSUs.

D. Token disinvestment was carried out without any clear policy framework, while strategic disinvestment was part of a well-defined government strategy.

**Correct Answer: B**

**Explanation:** In the first generation of reforms (1991-2000), disinvestment was "token" and involved selling "minority shares of public sector undertakings (PSUs)". In the second generation (2000-01 onwards), disinvestment became "strategic" and involved "the transfer of ownership of the PSU along with the management to the private sector".

**5. In the context of the initiation of economic reforms in India, consider the following statements:**

1. The reforms were launched in response to a fiscal and balance-of-payments crisis in 1991.
2. The reforms of the 1980s were wider and deeper than those started in the early 1990s.
3. The First Gulf War exacerbated India's forex reserves crisis by increasing oil prices and reducing remittances.

**Which of the statements given above are correct?**

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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** Reforms were initiated on July 23, 1991, in response to a fiscal and BoP crisis.

**Statement 2: Incorrect.** The reforms of the 1980s were limited in nature, while those in the early 1990s were wider and deeper.

**Statement 3: Correct.** The First Gulf War led to upward oil prices and a fall in remittances, impacting forex reserves.

**6. With reference to the IMF conditions imposed on India during the 1991 BoP crisis, which one of the following was NOT a key condition?**

- (a) Devaluation of the rupee by 22 per cent
- (b) Reduction in peak import tariff to 30 per cent
- (c) Hike in excise duties by 20 per cent
- (d) Immediate full convertibility on capital account

**Correct Answer: (d)**

**Explanation:**

IMF conditions were devaluation of the rupee by 22%, reduction in peak import tariff from 130% to 30%, hike in excise duties by 20%, and cutting government expenditure by 10% annually. Full capital account convertibility was not an immediate IMF condition; it was part of later external sector reforms.

**7. In the context of macroeconomic stabilisation and structural reform measures in India's economic reforms, consider the following statements:**

1. Macroeconomic stabilisation measures aim to boost aggregate demand in the economy.
2. Structural reform measures focus on increasing the aggregate supply of goods and services.
3. Structural reforms are perceived as pro-rich because they unshackle the economy for enhanced productivity.

**Which of the statements given above are correct?**

- (a) 1 and 2 only

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

**Correct Answer: (d)**

**Explanation:**

**Statement 1: Correct.** Macroeconomic stabilisation are policies to boost aggregate demand, domestic or external.

**Statement 2: Correct.** Structural reforms boost aggregate supply by unshackling the economy.

**Statement 3: Correct.** They appear pro-rich as production is done by producers (capitalists), but aim to increase income for distribution.

**8. Consider the following statements regarding the external factors influencing the 1991 reforms:**

Statement I: The Washington Consensus played a significant role in shaping the ideological direction of the reforms initiated in India in the mid-1980s.

Statement II: The 1991 reforms were entirely a result of internal pressures and were not influenced by any external conditionalities.

**Which one of the following is correct in respect of the above statements?**

- A. Both Statement I and Statement II are correct and Statement II explains Statement I.
- B. Both Statement I and Statement II are correct but Statement II does not explain Statement I.
- C. Statement I is correct but Statement II is not correct.
- D. Statement I is not correct but Statement II is correct.

**Correct Answer: C**

**Explanation:**

**Statement I is correct.** The text notes that the economic reforms initiated in India in the mid-1980s were "under the influence of the Washington Consensus ideology."

**Statement II is incorrect.** The 1991 reforms were taken in the wake of a balance-of-payment crisis, and they came with specific conditionalities from the IMF and the World Bank. The reforms were not exclusively an internal decision.

**9. In the context of India's economic reforms, consider the following statements:**

- 1. The Second Generation of reforms marked a shift from 'token' disinvestment to 'strategic' disinvestment.
- 2. Strategic disinvestment involves the transfer of ownership and management of a Public Sector Undertaking (PSU) to the private sector.
- 3. The main objective of strategic disinvestment was to raise funds to cover the fiscal deficit.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer: A**

**Explanation:**

**Statements 1 and 2 are correct.** The Second Generation of reforms introduced strategic disinvestment, which involved transferring both ownership and management control of PSUs to the private sector, moving beyond the token sale of minority shares.



**Statement 3 is incorrect.** While revenue generation was a benefit of strategic disinvestment, its main objective was to improve the efficiency and productivity of the PSUs by transferring them to more efficient private management.

**10. Which of the following was a key reform measure in the financial sector during the First Generation of economic reforms (1991-2000)?**

- A. The introduction of 'strategic' disinvestment in public sector banks.
- B. The dismantling of the Administered Price Mechanism (APM) for oil and petroleum products.
- C. The de-licensing of the banking sector and allowing private and foreign banks to enter.
- D. The introduction of the Goods and Services Tax (GST).

**Correct Answer: C**

**Explanation:** The financial sector reforms of the first generation included de-licensing, allowing the entry of private and foreign banks, and reforms in the capital market and insurance sectors. Options A, B, and D are incorrect. 'Strategic' disinvestment was a Second-Generation reform, the dismantling of the APM was also a Second-Generation reform, and the GST was introduced much later, after the periods of both the First- and Second-Generation reforms.

## Inflation

**1. Consider the following statements regarding demand-pull inflation:**

- 1. It is primarily driven by an increase in aggregate demand in the economy.
- 2. It can be caused by expansionary fiscal policies, such as an increase in government spending or a reduction in taxes.
- 3. The Phillips Curve suggests a long-term stable trade-off between demand-pull inflation and unemployment.

**Which of the statements given above is/are correct?**

- A. 1 only
- B. 1 and 2 only
- C. 2 and 3 only
- D. 1, 2 and 3

**Correct Answer: (B)**

**Explanation:**

- **Statement 1:** Correct. Demand-pull inflation occurs when aggregate demand for goods and services outpaces the economy's productive capacity, leading to an increase in prices.
- **Statement 2:** Correct. Expansionary fiscal policies increase disposable income and/or government expenditure, directly boosting aggregate demand and potentially causing demand-pull inflation.
- **Statement 3:** Incorrect. The original Phillips Curve suggested a short-run trade-off. However, the concept of the long-run vertical Phillips Curve (at the natural rate of unemployment) indicates that there is no long-term stable trade-off between inflation and unemployment. Attempts to use demand-pull policies to reduce unemployment below its natural rate will only lead to accelerating inflation.

**2. Consider the following statements:**

**Statement I:** A significant increase in the price of imported crude oil for a country with high energy dependency is a classic example of cost-push inflation.

**Statement II:** Cost-push inflation is always accompanied by a decrease in the aggregate supply of goods and services.

Which one of the following is correct in respect of the above statements?

- A. Both Statement I and Statement II are correct and Statement II explains Statement I.
- B. Both Statement I and Statement II are correct but Statement II does not explain Statement I.
- C. Statement I is correct but Statement II is not correct.
- D. Statement I is not correct but Statement II is correct.

**Correct Answer: (A)**

**Explanation:**

- **Statement I:** Correct. An increase in the price of key inputs like crude oil raises production costs for various industries, forcing them to raise prices to maintain profit margins. This is the very definition of cost-push inflation, where inflation is a result of a decrease in aggregate supply.
- **Statement II:** Correct. Cost-push inflation is caused by a rise in the cost of production, which shifts the aggregate supply curve to the left, indicating that at any given price level, a lower quantity of output will be supplied. Statement II correctly identifies this core mechanism, and it directly explains why a rise in input costs (like crude oil) leads to inflation.

**3. With reference to measures to check inflation, consider the following statements:**

- 1. An increase in the Cash Reserve Ratio (CRR) is a measure to absorb excess liquidity from the banking system.
- 2. The government can sell bonds in the open market to reduce the money supply.
- 3. Fiscal policy measures to curb inflation primarily focus on increasing public expenditure to stimulate economic activity.

Which of the statements given above are correct?

- A. 1 only
- B. 1 and 2 only
- C. 2 and 3 only
- D. 1, 2 and 3

**Correct Answer: (B)**

**Explanation:**

- **Statement 1:** Correct. The Cash Reserve Ratio (CRR) is a monetary policy tool. By increasing the CRR, the central bank requires commercial banks to hold a larger portion of their deposits as reserves, thereby reducing the amount of money available for lending and contracting the money supply.
- **Statement 2:** Correct. This is an example of Open Market Operations (OMOs), a monetary policy tool. When the central bank sells government securities, it absorbs money from the market, reducing the money supply and curbing inflation.
- **Statement 3:** Incorrect. Fiscal policy measures to curb inflation involve **contracting** the economy. This includes measures like reducing government spending and increasing taxes, which decrease aggregate demand and help to cool down an overheated economy. Increasing public expenditure would be an **expansionary** fiscal policy, which could worsen inflation.

**4. Which of the following is most likely a characteristic of 'low inflation' (also known as creeping inflation)?**

- A. It severely erodes the purchasing power of money and discourages savings.
- B. It is typically a sign of an economy in recession with falling prices.
- C. It is considered healthy for economic growth as it signals robust demand and encourages investment.
- D. It leads to capital flight as investors lose confidence in the currency.

**Correct Answer: (C)**

**Explanation:**

- Low inflation, typically in the 2-3% range, is generally viewed as beneficial. It encourages consumption and investment by signaling that prices will gradually increase, making it less attractive to hoard cash. This provides a stable environment for businesses to plan and grow, and it allows the central bank flexibility to use monetary policy.
- Options A and D describe the effects of high or hyperinflation.
- Option B describes deflation or disinflation, not inflation.

**5. Galloping inflation (or runaway inflation) is a severe form of inflation. Which of the following is NOT a typical consequence of galloping inflation?**

- A. People tend to convert their cash into durable goods and non-monetary assets.
- B. The economy's financial system begins to break down, with savings losing value rapidly.
- C. It leads to a stable and predictable economic environment, encouraging long-term investments.
- D. The government may resort to wage-price controls in an attempt to stabilize the economy.

**Correct Answer: (C)**

**Explanation:**

- Galloping inflation, characterized by a rapid, sustained increase in prices (often 10% to several hundred percent annually), creates an **unstable and unpredictable** economic environment. It erodes the value of money, makes long-term planning difficult, and discourages investments.
- **A:** Correct. People rush to buy real assets as a hedge against the rapid decline in the value of their currency.
- **B:** Correct. Savings and fixed-income investments become worthless, leading to a breakdown of the financial system.
- **D:** Correct. Governments often implement drastic measures, such as wage and price controls, in a desperate attempt to contain the inflationary spiral.

**6. Match the following historical events with the correct description of hyperinflation:**

List I (Country/Event)	List II (Description)
1. Zimbabwe	a. The most severe hyperinflation in modern history, with an inflation rate estimated at 79.6 billion percent per month.
2. Germany (Weimar Republic)	b. Resulted in the government printing 100-trillion dollar notes and the eventual collapse of the currency.
3. Hungary (1946)	c. Caused by war reparations and the passive resistance policy, leading to prices doubling every 49 hours.

In how many of the above rows is the given information correctly matched?

- A. Only one
- B. Only two
- C. All the three
- D. None

**Correct Answer: (B)**

**Explanation:**

- **Pair 1: Zimbabwe (Correct)** - Zimbabwe experienced a devastating period of hyperinflation in the late 2000s, with prices rising at astronomical rates. The government printed a 100-trillion dollar note, which eventually became worthless.
- **Pair 2: Germany (Incorrect)** - The hyperinflation in the Weimar Republic was severe, but the description "doubling every 49 hours" refers to Hungary's hyperinflation. Germany's inflation rate peaked with prices doubling every 3.7 days.
- **Pair 3: Hungary (Correct)** - Hungary's post-WWII hyperinflation was the most extreme on record. Prices were doubling every 15.6 hours on average, with a peak of doubling every 49 hours. The inflation rate was estimated to be 41.9 quadrillion percent per month.

**7. With reference to Bottleneck Inflation, which of the following statements is most accurate?**

- A. It is caused by an overall surge in consumer spending across all sectors of the economy.
- B. It arises due to supply constraints or shortages in specific sectors, which then cascade across the economy.
- C. It is a state of simultaneous high inflation and high unemployment.
- D. It is a slow and predictable rise in prices, often seen in developed economies.

**Correct Answer: (B)**

**Explanation:**

- **Bottleneck inflation** occurs when the supply chain is disrupted, or a specific sector's production capacity is strained, leading to shortages. These shortages in key inputs or goods then push up prices not just in that sector but throughout the economy. For example, a shortage of microchips can affect the price of cars, computers, and appliances.
- A is the definition of demand-pull inflation.
- C is the definition of stagflation.
- D is the definition of creeping or low inflation.

**8. Which of the following would be included in the calculation of core inflation?**

- A. The price of fruits and vegetables
- B. The price of crude oil
- C. The price of medical services
- D. The price of gasoline

**Correct Answer: (C)**

**Explanation:**

- **Core inflation** measures the change in the costs of goods and services, but it **excludes** volatile items that are subject to frequent price swings, most notably food and energy prices.
- Items like fruits, vegetables, crude oil, and gasoline are excluded because their prices can fluctuate wildly due to seasonal factors, geopolitical events, or supply shocks, which can give a misleading picture of underlying inflationary trends.
- The price of medical services is considered a more stable component of the overall price index and is therefore included in the calculation of core inflation.

**9. With reference to the inflationary gap, consider the following statements:**

- 1. An inflationary gap exists when the aggregate demand exceeds the aggregate supply at the full employment level of output.
- 2. It is a symptom of an overheated economy where there is excess aggregate demand.
- 3. The presence of an inflationary gap tends to exert downward pressure on prices due to the excess supply of goods.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 only
- D. 1, 2 and 3

**Correct Answer: (A)**

**Explanation:**

- **Statement 1:** Correct. An inflationary gap is the difference between the actual level of aggregate demand and the level of aggregate demand required to achieve full employment without causing inflation. It occurs when actual demand surpasses the economy's productive capacity at full employment.
- **Statement 2:** Correct. The existence of an inflationary gap indicates that there is more money chasing a limited supply of goods and services, which is a classic sign of an overheated or booming economy.
- **Statement 3:** Incorrect. The presence of an inflationary gap leads to **upward pressure on prices**, not downward pressure. The excess demand causes firms to raise prices, leading to inflation. Downward pressure on prices would be a symptom of a deflationary gap.

**10. Which of the following statements about a deflationary gap is/are correct?**

1. A deflationary gap is a situation where the aggregate demand is less than the aggregate supply at the full employment level of output.
2. In an economy with a deflationary gap, there is likely to be high unemployment due to insufficient demand.
3. The Keynesian multiplier effect can help to close a deflationary gap through increased government spending.

Which of the statements given above are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer: (D)**

**Explanation:**

- **Statement 1:** Correct. A deflationary gap (or recessionary gap) exists when the aggregate demand is not sufficient to absorb the full employment level of output, meaning there is excess capacity and a lack of demand.
- **Statement 2:** Correct. Since aggregate demand is low, firms produce less, leading to a surplus of labor and thus higher unemployment.
- **Statement 3:** Correct. According to Keynesian economics, an increase in government spending (or a reduction in taxes) can boost aggregate demand. This initial injection of spending is amplified by the multiplier effect, which can help to increase overall economic activity and move the economy back towards the full employment level, thereby closing the deflationary gap.

## Inflation-II

**1. Consider the following statements regarding the term 'Inflation Tax':**

1. It describes the loss of purchasing power experienced by people who hold currency due to inflation.



2. It is also known as seignorage, which is an income for the government due to its authority to print and circulate currency.
3. Governments can use it as a policy tool by taxing companies that give salary increases above a set level.

**Which of the statements given above is/are correct?**

- A. 1 only
- B. 2 and 3 only
- C. 1 and 2 only
- D. 1, 2 and 3

**Correct Answer: D**

**Explanation:**

It's a situation where inflation erodes the value of money for those holding currency, acting like a tax on their income. This is also known as seignorage, as the act of printing and circulating currency to sustain government expenditure at the cost of people's income functions as an income to the government. Additionally, the term can be used in a prices and incomes policy where companies are taxed on salary increases that exceed a set level<sup>3</sup>.

**2. The term 'Inflation Spiral' is best described as:**

- A. A situation where rising demand and stagnant supply lead to continuous price increases.
- B. A process of wage and price interaction where rising wages push up prices, which in turn cause wages to rise further.
- C. A period of high inflation and high unemployment occurring simultaneously.
- D. A temporary price increase of select goods during a recessionary period.

**Correct Answer: B**

**Explanation:** 'Inflation Spiral' is an inflationary situation resulting from a process of wage and price interaction 'when wages press prices up and prices pull wages up'. This is also known as the wage-price spiral<sup>5</sup>.

**3. With reference to inflation accounting, consider the following statements:**

1. It is the process of a firm calculating its profits after adjusting for the effects of the current level of inflation.
2. This process is used to calculate the real profit of a firm.
3. Inflation generally causes a firm's nominal profits to be understated.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 only
- D. 1, 2 and 3

**Correct Answer: A**

**Explanation:**

**Statements 1 and 2 are correct.** Inflation accounting is the process of a firm calculating its profits after adjusting for inflation. The resulting figure represents the firm's real profit.

**Statement 3 is incorrect:** Due to inflation, the nominal profits of firms get overstated, not understated.

**4. Which of the following statements correctly defines 'Inflation Premium'?**

- A. The bonus that borrowers receive from inflation because the real interest rate is lower than the nominal interest rate.
- B. A penalty paid by borrowers to the bank to compensate for the effects of inflation.

- C. The difference between the real profit and the nominal profit of a firm.
- D. The extra cost incurred by a lender to neutralise the effects of inflation.

**Correct Answer: A**

**Explanation:** The 'Inflation Premium' is described as the bonus brought by inflation to the borrowers. It is the difference between the nominal interest rate and the real interest rate, with the latter being lower during inflation, thus benefiting the borrower.

**5. Consider the following statements regarding the Phillips Curve:**

**Statement I:** The Phillips Curve advocates an inverse relationship between inflation and unemployment, suggesting a trade-off between them.

**Statement II:** According to economists Milton Friedman and Edmund Phelps, the trade-off between inflation and unemployment holds true in the long run.

**Which one of the following is correct in respect of the above statements?**

- A. Both Statement I and Statement II are correct and Statement II explains Statement I.
- B. Both Statement I and Statement II are correct but Statement II does not explain Statement I.
- C. Statement I is correct but Statement II is not correct.
- D. Statement I is not correct but Statement II is correct.

**Correct Answer: C**

**Explanation:** Statement I is correct as the Phillips Curve is a graphic curve that shows an inverse relationship or trade off between inflation and unemployment. Statement II is incorrect because Milton Friedman and Edmund Phelps challenged this idea, arguing that the trade-off was only short-term and there was no long-term trade-off between inflation and unemployment.

**6. Which of the following is the most appropriate description of 'Reflation'?**

- A. A situation when an economy's total spending is in a fiscal surplus.
- B. An economy that produces more than the demand, leading to a general slowdown.
- C. A government's deliberate policy to revive an economy from recession by increasing public spending, cutting taxes, or lowering interest rates.
- D. A state of sustained, across-the-board price increases.

**Correct Answer: C**

**Explanation:** Reflation is a situation deliberately brought by the government to reduce unemployment and increase demand by going for higher levels of economic growth. This is achieved through measures such as higher public expenditures, tax cuts, and interest rate cuts.

**7. In the context of an economy, the term Stagflation refers to:**

- A. A temporary price rise in certain goods while an economy is in stagnation.
- B. A situation where a country's exports are stagnating, leading to inflation.
- C. An economic state where inflation and unemployment are both at high levels simultaneously.
- D. A long period of low aggregate demand in relation to an economy's productive capacity.

**Correct Answer: C**

**Explanation:** Stagflation is defined as A situation in an economy when inflation and unemployment both are at higher levels. This contradicts the conventional belief that there is a trade-off between the two.

**8. With reference to India's inflation targeting framework, consider the following statements:**

- 1. The objective is to primarily maintain price stability while keeping in mind the objective of growth.

2. The formal agreement for inflation targeting was signed between the Government of India (GoI) and the Reserve Bank of India (RBI) in February 2015.
3. As per the agreement, the RBI is considered to have failed if inflation is more than 6% or less than 2% for two consecutive quarters.

**Which of the statements given above is/are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 only
- D. 1, 2 and 3

**Correct Answer: A**

**Explanation:**

**Statements 1 and 2 are correct.** The agreement states that the objective of monetary policy is to primarily maintain price stability, while keeping in mind the objective of growth. The formal agreement for inflation targeting in India was signed in February.

**Statement 3 is incorrect.** Failure is considered when inflation is outside the target band (more than 6% or less than 2%) for three consecutive quarters, not two.

**9. Consider the following pairs:**

1. **Inflation:** A sustained, across-the-board price increase.
2. **Relative Price Increase:** An episodic price rise of one or a small group of commodities.
3. **Skewflation:** A sustained price rise of one or a small group of commodities, without a generalised inflation.

**How many of the above pairs are correctly matched?**

- A. Only one
- B. Only two
- C. All three
- D. None

**Correct Answer: C**

**Explanation:** All three pairs are correctly matched. Inflation is a sustained, across-the-board price increase. A relative price increase refers to an episodic price rise pertaining to one or a small group of commodities. Skewflation is a new term for a price rise of one or a small group of commodities over a sustained period of time, without a traditional designation.

**10. With reference to the GDP Deflator, consider the following statements:**

1. It is a better measure of price behavior than other indices because it covers all goods and services produced in the country.
2. If the GDP Deflator is less than 1, it implies a rise in the general price level.
3. The GDP Deflator is calculated as the ratio of GDP at Constant Prices to GDP at Current Prices.

**Which of the statements given above are correct?**

- A. 1 only
- B. 2 and 3 only
- C. 1 and 2 only
- D. 1, 2 and 3

**Correct Answer: A**

**Explanation:**

**Statement 1 is correct;** the GDP Deflator is considered a better measure of price behavior because it covers all goods and services produced in the country. It covers all goods/services, making it better than WPI, which doesn't equitably account for services.

**Statement 2 is incorrect;** if the deflator is less than 1, it implies a fall in the price level.

**Statement 3 is incorrect;** the GDP Deflator is the ratio of GDP at Current Prices and GDP at Constant Prices, not the other way around.  $\text{GDP Deflator} = \text{GDP current} / \text{GDP constant}$ , showing price behavior.

### Inflation-III

**1. With reference to the 'base effect' in inflation, consider the following statements:**

1. A high inflation rate in the corresponding period of the previous year will lead to a higher inflation rate in the current year, even with a similar absolute increase in the price index.
2. A relatively smaller rise in the Price Index can result in a high current inflation rate if the inflation rate was too low in the corresponding period of the previous year.

**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

**Correct Answer: B**

**Explanation:**

**Statement 1 is incorrect.** A high inflation rate in the previous year's base period will lead to a **relatively lower** inflation rate in the current year, even with a similar absolute increase in the price index.

**Statement 2 is correct.** If the inflation rate was too low in the corresponding period of the previous year, even a relatively smaller rise in the Price Index will arithmetically result in a high rate of current inflation.

**2. Which of the following statements correctly describes the effect of inflation on creditors and debtors?**

- A. Both creditors and debtors benefit from inflation.
- B. Creditors benefit, while debtors suffer from inflation.
- C. Debtors benefit, while creditors suffer from inflation.
- D. Neither creditors nor debtors are affected by inflation.

**Correct Answer: C**

**Explanation:**

Inflation redistributes wealth from creditors to debtors, meaning that lenders suffer and borrowers benefit from inflation. The opposite effect occurs during deflation.

**3. Consider the following statements regarding the effects of inflation:**

Statement I: With a rise in inflation, lending institutions feel pressure to lend more because the 'real cost of borrowing' decreases.

Statement II: Rising inflation typically indicates a higher aggregate demand in the economy.

**Which one of the following is correct in respect of the above statements?**

- A. Both Statement I and Statement II are correct, and Statement II explains Statement I.
- B. Both Statement I and Statement II are correct, but Statement II does not explain Statement I.
- C. Statement I is correct but Statement II is not correct.
- D. Statement I is not correct but Statement II is correct.

**Correct Answer: B**

**Explanation:** Both statements are correct. With a rise in inflation, the 'real cost of borrowing' (nominal rate of interest minus inflation) falls, which puts pressure on lending institutions to offer more loans. Rising inflation is also an indicator of rising aggregate demand, which suggests lower supply and higher purchasing capacity among consumers. However, Statement II does not explain Statement I; they are two separate effects of inflation.

**4. With reference to the effects of inflation on investment and income, consider the following statements:**

1. In the short run, investment in an economy is boosted by inflation because higher inflation suggests higher demand and a lower cost of loans.
2. An increase in inflation makes the 'real' value of income increase while its 'nominal' value remains the same.

**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

**Correct Answer: A**

**Explanation:**

**Statement 1 is correct.** Investment in the short-run is boosted by inflation due to two reasons: higher demand suggests entrepreneurs should expand production, and higher inflation leads to a lower cost of loans.

**Statement 2 is incorrect.** An increase in inflation makes the **nominal** value of income increase, while the **real** value of income remains the same or may fall in the short term due to a loss of purchasing power.

**5. Consider the following statements:**

1. Inflation, in the short-term, tends to increase the saving rate as holding money becomes an unintelligent economic decision.
2. Inflation makes consumption expenditure fall, while investment expenditure tends to increase.

**Which of the statements given above are correct?**

- A. 1 only
- B. 2 only
- C. Both 1 and 2
- D. Neither 1 nor 2

**Correct Answer: C**

**Explanation:**

Both statements are correct. In the short term, people try to hold less money and put more in savings, thus increasing the saving rate, because money loses value with every increase in inflation. Increased prices make goods and services costlier, causing consumption levels to fall. On the other hand, inflation makes 'investment' expenditure increase as the cost of finance decreases.

**6. Which of the following is the most likely consequence of a country experiencing inflation?**

- A. Its currency appreciates against a foreign currency.
- B. Its currency depreciates against a foreign currency.
- C. Its currency's exchange value remains stable.



D. Its currency appreciates in a flexible currency regime but depreciates in a fixed currency regime.

**Correct Answer: B**

**Explanation:**

With every inflation, the currency of the economy depreciates, losing its exchange value against a foreign currency, provided it follows a flexible currency regime.

**7. With reference to the effects of inflation on foreign trade, which of the following statements is correct?**

- A. Inflation makes an economy's exportable items less competitive in the world market.
- B. Inflation generally leads to an increase in the value of imports as foreign goods become cheaper.
- C. Due to inflation, the volume of exports increases, while the value of exports decreases.
- D. Inflation provides an economy with the advantage of lower imports and promotes import-substitution.

**Correct Answer: D**

**Explanation:** Inflation gives an economy the advantage of lower imports and import-substitution because foreign goods become more expensive. While inflation makes exportable items gain competitive prices, leading to an increase in the volume of exports, the document states that the value of exports decreases.

**8. In the context of the effects of inflation on trade balance, consider the following statements:**

Statement I: Inflation is favorable for the trade balance of developed economies.

Statement II: The composition of foreign trade in developing economies makes inflation unfavorable for their trade balance.

**Which one of the following is correct in respect of the above statements?**

- A. Both Statement I and Statement II are correct, and Statement II explains Statement I.
- B. Both Statement I and Statement II are correct, but Statement II does not explain Statement I.
- C. Statement I is correct but Statement II is not correct.
- D. Statement I is not correct but Statement II is correct.

**Correct Answer: A**

**Explanation:**

Both statements are correct. For developed economies, inflation makes their trade balance favorable. For developing economies, inflation is unfavorable for their trade balance because the benefit to exports is usually lower than the loss they incur due to compulsory imports becoming costlier. Therefore, the composition of foreign trade (Statement II) explains why inflation is unfavorable for the trade balance of developing economies (Statement I).

**9. In the context of inflation's effect on employment and wages, consider the following statements:**

- 1. Inflation increases employment in the short-run but becomes neutral or negative in the long run.
- 2. Inflation increases the nominal value of wages, but their real value falls.
- 3. The government provides dearness allowance to its employees to increase their real wages during inflation.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1, 2 and 3
- D. 1 and 3 only

**Correct Answer: A**

**Explanation:**

**Statements 1 and 2 are correct.** Inflation increases employment in the short-run but can be neutral or negative in the long run. Inflation increases the nominal (face) value of wages while their real value falls.

**Statement 3 is incorrect.** The government provides dearness allowance to its employees to **neutralize** the negative impact of inflation, not to increase their real wages.

**10. With reference to the overall effects of inflation, consider the following statements:**

1. Inflation has a neutralising impact on self-employed people in the short-run.
2. A specific level of inflation, known as a 'comfort zone,' is considered healthy for an economy.
3. For India, the 'comfort zone' of inflation is considered to be 1 to 3 percent.

**In how many of the above statements is the given information correct?**

- A. Only one
- B. Only two
- C. All the three
- D. None

**Correct Answer: B**

**Explanation:**

**Statement 1 is correct.** Inflation has a neutralising impact on the self-employed in the short-run.

**Statement 2 is correct.** A specific level of inflation is considered healthy for an economy and is called the 'range of inflation' or 'comfort zone'.

**Statement 3 is incorrect.** For India, the comfort zone of inflation is considered to be 4 to 5 percent, while 1 to 3 percent is the healthy range for countries like the USA and the European Union. Therefore, only two statements are correct.

## Inflation-IV

**1. With reference to the Wholesale Price Index (WPI) in India, consider the following statements:**

1. The Working Group for the base revision of the WPI from 2011-12 to 2022-23 is chaired by Prof. Ramesh Chand.
2. The WPI measures the average change in prices at the retail level.
3. The WPI basket has the highest weight for the 'Fuel and Power' group.

Which of the statements given above is/are correct?

- A. 1 only
- B. 1 and 2 only
- C. 2 and 3 only
- D. 1, 2 and 3

**Correct Answer: A**

**Explanation:**

- **Statement 1 is correct.** The Working Group for WPI base revision is chaired by Prof. Ramesh Chand, Member, NITI Aayog.
- **Statement 2 is incorrect.** The WPI measures the average change in prices at the **wholesale level** (first point of bulk sale), not the retail level.
- **Statement 3 is incorrect.** The WPI basket has the **highest weight for 'Manufactured Products'** (64.230 out of 100), not 'Fuel and Power'. 'Fuel and Power' has the lowest weight (13.152 out of 100).

**2. With reference to the Consumer Price Index (CPI) in India, consider the following statements:**

1. CPI-Industrial Workers (CPI-IW) is compiled by the Ministry of Statistics and Programme Implementation.
2. CPI-Urban Non-Manual Employees (CPI-UNME) series has been discontinued.
3. CPI for Agricultural Labourers (CPI-AL) and Rural Labourers (CPI-RL) are compiled by the Labour Bureau.

**Which of the statements given above is/are correct?**

- A. 1 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer: B**

**Explanation:**

- **Statement 1 is incorrect.** CPI-IW is compiled by the Labour Bureau, not the Ministry of Statistics and Programme Implementation.
- **Statement 2 is correct.** The CPI-UNME series was discontinued with effect from April 1999.
- **Statement 3 is correct.** CPI-AL and CPI-RL are compiled by the Labour Bureau.

**3. Consider the following statements:**

**Statement I:** India's official inflation rate is based on the Wholesale Price Index (WPI).

**Statement II:** The official inflation in the economy is measured by the WPI.

**Which one of the following is correct in respect of the above statements?**

- A. Both Statement I and Statement II are correct and Statement II explains Statement I.
- B. Both Statement I and Statement II are correct but Statement II does not explain Statement I.
- C. Statement I is correct but Statement II is not correct.
- D. Statement I is not correct but Statement II is correct.

**Correct Answer: D**

**Explanation:**

- **Statement I is incorrect.** India's official inflation rate is now based on the combined Consumer Price Index (CPI), not the WPI. This shift was made to align with global practices and better reflect the cost of living for consumers.
- **Statement II is correct.** The inflation at the WPI is the inflation of the economy. This implies that historically, WPI was considered the primary measure of inflation for the economy as a whole. However, Statement I is incorrect as a current measure.

**4. With reference to the new series of WPI (2011-12), consider the following statements:**

1. It includes a greater number of commodities than the previous series.
2. The weight of 'Food Articles' has been increased in the new series.
3. The weight of 'Fuel & Power' has been reduced in the new series.

**Which of the statements given above is/are correct?**

- A. 1 and 2 only
- B. 1 only
- C. 2 and 3 only
- D. 1 and 3 only

**Correct Answer: B Explanation:**

- **Statement 1 is correct.** The new series of WPI (2011-12) includes a larger number of commodities (697) compared to the previous series (435).
- **Statement 2 is incorrect.** The weight of 'Food Articles' has been decreased in the new series.

- **Statement 3 is incorrect.** The weight of 'Fuel & Power' has been increased in the new series.

**5. With reference to the Producer Price Index (PPI), consider the following statements:**

1. The PPI measures the average change in the price a producer receives for their goods and services.
2. It includes taxes and trade margins, while WPI does not.
3. The Working Group for WPI revision is also mandated to recommend a roadmap for the switch from WPI to PPI.

**Which of the statements given above is/are correct?**

- A. 1 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

**Correct Answer: B Explanation:**

- **Statement 1 is correct.** The definition of PPI states that it measures the average change in the price a producer receives for their goods/services sold.
- **Statement 2 is incorrect.** The new WPI series (2011-12) excludes taxes, while PPI also **excludes** taxes and trade margins. Some variants of PPI may include taxes, but it is not a defining feature that distinguishes it from the WPI in this context.
- **Statement 3 is correct.** The terms of reference for the Working Group include suggesting a roadmap for the switch from WPI to PPI.

**6. Consider the following pairs:**

Inflation Index	Base Year
1. CPI (Combined)	2012
2. CPI-Industrial Workers	2016
3. WPI	2011-12

**In how many of the above pairs is the given information correctly matched?**

- A. Only one
- B. Only two
- C. All the three
- D. None

**Correct Answer: C**

**Explanation:**

- **Pair 1 is correct.** The base year for the combined CPI is 2012.
- **Pair 2 is correct.** The base year for the CPI-IW was revised from 2001 to 2016.
- **Pair 3 is correct.** The base year for the WPI was revised to 2011-12.

**7. With reference to the Producer Price Index (PPI), which of the following statements is/are correct?**

1. The PPI measures the average change in the price that domestic producers receive for their output.
2. In India, the PPI is used to replace the WPI.
3. The PPI includes taxes and trade margins, while the WPI does not.

**Select the correct answer using the code given below:**

- A. 1 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Correct Answer: A**

**Explanation:**

- **Statement 1 is correct.** The PPI measures price changes from the perspective of the producer.
- **Statement 2 is incorrect.** While there have been discussions and a committee report on introducing a PPI, it has not yet replaced the WPI as India's primary inflation measure.
- **Statement 3 is incorrect.** The PPI does not include taxes and trade margins, as it measures the price received by the producer. In contrast, the WPI includes indirect taxes.

**8. Which of the following statements correctly describes the difference between WPI and PPI?**

- A. WPI includes services, but PPI does not.
- B. PPI measures prices at the retail level, while WPI measures them at the wholesale level.
- C. WPI includes indirect taxes, but PPI excludes them.
- D. PPI measures prices received by producers, while WPI measures prices at the first point of bulk sale.

**Correct Answer: D**

**Explanation:**

- **Option D is correct.** PPI measure the price a producer receives for their goods/services, while WPI measures price changes at the first point of bulk sale. This is the most accurate distinction.
- **Option A is incorrect.** WPI excludes services, while PPI includes them.
- **Option B is incorrect.** WPI is at the wholesale level, and PPI is at the producer level. CPI is at the retail level.
- **Option C is incorrect.** The new WPI (2011-12) series excludes taxes, and PPI also excludes them.

**9. Consider the following statements regarding the 'point-to-point' method of calculating inflation:**

**Statement I:** It measures the change in the price level over a specific period, such as one month.

**Statement II:** It compares the current price index with the price index of the same period in the previous year.

**Which one of the following is correct in respect of the above statements?**

- A. Both Statement I and Statement II are correct and Statement II explains Statement I.
- B. Both Statement I and Statement II are correct but Statement II does not explain Statement I.
- C. Statement I is correct but Statement II is not correct.
- D. Statement I is not correct but Statement II is correct.

**Correct Answer: D**

**Explanation:**

- **Statement I is incorrect.** The 'point-to-point' method does not measure change over a short period like one month.
- **Statement II is correct.** The 'point-to-point' method compares the price level of a given month or week with the corresponding month or week of the previous year to show the percentage change.

**10. Which of the following describes Structural Inflation?**

- A. Inflation caused by a persistent mismatch between demand and supply.
- B. Inflation caused by a sudden increase in the cost of production.
- C. Inflation caused by excessive government spending.
- D. Inflation caused by a rapid increase in the money supply.

**Correct Answer: A**

**Explanation:**



- **Structural Inflation** is a type of inflation that arises from long-term, structural issues in the economy, such as supply bottlenecks, infrastructural deficiencies, or rigidities in the production system. This leads to a persistent mismatch between demand and supply.

## Agriculture and Allied Sector

**1. With reference to the Indian agricultural sector, consider the following statements:**

1. The horticulture sector is a significant driver of agricultural growth, with India being the second-largest producer of fruits and vegetables globally.
2. The National Horticulture Board (NHB) is the nodal agency responsible for the development of horticulture in India.
3. The Mission for Integrated Development of Horticulture (MIDH) is a centrally sponsored scheme that covers all states and Union Territories.

**Which of the statements given above are correct?**

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

**Correct Answer:** (B)

**Explanation:**

- **Statement 1 is correct.** India is the world's second-largest producer of fruits and vegetables, highlighting the importance of the horticulture sector.
- **Statement 2 is not correct.** While the National Horticulture Board (NHB) plays a role, the nodal agency for the development of horticulture in India is the Department of Agriculture and Farmers Welfare, under the Ministry of Agriculture & Farmers Welfare. The NHB is one of the organizations under this department.
- **Statement 3 is correct.** MIDH is a centrally sponsored scheme that aims for the holistic development of the horticulture sector. It covers all states and Union Territories, including the North Eastern and Himalayan states.

**2. Consider the following statements regarding the Rashtriya Gokul Mission:**

**Statement I:** The primary objective of the mission is to develop and conserve indigenous bovine breeds.

**Statement II:** The mission promotes both conventional and modern breeding practices to enhance the productivity of indigenous cattle.

**Which one of the following is correct in respect of the above statements?**

- A. Both Statement I and Statement II are correct and Statement II explains Statement I.
- B. Both Statement I and Statement II are correct but Statement II does not explain Statement I.
- C. Statement I is correct but Statement II is not correct.
- D. Statement I is not correct but Statement II is correct.

**Correct Answer:** (A)

**Explanation:**

The Rashtriya Gokul Mission, focuses on the conservation and development of indigenous bovine breeds. It achieves this by employing both conventional methods like establishing "Rashtriya Gokul Grams" and modern techniques such as Artificial Insemination (AI) and In-Vitro Fertilisation (IVF) to enhance productivity.

Therefore, Statement II provides the means by which the objective stated in Statement I is achieved, and hence it explains Statement I.

**3. With reference to the Minimum Support Price (MSP) in India, consider the following statements:**

1. The Commission for Agricultural Costs and Prices (CACP) recommends MSP for 22 mandated crops and the Fair and Remunerative Price (FRP) for sugarcane.
2. The CACP, while recommending MSP, primarily considers the "A2+FL" cost of production which includes paid-out costs and imputed family labor.
3. The final decision on the MSP is taken by the Cabinet Committee on Economic Affairs (CCEA).

**Which of the statements given above is/are correct?**

- A. 1 and 2 only
- B. 1 and 3 only
- C. 3 only
- D. 1, 2 and 3

**Correct Answer:** (B)

**Explanation:**

- **Statement 1 is correct.** The CACP does recommend MSP for 22 crops, and a separate Fair and Remunerative Price (FRP) is set for sugarcane.
- **Statement 2 is not correct.** While CACP does consider "A2+FL" costs, it also takes into account other factors like C2 cost (comprehensive cost, including imputed rent on owned land and interest on capital). A common misconception is that CACP only considers "A2+FL."
- **Statement 3 is correct.** Based on the recommendations of the CACP, the final decision on the level of MSP is taken by the Cabinet Committee on Economic Affairs (CCEA).

**4. The term "Blue Economy 2.0" recently seen in the news is related to:**

- A. The second phase of the Pradhan Mantri Matsya Sampada Yojana, focusing on sustainable fisheries.
- B. A new policy framework for ocean resource management and utilization for economic growth and sustainability.
- C. A national programme aimed at enhancing the contribution of aquaculture to India's GDP.
- D. A set of reforms in the shipping and maritime transport sector.

**Correct Answer:** (B)

**Explanation:**

Blue Economy 2.0 is a new generation of reforms for a sustainable and climate-resilient economy that will focus on the utilization of ocean resources for economic growth while ensuring environmental sustainability. It is a broad framework, not limited to just fisheries or shipping, but encompassing the entire spectrum of ocean-based economic activities.

**5. Consider the following pairs:**

(International Year)    (Related Event)

1. 2023                      International Year of Millets
2. 2024                      International Year of Camelids
3. 2025                      International Year of Glaciers' Preservation

**How many of the above pairs are correctly matched?**

- A. Only one
- B. Only two
- C. All three

D. None

**Correct Answer:** (C)

**Explanation:**

- **Pair 1 is correctly matched.** 2023 is the "International Year of Millets."
- **Pair 2 is correctly matched.** 2024 has been designated as the International Year of Camelids by the United Nations.
- **Pair 3 is correctly matched.** The UN General Assembly has declared 2025 as the International Year of Glaciers' Preservation. All three pairs are factually correct.

**6. With reference to the Global Pulses Conference, consider the following statements:**

1. India is a net importer of pulses, with its domestic consumption exceeding its production.
2. The conference highlighted the role of pulses in addressing food security and malnutrition.

**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

**Correct Answer:** (C)

**Explanation:**

- **Statement 1 is correct.** India's domestic production of pulses falls short of its consumption, making the country a significant importer.
- **Statement 2 is correct.** The conference discussed the importance of pulses in providing a low-cost source of protein, essential vitamins, and micronutrients, thereby playing a crucial role in food security and combating malnutrition.

**7. Which of the following statements correctly describes the significance of the Pradhan Mantri Formalisation of Micro Food Processing Enterprises (PMFME) Scheme?**

- A. It provides a financial incentive to farmers for crop diversification towards high-value food crops.
- B. It provides financial, technical, and business support for setting up or upgrading micro food processing units.
- C. It focuses on developing a sustainable supply chain for agricultural products from farm to fork.
- D. It is a credit-linked subsidy scheme for promoting agricultural marketing and infrastructure.

**Correct Answer:** (B)

**Explanation:**

The PMFME Scheme is a centrally sponsored scheme that aims to provide financial, technical, and business support to micro food processing units in India. Its goal is to formalize and upgrade these units, thereby enhancing the competitiveness of the sector. The scheme focuses on providing credit-linked subsidies and support for capacity building.

**8. With reference to the Kisan Credit Card (KCC) Scheme, consider the following statements:**

**Statement I:** The KCC scheme provides adequate and timely credit support to farmers for their short-term and medium-term credit needs.

**Statement II:** A special drive has been launched to provide KCC to dairy farmers, even if they don't own land.

**Which one of the following is correct in respect of the above statements?**

- A. Both Statement I and Statement II are correct and Statement II explains Statement I.
- B. Both Statement I and Statement II are correct but Statement II does not explain Statement I.

- C. Statement I is correct but Statement II is not correct.  
D. Statement I is not correct but Statement II is correct.

**Correct Answer:** (B)

**Explanation:**

The KCC scheme's core objective is to provide timely credit for various agricultural needs, including short-term requirements (Statement I). Special drive has been launched to provide KCC to dairy farmers, including those who are landless, which is a specific initiative under the broader scheme (Statement II). However, the second statement is an example of an initiative under the scheme, not a direct explanation of the scheme's overall purpose. Therefore, Statement II does not explain Statement I.

**9. Consider the following statements regarding the Indian sugar industry:**

1. India is the world's largest consumer and the second-largest producer of sugar.
2. The Ethanol Blending Programme (EBP) is a significant policy aimed at reducing the country's dependence on crude oil imports and supporting the sugar industry.
3. The ethanol produced from sugarcane is considered a first-generation biofuel.

**Which of the statements given above are correct?**

- A. 1 and 2 only  
B. 2 and 3 only  
C. 1 and 3 only  
D. 1, 2 and 3

**Correct Answer:** (D)

**Explanation:**

- **Statement 1 is correct.** India's position as the world's largest consumer and second-largest producer of sugar, behind Brazil.
- **Statement 2 is correct.** The Ethanol Blending Programme (EBP) is a key government initiative to reduce crude oil imports and provide a stable price for farmers' sugarcane crop, thereby benefiting the sugar industry.
- **Statement 3 is correct.** Ethanol derived from food crops like sugarcane and corn is classified as a first-generation biofuel.

**10. Match the following millets with their common names in India:**

	Millet		Common Name
1	Pennisetum glaucum	A	Foxtail Millet
2	Eleusine coracana	B	Pearl Millet
3	Setaria italica	C	Finger Millet

**Select the correct matching.**

- A. 1-B, 2-C, 3-A  
B. 1-A, 2-B, 3-C  
C. 1-C, 2-A, 3-B  
D. 1-B, 2-A, 3-C

**Correct Answer:** (A)

**Explanation:**

- *Pennisetum glaucum* is the scientific name for Pearl Millet, or **Bajra**.
- *Eleusine coracana* is the scientific name for Finger Millet, or **Ragi**.
- *Setaria italica* is the scientific name for Foxtail Millet, or **Kangni**.

## Agriculture-II

**1. With reference to the Green Revolution in India, consider the following statements:**

1. The Green Revolution, centered on the use of High Yielding Variety (HYV) seeds, was first introduced for rice and later for wheat.
2. A key ecological impact of the Green Revolution was the degradation of soil fertility and a fall in the water table.
3. The new HYV seeds were non-photosynthetic, making them independent of sunlight for targeted yields.

**Which of the statements given above are correct?**

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

**Correct Answer: (b)**

**Explanation:**

**Statement 1 is incorrect.** The Green Revolution was introduced in the early 1960s, first for wheat and then for rice by the next decade.

**Statement 2 is correct.** The ecological impacts of the Green Revolution, including degraded soil fertility due to repetitive cropping and a falling water table because the new HYV seeds required a very high amount of water for irrigation.

**Statement 3 is correct.** The new seeds are described as non-photosynthetic, meaning they are not dependent on sun rays for their targeted yields.

**2. Which of the following factors are considered the primary determinants of a region's cropping system at the farmer's level?**

- (a) Soil, landforms, and precipitation
- (b) Food habits and festivals
- (c) Potential productivity and monetary benefits
- (d) Improved varieties of seeds and plants

**Correct Answer: (c)**

**Explanation:**

While geographical factors like soil and climate determine the overall agro-ecological setting for crops at the farmer's level, **potential productivity** and **monetary benefits** act as the guiding principles for choosing a particular crop or cropping system. Other factors, such as geographical, socio-cultural, infrastructural, economic, and technological factors, further influence these decisions.

**3. Consider the following statements regarding changes in India's cropping patterns:**

1. During the pre-Green Revolution period, cropping patterns were primarily guided by economic, infrastructural, and technological factors.



2. The Green Revolution led to a shift towards a repetitive cropping pattern, with a predominance of rice and wheat in specific regions.
3. The post-1991 reform period has led to new opportunities for farm exports, encouraging a shift towards commercial farming.

**Which of the statements given above are correct?**

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

**Correct Answer: (b)**

**Explanation:**

**Statement 1 is incorrect.** During the pre-Green Revolution phase, cropping patterns were primarily decided by socio-cultural and economic factors. The shift to economic, infrastructural, and technological factors occurred during the Green Revolution period.

**Statement 2 is correct.** The Green Revolution period saw a major shift in cropping patterns, with a highly repetitive 'wheat-rice' predominance in the GR regions.

**Statement 3 is correct.** The reform period brought new opportunities for farm exports and the challenge of competing in the global market, which made India think about farm mechanization and commercial farming.

**4. In the context of the Indian economy, which of the following statements about animal rearing are correct?**

1. The livestock sector has consistently shown a higher average growth rate compared to the farm sector growth in the 11th Five-Year Plan.
2. Animal rearing particularly benefits landless laborers, small and marginal farmers, and women.
3. India holds the first rank globally in total milk production.

**Select the correct answer using the code given below.**

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

**Correct Answer: (d)**

**Explanation:**

**Statement 1 is correct.** The livestock sector achieved an average growth rate of 4.8% during the 11th Plan, which was higher than the farm sector's growth of 3.5%.

**Statement 2 is correct.** Animal rearing helps landless laborers, small and marginal farmers, and women, promoting their economic empowerment.

**Statement 3 is correct.** India ranks first in the world in milk production.

**5. Consider the following statements regarding the Minimum Support Price (MSP) in India:**

1. The MSP is announced at the end of the harvesting season to ensure a guaranteed price for farmers.
2. The MSP aims to prevent distress sales by farmers and to facilitate the procurement of food grains for public distribution.
3. In the absence of a guaranteed price, there is a concern that farmers might shift to other crops, causing shortages in essential commodities.

**Which of the statements given above are correct?**

- (a) 1 and 2 only

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

**Correct Answer: (b)**

**Explanation:**

**Statement 1 is incorrect.** The MSPs are announced at the beginning of the sowing season, not at the end of the harvesting season.

**Statement 2 is correct.** The major objectives of MSP are to protect farmers from distress sales and to procure food grains for public distribution.

**Statement 3 is correct.** Without a guaranteed price, farmers might shift to other crops, potentially leading to a shortage of the targeted commodities.

**6. With reference to the Market Intervention Scheme (MIS), which of the following statements is correct?**

- (a) It is similar to the Minimum Support Price (MSP) but is implemented for non-perishable agricultural commodities.
- (b) The scheme is approved by the central government only when there is a 10% decrease in the production of a crop.
- (c) State governments must be willing to bear a part of the loss incurred during its implementation.
- (d) It is primarily aimed at securing food grains for the Public Distribution System (PDS).

**Correct Answer: (c)**

**Explanation:**

**Statement (a) is incorrect.** The MIS is similar to MSP but is implemented for perishable and horticultural commodities.

**Statement (b) is incorrect.** The scheme is implemented when there is a 10% increase in production or a 10% decrease in the ruling rates over the previous normal year.

**Statement (c) is correct.** A proposal for MIS is approved only if the requesting State/UT government agrees to bear 50% of the loss incurred on its implementation, or 25% in the case of North-Eastern states.

**Statement (d) is incorrect.** The MIS is for perishable and horticultural commodities, while food grains for the PDS are typically procured at MSP.

**7. Consider the following statements:**

**Statement I:** The procurement price was initially announced after harvesting to encourage farmers to sell more and get motivated to produce more.

**Statement II:** Since the fiscal year 1968-69, the government announced only the MSP, which is also considered the effective procurement price.

**Which one of the following is correct in respect of the above statements?**

- (a) Both Statement I and Statement II are correct and Statement II explains Statement I.
- (b) Both Statement I and Statement II are correct but Statement II does not explain Statement I.
- (c) Statement I is correct but Statement II is not correct.
- (d) Statement I is not correct but Statement II is correct.

**Correct Answer: (b)**

**Explanation:**

**Statement I is correct.** Initially, a procurement price, which was slightly higher than the MSP, was announced before harvesting. The purpose was to encourage farmers to sell more and be motivated to produce more.

**Statement II is also correct.** This practice has changed, and since fiscal year 1968-69, the government has announced only the MSP, which is now considered the effective procurement price.

**8. In the context of food management, which of the following statements about India's buffer stock are correct?**

1. The buffer stock policy is to maintain a minimum reserve of food grains for both wheat and rice.
2. The main purpose of the buffer stock is to supply food grains to the Targeted Public Distribution System (TPDS).
3. The buffer stock norms were revised to meet the increased requirements of the National Food Security Act (NFSA).

**Select the correct answer using the code given below.**

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

**Correct Answer: (d)**

**Explanation:**

**Statement 1 is correct.** India's policy is to maintain a minimum reserve of food grains, specifically for wheat and rice.

**Statement 2 is correct.** The main supply from the buffer stock goes to the TPDS.

**Statement 3 is correct.** The buffer stocking norms were revised in mid-2014 in the backdrop of the increased requirement of food grains to run the TPDS and with the coming into force of the National Food Security Act (NFSA).

**9. Which of the following statements about India's Revised Buffer Stock Norms (mid-2014) is correct?**

- (a) The norms were revised to be lower than the existing norms to reflect a decrease in demand.
- (b) The norms for the buffer stock for April 1st were increased significantly.
- (c) The revised norms show a higher buffer stock for July 1st compared to the existing norms.
- (d) The norms for the buffer stock are expected to be revised upward in the future as income levels of the BPL segment grow.

**Correct Answer: (c)**

**Explanation:**

**Statement (a) is incorrect.** The norms were revised to be higher due to increased requirements.

**Statement (b) is incorrect.** The revised buffer stock for April 1st is 21.04 million tonnes, which is slightly lower than the existing norm of 21.2 million tonnes.

**Statement (c) is correct.** According to the table, the revised buffer stock for July 1st is 41.12 million tonnes, which is significantly higher than the existing norm of 31.9 million tonnes.

**Statement (d) is incorrect.** As income levels of the BPL segment grow, the buffer norms are "supposed to be revised downward".

**10. With reference to the Decentralized Procurement (DCP) scheme, consider the following statements:**

1. Under this scheme, the central government procures, stores, and issues food grains.
2. The DCP scheme helps reduce the transportation costs of the Food Corporation of India (FCI).
3. The online Procurement Monitoring System (OPMS) has been evolved to monitor the daily procurement operations under this scheme.

**Which of the statements given above are correct?**

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

**Correct Answer: (b)**

**Explanation:**

**Statement 1 is incorrect.** The DCP scheme was operationalized so that designated states, not the central government, would procure, store, and issue food grains under the TPDS.

**Statement 2 is correct.** The decentralized system helps reduce the transportation costs of the FCI.

**Statement 3 is correct.** The Online Procurement Monitoring System (OPMS) was developed to monitor the day-to-day procurement operations for wheat, paddy, and coarse grains in the country.

## Services sector (Insurance, Aviation, Tourism, Issues and potential of services sector, Government policies etc.

**1. Consider the following statements regarding the performance of the services sector in India:**

1. The growth in India's services exports has played a crucial role in strengthening the country's external balance.
2. Initiatives like the Open Network for Digital Commerce (ONDC) are helping to make the digital transformation of the services sector more inclusive.
3. India's service sector is primarily comprised of a few large, well-established multinational corporations.

**Which of the statements given above are correct?**

- A) 1 only
- B) 1 and 2 only
- C) 2 and 3 only
- D) 1, 2 and 3

**Correct Answer: B) 1 and 2 only**

**Explanation:**

**Statement 1 is correct.** The critical role of services exports in strengthening India's external balance.

**Statement 2 is correct.** ONDC is an initiative making the digital transformations more inclusive.

**Statement 3 is incorrect.** The services sector in India is vast and includes a significant number of small and medium enterprises, start-ups, and a large informal sector, not just a few large multinational corporations.

**2. With reference to India's engagement in WTO negotiations on services trade, consider the following pairs:**

Country/Region	Key Advocacy in Services Negotiations
India	Push for technology transfer and public stockholding for food security in Doha Round services commitments
United States	Advocacy for liberalization in Mode 4 (movement of natural persons) under GATS
European Union	Focus on digital trade rules and data flows in services plurilateral agreements

**In how many of the above rows is the given information correctly matched?**

- (a) Only one
- (b) Only two
- (c) All the three
- (d) None

**Correct Answer: (b)**

**Explanation:**

**Pair I: Correct.** India has advocated for technology transfer and flexibilities in services commitments linked to food security issues in the Doha Round.

**Pair II: Correct.** The US has emphasized Mode 4 liberalization for skilled professionals in GATS negotiations.

**Pair III: Incorrect.** The EU focuses on digital trade and data localization restrictions, but its primary push in plurilaterals is for investment facilitation rather than services-specific data flows in this context.

**3. In the context of recent bilateral trade agreements involving India's services sector, consider the following statements:**

1. The India-UK Comprehensive Economic and Trade Agreement (CETA), finalized in May 2025, is projected to boost annual bilateral trade by £25.5 billion, with significant gains for India's IT/ITeS and financial services exports.
2. The US-India bilateral trade agreement terms of reference, announced in April 2025, prioritize tariff reductions on goods but exclude commitments on services like professional and educational sectors.
3. The UK-India FTA extends services commitments to Crown Dependencies, enabling enhanced market access for Indian audiovisual and related services.

**Which of the statements given above are correct?**

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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** The May 2025 India-UK CETA targets £25.5 billion in trade growth, benefiting services sectors like IT and finance.

**Statement 2: Incorrect.** The April 2025 US-India terms include services liberalization alongside goods.

**Statement 3: Correct.** The July 2025 extension covers audiovisual services for better access.

**4. Consider the following statements:**

**Statement I:** The services sector employs about 30 percent of India's workforce, with the IT/ITeS sub-sector adding 60,000 jobs in FY24 to reach 5.43 million employees.

**Statement II:** Global Capability Centers (GCCs) in India, employing nearly 1.9 million professionals as of FY24, face challenges like inadequate supervision and compliance gaps in offshore work models.

**Which one of the following is correct in respect of the above statements?**

- (a) Both Statement I and Statement II are correct and Statement II explains Statement I
- (b) Both Statement I and Statement II are correct but Statement II does not explain Statement I
- (c) Statement I is correct but Statement II is not correct
- (d) Statement I is not correct but Statement II is correct

**Correct Answer: (b)**

**Explanation:**

**Statement I:** Correct. Services account for 30 percent employment, with IT/ITeS growth to 5.43 million in FY24.



Statement II: Correct. GCCs employ 1.9 million but encounter offshore issues like supervision and compliance. However, Statement II highlights challenges without directly explaining the employment figures in Statement I.

**5. Consider the following statements:**

1. The Global Services PMI Business Activity Index rose to 53.8 in December 2024, indicating expansion for the 23rd consecutive month, though services trade growth slowed to 5 percent year-on-year in Q1 2025.
2. India's services exports grew by 12.8 percent in April-November FY25, outpacing the 7 percent rise in the first half of 2024, with the country ranking seventh globally at 4.3 percent share.

**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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** The December 2024 PMI hit 53.8 for ongoing expansion, but Q1 2025 services trade slowed to 5 percent.

**Statement 2: Correct.** India's exports accelerated to 12.8 percent in FY25 partial period from 7 percent earlier, maintaining its seventh global rank.

**6. With reference to restrictions and regulations in India's services sector, which of the following is the most appropriate measure recommended in the Economic Survey 2024-25 to enhance sectoral progress?**

- (a) Imposition of stricter FDI caps in insurance to protect domestic players
- (b) Simplifying procedures and regulations alongside skilling the labor force to boost buoyancy in services sub-sectors
- (c) Enhancing tariff barriers on services imports to prioritize merchandise trade
- (d) Mandating localization of data for all digital services without exceptions

**Correct Answer: (b)**

**Explanation:** The Economic Survey emphasizes simplifying regulations and procedures, combined with labor skilling, as key to achieving growth buoyancy in services, addressing issues like compliance gaps without additional restrictive measures.

**7. Consider the following pairs:**

Sub-sector – Trend Growth Rate (FY13 to FY23)

- I. Information and computer-related services – 12.8 percent
- II. Public administration services – 11-12 percent share in total services GVA
- III. Trade, repair, hotels, and restaurants – Above 8 percent average post-pandemic

**In how many of the above rows is the given information correctly matched?**

- (a) Only one
- (b) Only two
- (c) All the three
- (d) None

**Correct Answer: (b)**

**Explanation:**

**Pair I: Correct.** Information and computer services grew at 12.8 percent trend rate.

**Pair II: Correct.** Public administration held 11-12 percent GVA share.

**Pair III: Incorrect.** Trade sub-sector growth was moderate but not specified above 8 percent post-pandemic; overall services averaged 8.3 percent.

**8. In the context of India's services sector performance, consider the following statements:**

1. HSBC's India Services PMI remained above the 60 mark for the first five months of FY25, reflecting strong demand in finance and insurance sub-sectors.
2. The sector's real GVA growth averaged 8.3 percent from FY23 to FY25, with services exports as a percentage of services GVA (net of public administration) peaking at 22 percent in FY23.

**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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** The PMI exceeded 60 in early FY25, driven by finance and insurance growth.

**Statement 2: Correct.** Post-pandemic average growth was 8.3 percent, with exports-to-GVA ratio reaching 22 percent in FY23.

**9. Consider the following statements:**

**Statement I:** Total outstanding bank credit to the services sector stood at ₹48.5 lakh crore as of November 2024, with year-on-year growth at 13 percent, led by computer software at 22.5 percent.

**Statement II:** FDI equity inflows to services reached USD 5.7 billion in April-September FY25, with insurance services capturing over 62 percent of the total.

**Which one of the following is correct in respect of the above statements?**

- (a) Both Statement I and Statement II are correct and Statement II explains Statement I
- (b) Both Statement I and Statement II are correct but Statement II does not explain Statement I
- (c) Statement I is correct but Statement II is not correct
- (d) Statement I is not correct but Statement II is correct

**Correct Answer: (b)**

**Explanation:** Statement I: Correct. Bank credit was ₹48.5 lakh crore with 13 percent YoY growth, highest in software services. Statement II: Correct. FDI inflows totaled USD 5.7 billion, dominated by insurance at 62 percent. Statement II provides complementary financing data but does not explain bank credit trends.

**10. Consider the following pairs:**

Government Initiative	Purpose
1. PM GatiShakti	A master plan for multi-modal connectivity to reduce logistics costs and improve efficiency.
2. Logistics Ease Across Different States (LEADS)	An index that analyzes logistics performance across States and Union Territories.
3. Unified Logistics Interface Platform (ULIP)	An initiative to ensure paperless export-import trade operations.

How many of the above pairs are correctly matched?

- A) Only one

- B) Only two
- C) All three
- D) None

**Correct Answer:** B) Only two

**Explanation:**

**Pair 1 is correctly matched.** PM GatiShakti is a master plan for coordinated and integrated infrastructure planning to enhance logistics efficiency.

**Pair 2 is correctly matched.** The LEADS index is used to assess and rank the logistics performance of different states and union territories.

**Pair 3 is incorrectly matched.** ULIP ensures shorter and smoother cargo movement and enables the exchange of information in real-time. The e-sanchit portal, not ULIP, is the one that facilitates paperless export-import trade operations.

## Indian Financial Market (I)

**1. With reference to the Indian Money Market, consider the following statements:**

1. The unorganised segment, consisting of indigenous bankers and money lenders, is not regulated by the government.
2. Treasury Bills (TBs) are a key instrument of the organised money market used by the Central Government to fulfill its short-term liquidity requirements for a period of up to 364 days.
3. The Vaghul Committee (1987) first recommended the establishment of an organised money market in the country.

**Which of the statements given above is/are correct?**

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

**Correct Answer:** (b)

**Explanation:**

- **Statement 1:** Incorrect. The unorganised money market's activities are "not regulated like the organised money market," but they are "recognised by the government". For instance, certain unregulated non-banking financial intermediaries were brought under the regulatory control of the RBI in 1997.
- **Statement 2:** Correct. Treasury Bills are indeed an instrument of the organised money market used by the Central Government to meet its short-term liquidity needs for a period of up to 364 days.
- **Statement 3:** Incorrect. The **Chakravorthy Committee (1985)** first underlined the need for an organised money market, and the Vaghul Committee (1987) laid the blueprint for its development.

**2. With reference to Mutual Funds in India, consider the following statements:**

1. Mutual Funds are compulsorily registered with the Securities and Exchange Board of India (SEBI).
2. Exchange-Traded Funds (ETFs) are a mix of open-ended and closed-ended schemes, but their price is always exactly equal to their Net Asset Value (NAV).
3. An investor can buy or sell units of a closed-ended mutual fund scheme on an ongoing basis from the fund house.

**Which of the statements given above is/are correct?**

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

**Correct Answer:** (a)

**Explanation:**

- **Statement 1:** Correct. Mutual funds are required to register with SEBI, which acts as a primary regulator and provides investor protection.
- **Statement 2:** Incorrect. ETFs are a mix of open-ended and closed-ended schemes. While their price is "usually very close to its NAV," it is not always exactly equal due to market fluctuations.
- **Statement 3:** Incorrect. An open-ended scheme is one where an investor can buy or sell units on an ongoing basis from the fund house. Closed-ended funds typically issue units only once during their New Fund Offer (NFO) and are then traded on stock exchanges.

**3. With reference to the Discount and Finance House of India Ltd. (DFHI), consider the following statements:**

1. It was set up in 1988 by the RBI, public sector banks, and public financial institutions.
2. Its primary objective was to bring stability to the Indian banking system by providing liquidity.
3. After the RBI transferred its stake, DFHI was renamed DFHI SBI and functions as a secondary dealer in the financial market.

**Which of the statements given above is/are correct?**

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

**Correct Answer:** (b)

**Explanation:**

- **Statement 1:** Correct. DFHI was established in April 1988 by the RBI, public sector banks, and financial investment institutions like LIC, GIC, and UTI.
- **Statement 2:** Correct. The establishment of DFHI was driven by the need to balance liquidity in the Indian banking system and provide liquidity to money market instruments.
- **Statement 3:** Incorrect. The RBI transferred its holding in DFHI to the SBI arm SBI Gilts Limited, and its new name is **SBI DFHI**, not DFHI SBI. It functions as the "biggest primary dealer" in the economy, not a secondary dealer.

**4. Consider the following instruments and markets:**

1. Government Bond Market
2. Call Money Market
3. Treasury Bill Market
4. Stock Market

**Which of the above are included in the capital market?**

- a) Only one
- b) Only two
- c) Only three
- d) All four

**Correct Answer:** (b)

**Explanation:**

- The capital market is the long-term financial market, dealing with funds for a period of over 364 days. The Government Bond Market and the Stock Market deal with long-term securities and are therefore part of the capital market.
- The Call Money Market and Treasury Bill Market are instruments of the money market, which is a short-term market dealing with funds for up to 364 days. Therefore, these two are not part of the capital market.
- Thus, only two markets, the Government Bond Market and the Stock Market, are part of the capital market.

**5. With reference to Financial Institutions in India, consider the following statements:**

1. All India Financial Institutions (AIFIs) were initially set up to provide long-term project financing to public sector undertakings.
2. The Narasimhan Committee-I suggested converting AIFIs into universal banks to make them more competitive.
3. After the reverse merger with ICICI Bank in 2000, ICICI Bank became the first universal bank in India without any obligation for project financing.

**How many of the above statements are correct?**

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

**Correct Answer:** (c)

**Explanation:**

- **Statement 1:** Correct. The government established financial institutions (FIs) to undertake "project financing" for upcoming industries, particularly Public Sector Undertakings (PSUs), which could not be financed by banks due to their weak capital base in the post-independence era.
- **Statement 2:** Correct. The Narasimhan Committee on the Financial System (CFS), 1991, recommended the conversion of AIFIs into Development Banks. The S.H. Khan Committee (1998) forwarded the idea of universal banking, a concept that evolved from this.
- **Statement 3:** Correct. In 2000, the government allowed ICICI to reverse merge with the ICICI Bank, which became the first All India Development Bank (AIDB) with "no obligation of project financing".

**6. With reference to the Indian Banking Industry, consider the following statements:**

1. The Liquidity Adjustment Facility (LAF) allows scheduled commercial banks to borrow from the RBI for short-term needs through repos and lend surplus funds through reverse repos.
2. As per the Narasimhan Committee-II recommendations on the 3-Tier Banking Structure, a big Universal Bank can be created by merging strong and weak banks.

**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

**Correct Answer:** (a)

**Explanation:**

- **Statement 1:** Correct. The repo and reverse repo instruments, which are part of the LAF, allow banks to borrow from the RBI by selling government securities (repo) and to lend their surplus funds to the RBI by purchasing government securities (reverse repo). These are important tools for liquidity management.
- **Statement 2:** Incorrect. While the Narasimhan Committee-II did recommend a three-tier banking structure involving mergers, it advised against merging "weak banks/FIs with either weak or strong banks/FIs".

**7. Which of the following statements about the Indian Insurance Industry is correct?**

- a) The General Insurance Corporation of India (GIC) is the sole public sector player in the life insurance segment.
- b) Life Insurance Corporation of India (LIC) is now an insurance company and no longer considered a financial institution.
- c) After 2000, the four public sector general insurance companies were converted into subsidiaries of GIC.
- d) The insurance industry is a segment of the Indian Money Market.

**Correct Answer:** (b)

**Explanation:**

- **Statement (a):** Incorrect. LIC is the lone public sector player in the life insurance segment. GIC was converted into a public sector re-insurance company.
- **Statement (b):** Correct. The LIC is now called an "insurance company," part of the Indian Insurance Industry, and is no longer considered an Investment Institution.
- **Statement (c):** Incorrect. The four public sector general insurance companies were the holding companies of GIC, and now they are owned directly by the Government of India.
- **Statement (d):** Incorrect. The insurance industry is a segment of the capital market, not the money market.

**8. With reference to the Indian Security Market, which of the following statements is correct?**

- a) All types of mutual funds are listed on a stock exchange for daily trading.
- b) Only the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) are allowed to offer separate trading platforms for debts.
- c) The security market is considered a segment of the money market.
- d) Close-ended mutual fund schemes, once listed on a stock exchange, can be bought and sold by any investor.

**Correct Answer:** (d)

**Explanation:**

- **Statement (a):** Incorrect. Only close-ended mutual funds and ETFs are listed and traded on stock exchanges. Open-ended schemes are not.
- **Statement (b):** Incorrect. While NSE and BSE are prominent. The user's sample question mentions that "Stock Exchanges can offer separate trading platforms for debts," which is a general statement.
- **Statement (c):** Incorrect. The security/stock market is a long-term market and is a segment of the capital market.

- **Statement (d):** Correct. Close-ended funds, after being launched, are listed on stock exchanges "where they are traded on a daily basis". As these units are listed, "any investor can buy and sell these units through the exchange".

**9. Consider the following statements regarding Monetary Policy Tools in India:**

1. Repo rate is the rate at which banks lend money to the RBI.
2. Reverse repo rate is the rate at which the RBI lends money to commercial banks.
3. Term repo and term reverse repo were introduced to bring in higher stability and better signaling of interest rates across different loan markets.

**Which of the statements given above is/are correct?**

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

**Correct Answer:** (b)

**Explanation:**

- **Statement 1:** Incorrect. Repo allows banks and other financial institutions to **borrow** money from the RBI.
- **Statement 2:** Incorrect. In reverse repo, banks and financial institutions **purchase** government securities from the RBI, which means the RBI is borrowing from the banks.
- **Statement 3:** Correct. The Urjit Patel Committee recommended introducing term repo and term reverse repo to "bring in higher stability and better signalling of interest rates across different loan markets in the economy".

**10. With reference to Financial Regulators in India, consider the following statements:**

1. Mutual funds have a dual regulator, namely the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI).
2. The unorganised money market is completely unregulated, with no oversight from any financial regulator.
3. The RBI, in consultation with the Government of India, regulates the issue of Cash Management Bills.

**How many of the above statements are correct?**

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

**Correct Answer:** (a)

**Explanation:**

- **Statement 1:** Correct. Mutual funds "have provision of dual regulator-the RBI and SEBI".
- **Statement 2:** Incorrect. While their activities are not regulated "like the organised money market," the unorganised market is "recognised by the government," and some parts, like NBFCs, have been brought under the regulatory control of the RBI.
- **Statement 3:** Incorrect. The Government of India, in consultation with the RBI, issues Cash Management Bills (CMBs). The regulation is primarily for the issuance, not a general regulatory role over the instrument itself. The statement is misleading.

## Indian Financial Market (II)

### 1. With reference to the Inter-Bank Call Money Market, consider the following statements:

1. The interest rate charged on loans in this market is known as the Call Money Rate (CMR), which is fixed by the Reserve Bank of India.
2. The loan transactions in this market are typically unsecured and are usually for a very short term, often 1 or 2 days.
3. The Call Money Rate serves as a crucial benchmark for the RBI's monetary policy operations.

**Which of the statements given above is/are correct?**

- A) 1 and 2 only
- B) 2 and 3 only
- C) 3 only
- D) 1, 2 and 3

**Correct Answer: B) 2 and 3 only**

**Explanation:**

**Statement 1: Incorrect.** The Call Money Rate (CMR) is **market-determined**, not fixed by the Reserve Bank of India.

**Statement 2: Correct.** The market deals in day-to-day inter-bank lending and borrowing. The loans are typically unsecured and very short-term, usually 1 or 2 days, or a maximum of 14 days.

**Statement 3: Correct.** The Call Money Rate serves as a benchmark for monetary policy operations.

### 2. Consider the following statements regarding the Capital Market in India:

1. The Capital Market is mainly confined to the organised sector and deals in both bonds and equity.
2. The Securities and Exchange Board of India (SEBI) is the prime regulator for the long-term financial transactions occurring in this market.
3. Institutions like IFCI, ICICI, and IDBI primarily function as Financial Intermediaries within the Indian Capital Market system.

**Which of the statements given above are correct?**

- A) 1 and 2 only
- B) 2 and 3 only
- C) 1 and 3 only
- D) 1, 2 and 3

**Correct Answer: A) 1 and 2 only**

**Explanation:**

**Statement 1: Correct.** The capital market is mainly confined to the organised sector and deals in both bonds and equity.

**Statement 2: Correct.** SEBI is the prime regulator of the capital market, which deals in medium and long-term financial transactions.

**Statement 3: Incorrect.** According to the Indian Capital Market System structure, IFCI, ICICI, and IDBI are categorized as **Development Financial Institutions**, not Financial Intermediaries (which include Merchant Banks, Mutual Funds, etc.).

### 3. With reference to the Certificate of Deposit (CD), a money market instrument, consider the following statements:

1. It is a security issued by a Bank to depositors of funds and is similar to Fixed Deposits (FDs).
2. CDs are issued at a discount to their face value and are negotiable and tradable in the money market.

3. The minimum value for a Certificate of Deposit must be a multiple of Rs. 1 Lakh subject to a minimum of Rs. 25 Lakhs.

**Which of the statements given above are correct?**

- A) 1 only
- B) 2 and 3 only
- C) 1 and 2 only
- D) 1, 2 and 3

**Correct Answer: D) 1, 2 and 3**

**Explanation:**

**Statement 1: Correct.** A Certificate of Deposit is a security/bond issued by a bank to depositors.

**Statement 2: Correct.** CDs are issued at a discount and are negotiable and tradable in the money market, unlike regular FDs.

**Statement 3: Correct.** CDs are issued in multiples of Rs. 1 Lakh, subject to a minimum value of Rs.25 Lakhs.

**4. Which of the following is not a characteristic of Commercial Paper (CP) in the Indian Money Market?**

- A) It is an unsecured security.
- B) It is issued by a high net worth company to a Bank against a short-term loan.
- C) It has a maturity period that can range from 14 days to a maximum of 1 year.
- D) It is a source of working capital for small companies, similar to a Commercial Bill.

**Correct Answer: D)**

**Explanation:**

**A) Correct.** Commercial Paper is defined as an unsecured security.

**B) Correct.** CP is issued by a high-net-worth company to a bank against a short-term loan.

**C) Correct.** The maturity of CP ranges from 14 days to 1 year.

**D) Incorrect.** CP is described as the **most important source of working capital finance of large firms**. The

**Commercial Bill** is stated to be a source of working capital for **small companies**.

**5. In the context of the Primary Capital Market, consider the following means of raising funds:**

- 1. Initial Public Offering (IPO)
- 2. Follow on Public Offer (FPO)
- 3. Preferential Issue
- 4. Private Placement

**How many of the above means of raising funds involve the issuance of fresh shares by a listed company?**

- A) Only one
- B) Only two
- C) Only three
- D) All four

**Correct Answer: B) Only two**

**Explanation:**

- 1. **Initial Public Offering (IPO):** Issued by an **unlisted** company to raise funds and get listed.
- 2. **Follow on Public Offer (FPO):** Issued when a **listed** company comes out with a **fresh issue** of shares or makes an offer for sale.

3. **Preferential Issue:** Refers to the bulk allotment of **fresh shares** to a specific group by **any particular company** (can be listed or unlisted). Since the question asks about a *listed* company and this is an option *for* a listed company (after IPO), it is included.
4. **Private Placement:** A company offers its securities to a small group of investors. While a listed company can do this, it might involve existing or fresh securities.

The most direct and explicit fresh issues by a *listed* company are **FPO** and **Preferential Issue** (which is a recognized mechanism for fundraising by listed firms post-IPO, unlike IPO itself). Therefore, only two (FPO and Preferential Issue) explicitly fit the criterion of a fresh issue by a listed company.

6. Consider the following types of Derivatives traded in the Forward Market of the Secondary Capital Market:

Derivative	Core Feature
1. Forward	Customized contract with settlement at a future pre-agreed price.
2. Future	Agreement to buy or sell an asset at a certain price at a certain time in the future.
3. Option	Gives the buyer the right, but not the obligation, to buy or sell an underlying asset.
4. Swap	Contracts to exchange a commodity or security with another at a pre-determined ratio & date.

How many of the above pairs are correctly matched?

- A) Only two
- B) Only three
- C) All four
- D) None

**Correct Answer: C) All four**

**Explanation:**

1. **Forward:** Correct. It is a customized contract with settlement taking place at a pre-agreed price on a specific future date.
2. **Future:** Correct. It is an agreement between two parties to buy or sell an asset at a certain time and price in the future.
3. **Option:** Correct. An Option gives the right, but **not the obligation**, to buy (Call) or sell (Put) the underlying at a stated price and date.
4. **Swap:** Correct. Swaps are contracts of the forward market to exchange a commodity or security with another at a pre-determined ratio and date.



**7. With reference to Equity Shares and Preference Shares, which are instruments in the Capital Market, consider the following statements:**

1. Equity shareholders hold the right to vote and can claim assets of a company, while preference shareholders generally do not have voting rights.
2. Preference shares are non-redeemable in nature, similar to equity shares, but they receive a cumulative dividend before ordinary shareholders.
3. Both Equity and Preference shares are classified as high-security debt instruments.

**Which of the statements given above is/are correct?**

- A) 1 only
- B) 2 and 3 only
- C) 1 and 3 only
- D) 1, 2 and 3

**Correct Answer: A) 1 only**

**Explanation:**

**Statement 1: Correct.** Investors in equity shares hold the right to vote and claim assets. Preference shares do not have associated voting and membership rights.

**Statement 2: Incorrect.** Equity shares are non-redeemable in nature. While the text states preference shares guarantee cumulative dividend before ordinary shareholders, it does not classify them as non-redeemable (unlike equity shares). Preference shares are generally redeemable.

**Statement 3: Incorrect.** Shares (both equity and preference) are ownership instruments, not debt instruments. **Bonds** are referred to as high-security debt instruments.

**8. In the context of the Indian Treasury Bills (TBs), consider the following:**

1. They are used by the Central Government to fulfill its short-term liquidity requirement.
2. They are generally issued for maturities of 91-day, 182-day, and 364-day.
3. They are primarily used as a source of financing capital assets of the government.

**Which of the statements given above is/are correct?**

- A) 1 and 2 only
- B) 2 and 3 only
- C) 1 and 3 only
- D) 1, 2 and 3

**Correct Answer: A) 1 and 2 only**

**Explanation:**

**Statement 1: Correct.** TBs are used by the Central Government to fulfill its **short-term (upto 364 day) liquidity requirement**.

**Statement 2: Correct.** The variants of TBs listed include 91-day, 182-day, and 364-day TBs.

**Statement 3: Incorrect.** TBs are for short-term liquidity/working capital, not for financing **capital assets** (which is done by the capital market, typically through long-term bonds).

**9. Which one of the following is the most accurate description of the issuance of Commercial Paper (CP)?**

- A) It is issued at its face value and is non-transferable, primarily to raise long-term capital.
- B) It is an unsecured security issued at a discount to its face value, primarily to finance the working capital of large firms.
- C) It is a secured security issued by the Reserve Bank of India to high net worth companies for monetary policy operations.
- D) It is a promissory note of the unorganised sector, issued on a trust basis against credit transactions.

**Correct Answer: B)**

**Explanation:**

**A) Incorrect.** It is issued at a **discount** and is for **short-term** working capital.

**B) Correct.** CP is an **unsecured security**, issued at a **discount** to its face value, and is the most important source of **working capital finance of large firms**.

**C) Incorrect.** CP is **unsecured**, issued by a **high net worth company**, not the RBI.

**D) Incorrect.** This describes a **Hundi**, a commercial bill of the **unorganised sector**.

**10. Consider the following characteristics of a Commercial Bill:**

1. It is an unsecured security.
2. It is issued by one merchant firm to another against a credit transaction.
3. It is primarily a source of working capital for small companies.
4. It is often referred to as a "Hundi" when used in the organised sector.

**How many of the above statements are correct?**

- A) Only one
- B) Only two
- C) Only three
- D) All four

**Correct Answer: C) Only three**

**Explanation:**

**Statement 1: Correct.** A Commercial Bill is an unsecured security.

**Statement 2: Correct.** It is issued by one merchant firm to another against a credit transaction.

**Statement 3: Correct.** It is a source of working capital for small companies.

**Statement 4: Incorrect.** A **Hundi** is the name for a Commercial Bill when it is part of the **unorganised sector/market**. The term 'Commercial Bill' is used in the organised sector.

## Indian Banking System

**1. With reference to the core difference between Banks and Non-Banking Financial Companies (NBFCs) in India, consider the following statements:**

1. A bank can accept demand deposits, which are withdrawable by cheque, whereas a non-deposit-taking NBFC cannot accept any form of deposits from the public.
2. A bank is an integral part of the country's payment and settlement system, while an NBFC is generally not allowed to issue instruments that form part of the core payment system.

**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

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Incorrect.** A bank can accept demand deposits, which is true. However, a **deposit-taking NBFC** is permitted to accept public deposits, though they cannot accept demand deposits.

**Statement 2: Correct.** Banks are crucial for the payment and settlement system (RTGS, NEFT, Cheques). NBFCs are primarily financial intermediaries and are not part of the core payment and settlement system, meaning they cannot issue self-drawn, non-transferable demand drafts, or instruments against deposits.

**2. Consider the following statements regarding Non-Banking Financial Companies (NBFCs) in India:**

1. An NBFC cannot commence business without the prior registration and obtaining a Certificate of Registration (CoR) from the RBI.
2. NBFCs are prohibited from accepting term deposits for a period of less than 12 months.
3. Every NBFC is subject to the maintenance of CRR and SLR requirements, similar to commercial banks.

**Which of the statements given above is/are correct?**

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

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Correct.** As per the RBI's regulations under the RBI Act, 1934, no NBFC can start or carry on business without obtaining a Certificate of Registration from the RBI.

**Statement 2: Correct.** NBFCs are not allowed to accept or renew public deposits for a period less than 12 months or exceeding 60 months. This is to differentiate their deposit-taking function from banks, which accept short-term demand and saving deposits.

**Statement 3: Incorrect.** Unlike commercial banks, NBFCs are **not** required to maintain CRR and SLR. This is one of the key regulatory distinctions between banks and NBFCs, allowing NBFCs greater flexibility in their liquidity management.

**3. With reference to the functions of the Reserve Bank of India (RBI), consider the following statements:**

1. It is the 'Banker to the Government' for the Central Government only, as State Governments are required to manage their own public debt and accounts.
2. It acts as the custodian of the foreign exchange reserves and manages the exchange rate in order to maintain the external value of the Rupee.

**Which of the statements given above is/are correct?**

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

d) Neither 1 nor 2

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Incorrect.** The RBI is the Banker to **both** the Central Government and the State Governments. It transacts the general banking business of the Central and State Governments and manages their public debt.

**Statement 2: Correct.** Under the Foreign Exchange Management Act (FEMA), the RBI is responsible for managing the country's foreign exchange reserves and ensuring the orderly development of the foreign exchange market to maintain the external value of the Rupee.

**4. Which of the following are the primary objectives for which the Reserve Bank of India's Monetary Policy Committee (MPC) is statutorily mandated to use its policy instruments?**

1. Maintaining Price Stability.
2. Supporting Growth.
3. Ensuring financial stability and soundness of the banking system.

**Select the correct answer using the code given below:**

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

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Correct.** The **primary objective** of monetary policy, as statutorily mandated to the MPC, is to maintain price stability (keeping inflation within a target band).

**Statement 2: Correct.** While maintaining price stability is the primary goal, the Monetary Policy Framework Agreement also states that the MPC should keep in mind the objective of **growth** while meeting the inflation target. Both price stability and growth are explicitly mentioned as objectives of the MPC.

**Statement 3: Incorrect.** Ensuring financial stability and the soundness of the banking system is a crucial part of the RBI's overall mandate, but it is primarily handled through its **regulatory and supervisory functions**, not its monetary policy (rate-setting) functions. The monetary policy is primarily focused on inflation and growth.

**5. With reference to the Cash Reserve Ratio (CRR), consider the following statements:**

1. It is the share of a bank's Net Demand and Time Liabilities (NDTL) that it has to keep with the Reserve Bank of India in the form of physical cash.
2. An increase in the CRR directly reduces the credit creation capacity of commercial banks, but has no direct impact on their profitability.

**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

**Correct Answer: (d)**

**Explanation:**

**Statement 1: Incorrect.** The CRR is the mandatory reserve that a bank must maintain with the RBI. However, it is maintained as a **balance in the bank's current account with the RBI**, not as physical cash in the bank's vault.

**Statement 2: Incorrect.** An increase in CRR does reduce the credit creation capacity of banks (as less money is available for lending). However, since the RBI pays **no interest** on CRR balances, an increase in the ratio forces the bank to hold more non-earning assets, which **negatively impacts** the bank's overall profitability.

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

1. The SLR component must be maintained by banks in liquid assets like gold, unencumbered approved securities (G-Secs), and cash.
2. The primary purpose of SLR is to check the expansion of credit by commercial banks and to ensure the banks' long-term solvency.
3. The RBI has the power to raise the maximum limit of SLR up to 40% of a bank's Net Demand and Time Liabilities (NDTL).

**How many of the statements given above are correct?**

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

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Correct.** SLR is the fraction of a bank's NDTL that it must maintain in the form of specified liquid assets, which include cash, gold, and other unencumbered securities (like G-Secs).

**Statement 2: Correct.** SLR serves a dual purpose: it controls the credit expansion capacity of banks (monetary tool) and, more importantly, it ensures the bank has enough liquid assets to meet any sudden large-scale demand for withdrawals, thus ensuring its liquidity and stability/solvency.

**Statement 3: Incorrect.** The RBI's power to specify the SLR was amended, and the statutory minimum floor of 25% and the maximum ceiling of 40% were **removed** by the Banking Regulation (Amendment) Act, 2016. The RBI is now free to set the ratio, making the 40% ceiling obsolete.

**7. Which of the following statements correctly defines the current application of the Bank Rate in the Indian financial system?**

- a) It is the rate at which the RBI provides overnight collateralised lending to commercial banks to meet sudden liquidity needs.
- b) It is the benchmark rate for the RBI to lend money to the Central and State Governments for their short-term requirements.



- c) It is the penal rate that is applied when banks fail to maintain the stipulated Cash Reserve Ratio (CRR) or Statutory Liquidity Ratio (SLR) requirements.
- d) It is the rate at which the RBI purchases long-term commercial bills of exchange from banks to manage systemic liquidity.

**Correct Answer: (c)**

**Explanation:**

The Bank Rate is the rate at which the RBI is ready to buy or rediscount bills of exchange or other commercial papers. However, its practical relevance has evolved:

- Option (a) describes the **Repo Rate** (specifically, the Standing Deposit Facility/Marginal Standing Facility).
- Option (b) is related to Government borrowings (**Ways and Means Advances**), not the Bank Rate.
- Option (c) Correct. The Bank Rate is now aligned with the Marginal Standing Facility (MSF) rate and is primarily used as a **penal rate** for banks' non-compliance with reserve requirements (CRR/SLR) and as the reference rate for other long-term lending operations by the RBI.

**8. Consider the consequences of an increase in the Repo Rate by the Reserve Bank of India:**

1. It leads to an increase in the cost of borrowing for commercial banks, subsequently pushing up their Marginal Cost of Funds Based Lending Rate (MCLR).
2. It tends to decrease the returns on the short-term Government securities (G-Secs) traded in the money market, as banks prefer to lend to the RBI at the higher Repo Rate.

**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

**Correct Answer: (a)**

**Explanation:**

**Statement 1: Correct.** The Repo Rate is the benchmark policy rate. An increase makes it more expensive for banks to borrow from the RBI, increasing their overall cost of funds and leading to an increase in their lending rates (like MCLR/EBLR), thereby making credit costlier for consumers and businesses.

**Statement 2: Incorrect.** An increase in the Repo Rate means higher interest rates in the economy. **Bond prices** (including G-Secs) move inversely to interest rates. Therefore, when the Repo Rate rises, the price of existing bonds falls and the **yield (return)** on these bonds increases, making them a more attractive investment.

**9. With reference to the Marginal Standing Facility (MSF), consider the following statements:**

1. The MSF window is primarily used by commercial banks to avail funds from the RBI during unexpected liquidity shocks, even if they have no eligible collateral.
2. Banks can borrow funds under the MSF by pledging a specific percentage of their Statutory Liquidity Ratio (SLR) mandated 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

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Incorrect.** MSF is an emergency, overnight liquidity window. Banks **must** pledge eligible collateral (Government Securities) to avail funds. The term "even if they have no eligible collateral" makes this statement incorrect.

**Statement 2: Correct.** Under the MSF, banks are permitted to pledge a specified portion of their mandated Statutory Liquidity Ratio (SLR) securities up to a certain limit (e.g., 2% of NDTL) to borrow from the RBI. This allows them to use their otherwise locked-in SLR assets during an emergency.

**10. In the current operational framework of India's Monetary Policy, the Bank Rate is primarily linked to which of the following policy rates?**

- a) Repo Rate
- b) Reverse Repo Rate
- c) Marginal Standing Facility (MSF) Rate
- d) Standing Deposit Facility (SDF) Rate

**Correct Answer: (c)**

**Explanation:**

The Bank Rate is traditionally the rate at which the RBI rediscounts bills. However, since 2011, the Bank Rate has been explicitly aligned with the **Marginal Standing Facility (MSF) Rate**. This is done to ensure the stability and transparency of the interest rate corridor, as both MSF and the Bank Rate represent the penal/upper ceiling of the corridor for banks accessing funds from the RBI.

## Banking System in India-II

**1. With reference to the Base Rate system in India, consider the following statements:**

- 1. It serves as the minimum interest rate below which Scheduled Commercial Banks cannot lend to any borrower, replacing the earlier Benchmark Prime Lending Rate (BPLR) system.
- 2. Loans under the Differential Rate of Interest (DRI) scheme and advances to a bank's own employees are exempted from being priced with reference to the Base Rate.

**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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** The Base Rate, introduced on July 1, 2010, acts as a floor rate for lending by Scheduled Commercial Banks to ensure transparency and better transmission of monetary policy, superseding the BPLR system which allowed lending below the benchmark.

**Statement 2: Correct.** Exceptions include DRI loans (for weaker sections), loans to bank employees, and loans against depositors' own deposits, allowing these to be priced independently of the Base Rate.

**2. With reference to the tools of the Liquidity Management Framework (LMF) used by the Reserve Bank of India (RBI), consider the following statements:**

1. The **Reverse Repo Rate** is the floor of the interest rate corridor, and any increase in this rate results in an expansionary monetary policy stance.
2. The **Bank Rate** is generally kept at the same level as the Marginal Standing Facility (MSF) rate and acts as the penal rate for non-collateralized long-term lending by the RBI.
3. The **Repo Rate** is the interest rate for banks' overnight borrowing from the RBI against the collateral of Government securities.

**Which of the statements given above are correct?**

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

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Incorrect.** The Reverse Repo Rate is the floor of the Liquidity Adjustment Facility (LAF) corridor. However, an increase in the Reverse Repo Rate incentivizes banks to park more funds with the RBI, thereby absorbing liquidity from the system, which is a contractionary monetary policy stance.

**Statement 2: Correct.** The Bank Rate is defined as the rate for long-term borrowings without collateral and typically coincides with the MSF rate, forming the ceiling of the LAF corridor. It serves as a penal rate.

**Statement 3: Correct.** The Repo Rate (Repurchase Rate) is the interest rate at which commercial banks borrow funds from the RBI on an overnight basis against the pledge of Government securities.

**3. Consider the following events in the history of Indian banking:**

1. Nationalisation of the Imperial Bank of India to form the State Bank of India (SBI).
2. Nationalisation of 14 major private commercial banks.
3. Establishment of Regional Rural Banks (RRBs).

**Which of the following is the correct chronological order of the above events?**

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

**Correct Answer: (a)**

**Explanation:**

**The correct chronological order of the events is:**

1. **Nationalisation of the Imperial Bank of India (to form SBI): 1955.**
2. **Nationalisation of 14 major private commercial banks: 1969.**
3. **Establishment of Regional Rural Banks (RRBs): 1975** (based on the M. Narasimham Working Group).

Therefore, the correct sequence is 1-2-3.

**4. With reference to the recommendations of the Narasimham Committee-I (1991) on Financial Sector Reforms, consider the following statements:**

1. It recommended the phasing out of **Directed Credit Programmes** (like fixing concessional interest rates) and relying more on market forces for interest rate determination.
2. It proposed that the **Statutory Liquidity Ratio (SLR)** should be drastically reduced from 38.5% to 25% to enhance the profitability of commercial banks.

3. It advocated for a reduction in the aggregate credit to the **Priority Sector** to 10% from the existing levels, focusing only on small and marginal farmers and the weaker sections.

**Which of the statements given above are correct?**

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

**Correct Answer: (d)**

**Explanation:**

**Statement 1: Correct.** A key reform was to deregulate interest rates and phase out directed credit, replacing it with a selective approach.

**Statement 2: Correct.** The Committee found the high SLR (38.5%) to be a tax on the banking system, reducing profitability, and recommended a gradual reduction to 25%.

**Statement 3: Correct.** The Committee recommended a redefinition of the priority sector, advocating that the aggregate credit should be reduced to 10% and focus only on a few select sub-sectors like small and marginal farmers, and the weaker sections, allowing banks greater freedom.

**5. In India, which of the following are key features of the Differential Rate of Interest (DRI) scheme under banking sector reforms?**

- 1. It mandates concessional loans at 4% interest for small farmers and artisans from weaker sections.
- 2. It is integrated into the Priority Sector Lending (PSL) targets, exempt from Base Rate pricing.
- 3. It was revised in 2019 to include loans for education and housing for Scheduled Castes/Tribes.

**Select the correct answer using the code given below:**

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

**Correct Answer: (d)**

**Explanation:** All are correct. DRI, introduced in 1972 as part of reforms, provides 4% interest loans (up to Rs. 15,000) for priority sectors like agriculture and small businesses for weaker sections (25% of PSL). It is exempt from Base Rate and was expanded in 2019 to cover education, housing, and self-employment for SC/ST and disabled persons.

**6. Which of the following statements best describes the Differential Rate of Interest (DRI) Scheme?**

- a) It is a short-term liquidity window opened by the RBI exclusively for Regional Rural Banks (RRBs) to borrow funds at a rate lower than the Repo Rate.
- b) It is a provision under the Pradhan Mantri Jan Dhan Yojana (PMJDY) to provide zero-collateral loans to beneficiaries at a fluctuating interest rate.
- c) It is a long-standing government scheme that mandates banks to provide credit to the weakest sections of the community at a concessional and uniform interest rate of 4% per annum.
- d) It is a lending standard where the interest rate on loans is determined by the bank based on the borrower's credit rating, with different rates for different risk profiles.

**Correct Answer: (c)**

**Explanation:**

The Differential Rate of Interest (DRI) Scheme (or DIR) was launched in 1972. It is a social banking scheme requiring banks to provide loans to the most financially vulnerable groups (e.g., landless laborers, Scheduled Castes/Tribes) for productive purposes at a flat, highly concessional simple interest rate of 4% per annum.

7. Consider the following pairs regarding the classification and provisioning norms for a Non-Performing Asset (NPA):

NPA Classification	Condition/Provisioning Requirement
1. Sub-standard Assets	Interest/Principal overdue for more than 90 days but less than or equal to 12 months.
2. Doubtful Assets	Requires 100% provisioning for the secured portion of the debt.
3. Loss Assets	The loss has been identified by the bank or auditor, but the amount has not been written off.

How many of the above pairs are correctly matched?

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

**Correct Answer: (b)**

**Explanation:**

**Pair 1: Correct.** A Sub-standard Asset is an NPA for a period not exceeding 12 months.

**Pair 2: Incorrect.** Doubtful Assets require 100% provisioning only for the unsecured portion of the debt. Provisioning for the secured portion is tiered (e.g., 25%, 40%, 100%) depending on the period for which the asset has been classified as doubtful.

**Pair 3: Correct.** A Loss Asset is considered uncollectible. While the bank may not write it off the books, the entire outstanding amount is deemed a loss and is categorized as such, requiring 100% provisioning (as the loss is confirmed).

8. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, empowers banks to:



- a) Issue fresh loans without collateral for priority sectors
- b) Auction secured assets of defaulters without court intervention after 60-day notice
- c) Merge public sector banks for better NPA resolution
- d) Regulate foreign investment in non-banking financial companies

**Correct Answer: (b)**

**Explanation:** The Act allows banks and financial institutions to enforce security interests by taking possession and selling assets of NPAs after a 60-day notice to borrowers, bypassing lengthy court processes to expedite recovery.

**9. In the context of debt recovery in India, which of the following institutions/bodies are empowered to adjudicate cases under the Recovery of Debts and Bankruptcy Act, 1993?**

- 1. Debt Recovery Tribunals (DRTs)
- 2. Debt Recovery Appellate Tribunals (DRATs)
- 3. National Company Law Tribunal (NCLT)

**Select the correct answer using the code given below:**

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

**Correct Answer: (b)**

**Explanation:** DRTs (established 1993) and DRATs (appellate) handle bank debt recovery cases above Rs. 20 lakh speedily. NCLT deals with corporate insolvency under IBC, 2016, not directly under RDB Act.

**10. With reference to the Basel III framework for Public Sector Banks (PSBs) and Regional Rural Banks (RRBs) in India, consider the following statements:**

- 1. **Capital Adequacy Ratio (CAR)** is the ratio of a bank's capital to its deposits, and a higher CAR indicates better protection for depositors.
- 2. Under Basel III, the **Tier 1 Capital** requirement, which includes Common Equity Tier 1 (CET1), is considered a more loss-absorbing form of capital than Tier 2 Capital.
- 3. While PSBs are mandated to comply with the Basel III norms, RRBs are allowed to adhere to the less stringent Basel II framework due to their lower capital base.

**Which of the statements given above is/are correct?**

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

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Incorrect.** CAR is the ratio of a bank's capital to its Risk-Weighted Assets (RWA), not its deposits. A higher CAR means the bank has more capital buffer relative to the risk it is taking.

**Statement 2: Correct.** Basel III distinguishes between Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 Capital (especially CET1) is the most loss-absorbing capital and must be maintained to cover unexpected losses while the bank remains a going concern.

**Statement 3: Incorrect.** The RBI has mandated that both PSBs and RRBs must comply with the Basel III capital adequacy framework. The implementation of Basel III for RRBs was phased, but compliance is mandatory, not an exemption to Basel II.

### Indian Banking System-III

**1. With reference to Non-Resident Indian (NRI) Deposits in India, consider the following statements:**

1. Non-Resident External (NRE) accounts can only be held jointly with another NRI, while Non-Resident Ordinary (NRO) accounts allow joint holding with resident Indians.
2. As per Budget 2025-26, the Tax Collected at Source (TCS) on remittances under the Liberalised Remittance Scheme (LRS) has been relaxed for NRIs, reducing the rate on education and medical expenses.

**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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** NRE accounts are for foreign earnings and are repatriable, joint only with NRIs; NRO for Indian income, non-repatriable principal, joint with residents.

**Statement 2: Correct.** The 2025-26 Budget eased TCS rules, lowering rates for specific overseas remittances to benefit NRIs.

**2. Consider the following statements regarding different types of ATMs in India:**

1. A **White Label ATM (WLA)** is owned and operated by a non-bank entity, but the cash management and connectivity are provided by a sponsoring Scheduled Commercial Bank.
2. A **Brown Label ATM (BLA)** is where the ATM hardware and site lease are owned by a non-bank service provider, but the bank's logo and branding are absent, making it similar to a WLA.
3. A **Green Label ATM** is specifically designated for facilitating agricultural transactions.

**Which of the statements given above is/are correct?**

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

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Incorrect.** A White Label ATM (WLA) is owned and operated by a Non-bank entity (WLA operator). The non-bank entity takes care of all operations, including cash management, in partnership with a sponsor bank. The key is that the non-bank operator is licensed by the RBI.

**Statement 2: Incorrect.** A Brown Label ATM (BLA) is one where the bank has outsourced the hardware and maintenance to a third party. Crucially, the BLA carries the bank's name and logo (the sponsor bank) and the cash management is still the bank's responsibility, unlike a WLA.

**Statement 3: Correct.** Different colors have been unofficially or officially associated with various functions. Green Label ATMs are specifically intended for transactions related to agriculture.

**3. With reference to NIDHI companies in India, consider the following statements:**

1. Nidhi companies are a category of Non-Banking Financial Companies (NBFCs) regulated primarily by the Reserve Bank of India (RBI).
2. Their primary function is to borrow from and lend to their members only, and they are prohibited from issuing preference shares or debentures.

**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

**Correct Answer: (b)**

**Explanation:**

**Statement 1: Incorrect.** Nidhi companies are NBFCs but are exempted from the core provisions of the RBI Act. They are primarily regulated by the Ministry of Corporate Affairs (MCA) under Section 406 of the Companies Act, 2013, due to their unique nature of catering only to members.

**Statement 2: Correct.** The foundational principle of a Nidhi is mutual benefit, operating only with its members. They are prohibited from conducting business other than lending and borrowing, which includes a prohibition on issuing preference shares, debentures, or any debt instrument to the public.

**4. With reference to Chit Funds in India, consider the following statements:**

1. A Chit Fund is a financial instrument where the 'foreman' or company running the scheme is legally permitted to deduct a maximum of 5% of the gross chit amount as their commission.
2. Chit Funds are primarily regulated by the Registrar of Chits of the respective State Governments under the central **Chit Funds Act, 1982**.

**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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** As per the Chit Funds Act, 1982, the foreman (the manager of the chit) is entitled to a commission not exceeding five per cent (5%) of the chit amount.

**Statement 2: Correct.** Chit Funds are regulated by the respective State Governments under the umbrella of the central Chit Funds Act, 1982. The regulatory authority is typically the Registrar of Chits in the state.

**5. The Urjit Patel Committee, set up in 2013, primarily recommended:**

- a) Establishing a Monetary Policy Committee with a flexible inflation targeting framework at 4% +/- 2%
- b) Phasing out Priority Sector Lending targets for commercial banks
- c) Merging public sector banks to create global-sized entities
- d) Introducing digital currencies under RBI oversight

**Correct Answer: (a)**

**Explanation:** The committee advocated shifting to CPI-based inflation targeting, leading to the MPC's formation and a 4% target with tolerance band until 2026.

**6. With reference to the recommendations of the Nachiket Mor Committee, consider the following statements:**

- 1. To ensure universal access, it recommended that every Indian resident above 18 years of age should have a full-service electronic bank account by a specific date.
- 2. It proposed the establishment of a **Public Credit Registry (PCR)**, a comprehensive database of all credit information, to improve the quality of lending in the economy.

**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

**Correct Answer: (a)**

**Explanation:**

**Statement 1: Correct.** A key recommendation of the Nachiket Mor Committee (2014) was the goal of universal electronic bank accounts by January 2016 for all citizens above 18, along with the provision of basic financial services.

**Statement 2: Incorrect.** The establishment of a Public Credit Registry (PCR) was a key recommendation of the Y.M. Deosthalee Committee (later reinforced by the Vishwanathan Committee), not the Nachiket Mor Committee. The Nachiket Mor Committee primarily focused on ensuring universal access, differentiated banking (Small/Payment Banks), and the use of the Aadhaar platform.

**7. Which of the following statements correctly distinguishes a Small Finance Bank (SFB) from a Payment Bank (PB) in India?**

- a) A Payment Bank can grant loans and issue credit cards, whereas an SFB is restricted only to deposits and remittances.
- b) An SFB is not required to maintain the Cash Reserve Ratio (CRR), but a PB is mandated to maintain both CRR and Statutory Liquidity Ratio (SLR).
- c) An SFB can accept deposits up to a maximum limit of ₹2,00,000 per customer, while a PB has no such cap.
- d) An SFB can accept all types of deposits (savings, current, term, recurring), while a PB can only accept demand deposits (savings and current).

**Correct Answer: (d)**

**Explanation:**

**a) Incorrect.** A Payment Bank (PB) cannot grant loans or issue credit cards. An SFB can grant loans and issue credit cards.

**b) Incorrect.** Both SFBs and PBs are Scheduled Commercial Banks and must maintain the CRR with the RBI. PBs are required to invest a minimum of 75% of their demand deposit balances in SLR-eligible G-Secs/T-Bills.

**c) Incorrect.** The maximum deposit limit of ₹2,00,000 per customer applies to a Payment Bank (PB), not an SFB. An SFB has no such cap and is subject to the same deposit rules as other commercial banks.

**d) Correct.** An SFB can accept all types of deposits, including both demand deposits and time deposits (fixed/recurring). A Payment Bank can only accept demand deposits (Savings/Current accounts) and cannot accept Non-Resident Indian (NRI) deposits.

**8. With reference to the mandatory requirements for Small Finance Banks (SFBs) in India, consider the following statements:**

1. SFBs are mandated to extend 75% of their Adjusted Net Bank Credit (ANBC) to the sectors classified as Priority Sector Lending (PSL).
2. The maximum loan size to a single borrower is restricted to 10% of the SFB's Capital Funds, and 15% to a group of borrowers.
3. An SFB is allowed to convert into a full-fledged universal bank after an initial lock-in period, provided it meets the stipulated performance and capital requirements.

**How many of the statements given above are correct?**

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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Correct.** SFBs have a more stringent Priority Sector Lending (PSL) requirement compared to universal banks (40%). They are mandated to give 75% of their ANBC to the PSL category.

**Statement 2: Correct.** The RBI guidelines impose exposure limits on SFBs. The maximum loan size to a single borrower is 10% of the bank's total Capital Funds, and to a group of borrowers, it is 15%. This is to mitigate concentration risk.

**Statement 3: Correct.** The RBI guidelines allow both Small Finance Banks and Payment Banks to apply for conversion to a universal bank after a minimum period of five years of satisfactory performance, subject to them meeting the prescribed capital and governance norms.

**9. With reference to the Business Correspondent (BC) model as a tool for Financial Inclusion, consider the following statements:**

1. BCs act as agents for banks, providing a limited range of services, but are strictly prohibited from collecting cash deposits from customers.
2. The BC model has primarily been driven by the need to meet the mandatory Priority Sector Lending (PSL) targets in rural and remote areas.

**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

**Correct Answer: (d)**

**Explanation:**

**Statement 1: Incorrect.** The Business Correspondent (BC) model is designed to overcome the lack of physical bank branches. BCs are permitted to offer a wide range of services, including cash deposits and withdrawals, small-value remittances, and loan-related transactions, on behalf of the bank.

**Statement 2: Incorrect.** While the BC model assists in meeting the PSL targets (especially in the 'Weaker Sections' category), its primary driver is the RBI's and Government's broader goal of Financial Inclusion—to provide basic banking services to every citizen in a cost-effective manner. It is a strategic tool for inclusion, not just a compliance mechanism for PSL.

**10. Asset-Liability Management (ALM) in the banking sector is a critical process. In this context, consider the following statements:**

1. The primary focus of ALM is the management of credit risk, especially the Non-Performing Assets (NPAs), which are the main assets of a bank.
2. The **Duration Gap Analysis** is a technique used in ALM to measure the bank's exposure to changes in interest rates.
3. By actively managing the maturity profile of its assets and liabilities, ALM helps a bank to effectively hedge against both **Liquidity Risk** and **Interest Rate Risk**.

**Which of the statements given above is/are correct?**

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

**Correct Answer: (c)**

**Explanation:**

**Statement 1: Incorrect.** While Credit Risk (leading to NPAs) is crucial, the primary focus of Asset-Liability Management (ALM) is the management of risks arising from mismatches in the size and maturity of a bank's assets (loans, investments) and liabilities (deposits). The main risks addressed by ALM are Interest Rate Risk and Liquidity Risk. Credit Risk is managed through a separate credit assessment process.

**Statement 2: Correct.** Duration Gap Analysis is a key tool in ALM. Duration measures the sensitivity of an asset or liability's price to a change in the interest rate. The duration gap measures the overall interest rate risk exposure of the bank's balance sheet.

**Statement 3: Correct.** ALM ensures a bank has sufficient funds to meet deposit withdrawals (Liquidity Risk) and minimizes the negative impact on net interest income/net worth from adverse movements in market interest rates (Interest Rate Risk).