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UPSC CSE PRELIMS 2026 TEST SERIES

SECTIONAL TEST - 04

INDIAN ECONOMY

KEY AND EXPLANATIONS

Q1. A

1. Primary Objective: Price Stability vs. Growth (Correct)

The RBI's mandate is a balancing act. While the primary goal is to maintain price stability (controlling inflation), it must do so while simultaneously supporting economic growth. This dual mandate ensures that the economy doesn't overheat, nor does it stall.

2. Who Determines the Repo Rate? (Incorrect)

The Central Government does not determine the policy repo rate. That responsibility lies solely with the Monetary Policy Committee (MPC).

- The Government, in consultation with the RBI, sets the inflation target (currently 4% +/- 2%).
- The MPC then decides the repo rate necessary to hit that target.

3. Statutory Basis of Inflation Targeting (Incorrect)

The framework for Flexible Inflation Targeting (FIT) does not come from the Banking Regulation Act of 1949. Instead, it is based on the Reserve Bank of India (RBI) Act, 1934. The Act was specifically amended in 2016 to provide a statutory basis for the MPC and the inflation-targeting framework.

Q2. A

Committee	Explanation
Bimal Jalan Committee	Constituted by the RBI in 2018 to review the Economic Capital Framework (ECF) and recommend a formula for surplus transfer from RBI to the Government of India. It suggested maintaining a Contingent Risk Buffer (CRB) and

	transferring excess capital beyond the prescribed range to the government.
Raghuram Rajan Committee	Associated with the Committee for Evolving a Composite Development Index of States (2013) to determine criteria for allocation of central funds to states; not related to RBI surplus transfer.
Narasimhan Committee	Set up in 1991 and 1998 to recommend banking sector reforms, including strengthening the financial system, reducing NPAs, and improving bank regulation.
Urjit Patel Committee	Known for recommending the Flexible Inflation Targeting framework (2014) and adoption of CPI as the nominal anchor for monetary policy, leading to the creation of the Monetary Policy Committee (MPC). Not related to surplus transfer.

Q3. A

The Economic Capital Framework (ECF) is the framework used by the RBI to determine risk provisions, capital buffers and surplus transfer to the Government. It was adopted in 2019 based on the Bimal Jalan Committee recommendations.

The framework forms part of RBI's Enterprise-wide Risk Management (ERM) framework.

Component I: Realized Equity

Realized equity represents the actual capital available to absorb financial risks. It includes:

- Capital
- Reserve Fund

- Contingency Fund (CF)
- Asset Development Fund (ADF)

These are realized funds and therefore usable to absorb financial shocks. A key component within realized equity is the Contingent Risk Buffer (CRB).

Component II: Revaluation Balances

Revaluation balances arise from changes in market prices of assets. Examples include gains due to:

- exchange rate movements
- gold price changes
- interest rate fluctuations

These gains are unrealized (paper profits). Therefore they cannot be distributed to the government and act as valuation buffers for the central bank.

Component III: Review of the Framework

The Bimal Jalan Committee recommended that the ECF should be periodically reviewed to ensure:

- adequacy of risk buffers
- consistency with evolving financial risks.

The committee specifically suggested reviewing the framework approximately every five years.

Q4. B

Statement 1: Correct

Ways and Means Advances (WMA) are temporary advances provided by the Reserve Bank of India (RBI) to the Central and State Governments. They are used to address temporary mismatches between government receipts and expenditures. WMA helps smooth these short-term liquidity gaps.

Statement 2: Incorrect

WMA cannot be used to finance long-term fiscal deficits. They are strictly intended for short-term cash management.

Thus, statement 2 is incorrect.

Statement 3: Correct

If the government does not repay the WMA within the specified period, the advance may turn into an overdraft. Overdrafts attract higher interest rates and stricter limits.

For State Governments especially, the RBI imposes clear limits on overdrafts to maintain fiscal discipline.

Types of Ways and Means Advances

WMA for State Governments are broadly classified into two types:

Type	Meaning
Normal WMA	Based on state revenue and expenditure patterns
Special WMA	Provided against collateral of government securities

Q5. D

India's foreign exchange reserves are external assets maintained by the Reserve Bank of India (RBI). The reserves consist of four major components.

1. Foreign Currency Assets (FCA)

This is the largest component of India's forex reserves. It includes investments in US Dollar, Euro, Pound Sterling, Japanese Yen, etc.

These assets are typically held as foreign government securities, deposits with other central banks, deposits with international financial institutions.

2. Gold Reserves

The RBI holds gold as part of the country's reserve assets. Recent trends show that India has increased gold holdings, raising its share in forex reserves.

Gold serves several purposes:

- diversification of reserves
- hedge against inflation
- protection against currency volatility

Gold holdings have increased to around 15% of total reserves, compared to about 7% a decade ago.

3. Special Drawing Rights (SDR)

SDR is an international reserve asset created by the International Monetary Fund (IMF). Key features:

- Allocated to IMF member countries.
- Based on a basket of major currencies.
- Can be exchanged for freely usable currencies.

SDR supplements a country's official reserves.

4. Reserve Tranche Position (RTP)

The Reserve Tranche Position represents: The portion of a country's IMF quota that can be withdrawn without conditions.

It is calculated as: Country's IMF quota – IMF holdings of that country's currency

This amount can be accessed quickly without strict IMF conditionalities, making it part of usable reserves.

Q6. A

Statement 1 is correct: De-dollarisation is defined as the process aimed at reducing the dependency of the global financial system and international trade on the US dollar. Central banks, including the RBI, pursue this by diversifying their foreign currency asset base.

Statement 2 is correct: Promoting Local Currency Settlement (LCS) allows countries to invoice and settle bilateral trade in their own currencies (e.g., Rupee-Dirham or Rupee-Rouble). This directly reduces the immediate demand for US dollars as an intermediary currency for trade transactions.

Statement 3 is incorrect: Inclusion in the IMF's Special Drawing Rights (SDR) basket means a currency is "freely usable" and meets specific export and financial criteria. However, it does not automatically imply dominance in global trade; for example, the Chinese Renminbi is part of the SDR basket but is not yet the dominant currency compared to the US dollar.

Correct Option: A (1 and 2 only)

Current SDR basket currencies include:

- US Dollar
- Euro
- Chinese Renminbi

- Japanese Yen
- Pound Sterling

Q7. A

- Statement 1 is correct: The scheme's primary objective is to provide customers of regulated entities (REs) with a speedy, cost-effective, and expeditious alternate grievance redress mechanism.
- Statement 2 is correct: The RB-IOS, 2021 adopted the "One Nation One Ombudsman" approach, which makes the RBI Ombudsman mechanism jurisdiction neutral.
- Statement 3 is incorrect: While the scheme covers many Non-Banking Financial Companies (NBFCs) with an asset size of ₹100 crore or more and a customer interface, it explicitly excludes Housing Finance Companies from this specific coverage criteria.

Q8. A

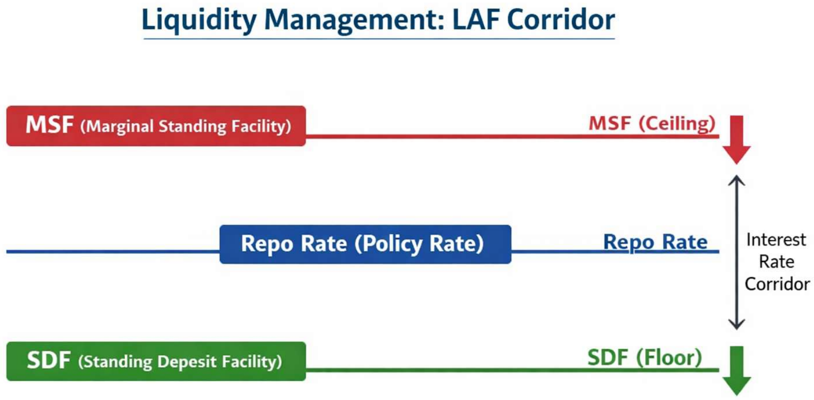
Statement I: Correct

The Standing Deposit Facility (SDF) is a monetary policy tool introduced by the RBI to absorb excess liquidity from the banking system. It allows banks to park surplus funds with the RBI and earn interest. The SDF forms the lower bound (floor) of the Liquidity Adjustment Facility (LAF) corridor. Earlier, this role was performed by the Fixed Rate Reverse Repo, but it was replaced by SDF.

Key features of SDF include:

- Absorbs liquidity from banks
- Operates without collateral
- Available to all entities eligible under the Liquidity Adjustment Facility (LAF).

These features make it a more flexible liquidity absorption instrument.



Statement II: Correct

Under traditional Reverse Repo operations, the RBI had to provide government securities (G-Secs) as collateral to banks when absorbing liquidity.

However, under the Standing Deposit Facility, the RBI does not provide any collateral.

This eliminates the need for RBI to maintain a stock of government securities for liquidity absorption operations.

Thus liquidity absorption becomes more flexible and RBI can absorb large volumes of surplus liquidity without collateral constraints.

Therefore, the Reason correctly explains the Assertion.

Q9. D

Statement 1: Correct

The Variable Rate Reverse Repo (VRRR) is a liquidity management tool used by the RBI to absorb excess liquidity from the banking system.

Under VRRR, Banks deposit surplus funds with the RBI. In return, the RBI pays interest.

It is used particularly when the banking system experiences persistent liquidity surplus.

Statement 2: Correct

In VRRR auctions, the interest rate is determined through an auction mechanism.

Key difference:

Instrument	Rate determination
Reverse Repo	Fixed rate decided by RBI
VRRR	Market-determined through auction

Banks submit bids indicating the amount and interest rate at which they are willing to deposit funds with the RBI. The RBI accepts bids up to the notified liquidity absorption amount.

This market-based rate discovery improves liquidity management efficiency.

Statement 3: Correct

VRRR operations are often conducted for longer tenors such as:7,14,28 days. This helps the RBI absorb durable liquidity surplus rather than just overnight liquidity.

Q10. A

A Switch Auction is a debt management tool used by the Government of India, conducted through the Reserve Bank of India (RBI), to manage the maturity structure of outstanding government securities (G-Secs).

Under a switch auction, holders of short-maturity government securities exchange them for longer-maturity securities. The objective is to smoothen the redemption profile of government debt, so that a large amount of bonds does not mature in a single year. By extending maturities, the government spreads its repayment obligations over a longer period and reduces refinancing pressure.

They are conducted by the RBI on behalf of the Government of India using the e-Kuber platform

Q11. D

Statement 1: Correct

Under the Co-Lending Arrangements (CLA) framework, two regulated entities jointly extend credit to borrowers. Participants may include Banks, Non-Banking Financial Companies (NBFCs).

Under the revised guidelines: Each regulated entity must retain at least 10% of the loan on its balance sheet. This rule ensures risk sharing and accountability, preventing originators from transferring all credit risk to other lenders.

Statement 2: Correct

Loans under the co-lending model can qualify for Priority Sector Lending (PSL). However each lender can claim PSL status only for its own share of the loan, not for the entire loan amount.

For example: If a loan of ₹100 is co-lent:

- Bank share = ₹80
- NBFC share = ₹20

Then PSL benefit is claimed only on each entity's respective exposure.

Statement 3: Correct

The revised directions introduced a uniform asset classification rule. This means if one lender classifies a loan as a Non-Performing Asset (NPA) then the same classification must be applied by all co-lenders. This prevents regulatory arbitrage and inconsistencies in risk reporting.

Q12. **B**

Statement 1: Correct

The Unified Lending Interface (ULI) is envisioned as a Digital Public Infrastructure (DPI) for credit delivery. Its objective is to enhance the efficiency, speed, and transparency of credit delivery in the financial system. The platform is designed to function in a manner similar to how UPI transformed digital payments.

By creating a common digital infrastructure, ULI aims to simplify loan processing, improve credit access and enable faster lending decisions.

Statement 2: Correct

One of the core features of ULI is integration with multiple digital data sources. These may include:

- land records
- financial data
- digital identity systems
- satellite and geospatial information (where applicable)

By allowing lenders to access verified data through a plug-and-play architecture, ULI reduces the time required for credit appraisal and verification. This can significantly reduce the turnaround time for loan approvals, particularly for small borrowers.

Statement 3: Incorrect

The ULI platform does not mandate insurance coverage for loans. It functions as a digital infrastructure layer for credit delivery, not as a regulatory requirement for loan products. Insurance coverage may be offered in certain lending products, but it is not a mandatory feature of the ULI framework.

Key Policy Objective

ULI is expected to particularly improve credit delivery for:

- MSMEs
- small farmers
- informal sector borrowers

These groups often face delays or rejection due to lack of formal documentation, which digital data integration can help address.

Q13. **D**

Statement 1: Correct

A Central Bank Digital Currency (CBDC) is the digital form of a country's fiat currency issued by the central bank. It represents a direct liability of the central bank, similar to physical currency notes. Thus, CBDC is essentially Digital legal tender issued by the central bank. In India, the CBDC is issued by the Reserve Bank of India.

Statement 2: Correct

CBDC differs significantly from private cryptocurrencies.

Feature	CBDC	Cryptocurrency
Issuer	Central bank	Private decentralized networks
Legal status	Legal tender	Not legal tender
Regulation	Fully regulated	Largely unregulated
Value stability	Backed by sovereign currency	Highly volatile

Thus, CBDC combines digital convenience with sovereign backing.

Statement 3: Correct

The RBI has introduced a CBDC retail sandbox to encourage innovation by fintech firms. The sandbox allows companies to:

- experiment with CBDC-based payment solutions
- develop new digital financial products
- test use-cases before full-scale implementation.

This initiative aims to expand the digital financial ecosystem in India.

Q14. **A**

Statement 1: Correct

The Reserve Bank of India granted Self-Regulatory Organisation (SRO) status to the Finance Industry Development Council (FIDC). FIDC is a representative body of NBFCs registered with the RBI. The objective of recognizing SROs is to strengthen self-governance and compliance within the sector.

SROs help improve industry standards, regulatory compliance and coordination between regulator and regulated entities.

Statement 2: Correct

Under the RBI's Omnibus Framework for recognizing SROs for Regulated Entities (2024), An SRO must be established as a Not-for-profit company under Section 8 of the Companies Act, 2013.

Statement 3: Incorrect

SROs do not replace RBI's regulatory supervision. Instead, they supplement regulatory oversight by:

- developing industry standards
- promoting best practices
- detecting early warning signals within the sector.

However, the RBI continues to remain the primary regulator and supervisor of NBFCs.

Thus, the statement is incorrect.

Q15. **B**

Regional Rural Banks (RRBs) were established in 1975 following the recommendations of the Narasimham Working Group, which examined institutional credit arrangements for rural areas. Therefore, the reference to the Narasimham Working Group is correctly related to RRBs.

Regarding ownership structure, RRBs follow a three-tier shareholding pattern: the Central Government holds 50%, the concerned State Government holds 15%, and the sponsoring commercial bank holds 35%. Hence, the statements claiming that the Central Government holds 35% and the sponsoring commercial bank holds 50% are incorrect, while the statement that the State Government holds 15% is correct.

The "One State One RRB" policy was adopted by the Government of India to consolidate multiple RRBs within a state into a single entity to improve efficiency and operational viability. RRBs are also required to follow Priority Sector Lending (PSL) norms, focusing mainly on agriculture, micro and small enterprises, and weaker sections in rural areas.

Thus, the correctly related statements are 1, 3, 5 and 6.

Q16. **A**

Statement 1: Correct

According to the RBI guidelines, a Small Finance Bank must have operated successfully for at least five years before it can apply for conversion into a Universal Bank. This ensures that the bank has established operational stability, developed adequate risk management systems and demonstrated financial sustainability.

Statement 2: Correct

Another important eligibility criterion is that the bank's shares must be listed on a recognized stock exchange. Listing ensures transparency in operations, improved governance standards and market-based valuation and accountability.

Statement 3: Incorrect

The RBI has also prescribed a minimum net worth requirement of ₹1,000 crore for SFBs seeking transition into Universal Banks. In addition to this requirement, the bank must satisfy several financial health indicators.

Additional Eligibility Conditions

To qualify for transition, a Small Finance Bank must also demonstrate:

Financial Performance

- Net profits in the previous two financial years

Asset Quality

- Gross NPA ≤ 3%
- Net NPA ≤ 1%

Capital Adequacy: Compliance with prescribed CRAR norms.

These criteria ensure that only financially stable institutions transition to universal banking status.

What is a Universal Bank?

A Universal Bank is a financial institution that can provide a wide range of financial services under one umbrella, including:

- retail banking
- corporate banking
- investment banking
- wealth management.

Universal banks operate with greater regulatory flexibility and a broader service scope.

Q17. B

Statement 1: Correct

The SARFAESI Act, 2002 allows banks and financial institutions to recover bad loans (NPAs) without the need for court intervention. Before SARFAESI, banks had to rely heavily on judicial processes, which often caused delays in loan recovery.

Statement 2: Incorrect

Under Section 13 of the SARFAESI Act, only secured creditors have the authority to:

- take possession of secured assets
- manage the borrower's business
- sell the collateral assets.

However, agricultural land cannot be seized under SARFAESI. This provision protects farmers and agricultural land from forced recovery actions.

Statement 3: Correct

The Act provides for the creation of Asset Reconstruction Companies (ARCs). ARCs are specialized financial institutions that purchase non-performing assets from banks and restructure or resolve the stressed assets.

This helps banks to clean up their balance sheets and focus on fresh lending.

ARCs must be registered with and regulated by the Reserve Bank of India.

Q18. C

Statement 1: Correct

The Prompt Corrective Action (PCA) Framework is a supervisory tool used by the Reserve Bank of India (RBI). Its objective is to:

- detect financial stress in banks early
- enable timely corrective action
- prevent deterioration of the banking system.

When a bank breaches certain financial thresholds, the RBI may impose restrictions or corrective measures under PCA.

Statement 2: Correct

The PCA framework monitors several key financial indicators to assess the health of banks. The three primary indicators are:

Indicator	Meaning
Capital Adequacy	Ability of the bank to absorb losses
Asset Quality	Level of non-performing assets
Profitability	Sustainability of bank earnings

Monitoring these indicators helps regulators detect financial instability at an early stage.

Statement 3: Correct

Recently, the RBI decided that Urban Co-operative Banks (UCBs) will be brought under the Prompt Corrective Action framework from April 1, 2025. This reform replaces the earlier Supervisory Action Framework (SAF) that previously applied to UCBs.

The change aims to strengthen regulatory supervision, financial discipline and risk management in cooperative banks.

The PCA framework was first introduced by the Reserve Bank of India in 2002 for Scheduled Commercial Banks. It is designed as a preventive supervisory tool, not a resolution mechanism.

Q19. C

Statement 1: correct

The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 was enacted to promote fiscal discipline and macroeconomic stability. The Act aims to ensure sustainable public finances, maintain inter-generational equity and improve transparency in fiscal policy.

By limiting excessive borrowing and fiscal deficits, the Act seeks to create a stable macroeconomic environment for growth.

Statement 2: Correct

The original FRBM framework set a target to reduce the fiscal deficit to 3% of GDP. The Act also proposed limits for public debt.

Key targets include:

Parameter	Target
Fiscal Deficit	3% of GDP
General Government Debt	≤ 60% of GDP
Central Government Debt	≤ 40% of GDP

However, these targets have been revised over time due to economic shocks such as the global financial crisis and COVID-19 pandemic.

The FRBM Act requires the government to present certain mandatory fiscal policy statements before Parliament along with the Union Budget.

These include:

1. Macro-economic Framework Statement
2. Medium-Term Fiscal Policy Statement
3. Fiscal Policy Strategy Statement

Important Fiscal Terms

Understanding FRBM requires clarity on key fiscal indicators:

Term	Meaning
Fiscal Deficit	Total expenditure – total receipts excluding borrowings
Primary Deficit	Fiscal deficit – interest payments
Revenue Deficit	Revenue expenditure – revenue receipts
Effective Revenue Deficit	Revenue deficit – grants for capital asset creation

These indicators help assess the quality and sustainability of government finances

Q20. **A**

Statement 1: Incorrect

The NK Singh Committee (2016) recommended shifting India's fiscal framework from a deficit-based target to a debt-based fiscal framework. The reasoning was that public debt reflects long-term fiscal sustainability and deficit targets may fluctuate depending on economic cycles.

Thus, the committee suggested focusing on public debt as the main fiscal anchor.

Statement 2: Correct

The committee recommended that the combined public debt of the Centre and States should be reduced to 60% of GDP. This target was to be achieved gradually over time. The rationale was to maintain macroeconomic stability, fiscal sustainability and investor confidence.

Statement 3: Incorrect

Within the overall 60% debt limit, the committee recommended a division of debt responsibility between the Centre and States. Recommended limits:

Level of Government	Debt Target
Central Government	40% of GDP
State Governments	20% of GDP

Thus, the total public debt would remain within the 60% threshold.

The committee recommended introducing an escape clause, allowing temporary deviations from fiscal targets during:

- national security emergencies
- natural disasters
- severe economic shocks.

Q21. **B**

Aspect	15th Finance Commission	16th Finance Commission
Chairperson	N. K. Singh	Dr. Arvind Panagariya
Period Covered	2021–2026	2026–2031
Share of States in Divisible Pool	41%	41% (unchanged)

Approach/Focus	Fiscal consolidation, demographic performance, tax effort	Performance orientation, transparency, long-term fiscal sustainability
Income Distance Weight	45%	42.5%
Population (2011) Weight	15%	17.5%
Demographic Performance Weight	12.5%	10%
Area Weight	15%	10%
Forest Weight	10% (based mainly on share of forest area)	10% (includes share of forest area + increase in forest cover 2015–2023, includes open forests)
Tax and Fiscal Effort	2.5%	Removed
Contribution to GDP	Not included	Introduced (10%)
Definition of Demographic Performance	Based on Total Fertility Rate (TFR)	Based on population growth between 1971–2011
Grants-in-Aid Types	Revenue deficit grants, sector-specific grants, state-specific grants, local body grants, disaster management grants	Only local body grants and disaster management grants retained; others discontinued
Fiscal Deficit Recommendation (Centre)	Gradual fiscal consolidation after COVID	Reduce to 3.5% of GDP by 2030–31
State Fiscal Deficit Limit	Around 3–4% of GSDP (temporary relaxation during COVID)	3% of GSDP ceiling recommended

Off-Budget Borrowings	Mentioned but not strongly integrated	Strong recommendation to include all off-budget borrowings in fiscal deficit and public debt calculations

Question 22

Q22. **D**

Statement 1: Correct

The Income Tax Act, 2025 replaces the Income-tax Act, 1961. The new legislation was introduced to simplify the tax code, remove redundant provisions, modernise the legal framework in line with digital economy developments.

The new Act aims to make the tax law shorter, clearer and easier to interpret.

Statement 2: Correct

The definition of undisclosed income has been expanded under the new Act. Earlier, undisclosed income included: money, bullion, jewelry and other valuable assets. The Income Tax Act, 2025 now explicitly includes Virtual Digital Assets (VDAs) in this category. Examples of VDAs include: cryptocurrencies, certain blockchain-based digital assets.

This ensures that digital assets discovered during tax investigations can be treated as undisclosed income.

Q23. **D**

Tax base broadening means increasing the number of taxpayers or taxable transactions by reducing exemptions, loopholes, and bringing more economic activities into the tax net. The objective is to increase revenue without increasing tax rates.

1. Decreasing government revenue – This is not a consequence. Broadening the tax base generally increases or stabilizes government revenue, because more entities or activities are taxed.

2. Increase in fiscal deficit – This is not necessary. Higher revenue from a broader tax base can actually reduce the fiscal deficit, since fiscal deficit depends on the gap between government expenditure and revenue.

3. Increase in inflation – This is not a necessary consequence. While some taxes may affect prices, tax base broadening itself does not automatically lead to inflation.

4. Increase in capital expenditure – This is not a necessary consequence either. Higher revenue may allow the government to increase capital expenditure, but it is a policy choice, not a direct consequence.

Q24. **D**

The first statement is incorrect. The idea behind the proposed GST 2.0 reforms is largely to simplify the existing tax structure, not to retain the present four-rate structure of 5%, 12%, 18% and 28%. Discussions within the GST Council and policy circles have suggested merging the 12% and 18% slabs to move toward a simpler structure with fewer rates.

The second statement is incorrect. The GST Council is chaired by the Union Finance Minister, not a State Finance Minister. The Union Minister of State for Finance is a member, and State Finance Ministers participate as members of the Council.

The third statement is also incorrect. India was not the first country to introduce GST. The first country to implement a GST-type tax was France in 1954. Today, more than 160 countries use some form of GST or VAT.

The fourth statement is correct. Even under proposed reforms, a higher rate (around the current 28% slab or similar) is expected to continue for demerit and luxury goods, such as tobacco products, luxury automobiles, and similar items, to discourage consumption and maintain revenue.

Q25. **D**

Statement 1: Incorrect

Merit goods are goods that governments believe have positive social benefits and should therefore be widely consumed. Examples include education, healthcare, basic food items, sanitation services.

Because these goods generate positive externalities, governments often:

- subsidize them
- impose lower taxes on them.

In the GST system, many essential goods are either exempt or taxed at lower rates (such as 5%).

Statement 2: Incorrect

Demerit goods are goods whose consumption is considered socially undesirable or harmful. Examples include tobacco products, alcohol, luxury goods with negative social impact.

Governments typically impose higher taxes on such goods to discourage consumption.

This approach is based on the principle of corrective taxation, also known as Pigouvian taxation.

In public economics, goods can broadly be classified as:

Category	Example	Policy Approach
Merit Goods	Education, healthcare	Subsidies or low tax
Normal Goods	Clothing, electronics	Standard tax rates
Demerit Goods	Tobacco, alcohol	High taxation

This classification helps governments design tax policies that influence consumer behaviour.

Q26. **B**

The Global Minimum Tax (Pillar Two) initiative was developed under the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS). The objective of the initiative is to address tax avoidance by large multinational enterprises that shift their profits to low-tax jurisdictions.

Under Pillar Two, a global minimum corporate tax rate of 15% is proposed for multinational companies with consolidated annual revenues above €750 million. If a multinational pays tax below this minimum rate in any jurisdiction, the home country can impose a “top-up tax” to bring the effective tax rate up to the minimum level. This mechanism discourages countries from engaging in a “race to the bottom” by offering extremely low corporate tax rates.

The initiative was negotiated and agreed upon by more than 135 countries within the OECD/G20 Inclusive Framework, making it a coordinated international effort to ensure fair taxation and reduce profit shifting.

Q27. **C**

Pair	Explanation
1. JAM Trinity	The JAM Trinity (Jan Dhan–Aadhaar–Mobile) forms the backbone of DBT by enabling financial inclusion, identity verification, and communication.

2. Aadhaar Payment Bridge System (APBS)	APBS routes DBT payments to beneficiaries using their Aadhaar numbers mapped to bank accounts.
3. Public Financial Management System (PFMS)	PFMS is the government's digital platform used for fund tracking, payment processing, and monitoring DBT transfers.
4. Aadhaar Enabled Payment System (AePS)	AePS allows individuals to perform banking transactions using Aadhaar authentication through micro-ATMs, improving last-mile DBT access.

Q28. D

The term Effective Revenue Deficit (ERD) was introduced to present a clearer picture of the government's fiscal position by distinguishing between revenue expenditure that merely covers consumption and that which leads to creation of capital assets.

The Revenue Deficit represents the excess of revenue expenditure over revenue receipts. However, a part of revenue expenditure consists of grants-in-aid given to states or other bodies for the creation of capital assets, which indirectly contribute to asset creation in the economy. To account for this, the concept of Effective Revenue Deficit is used.

Thus, Effective Revenue Deficit is calculated as:

Effective Revenue Deficit = Revenue Deficit – Grants for Creation of Capital Assets

This adjustment shows the portion of revenue deficit that does not contribute to capital asset formation.

Q29. C

The Primary Deficit is defined as:

Primary Deficit = Fiscal Deficit – Interest Payments

Fiscal deficit includes both current fiscal imbalance and interest payments on past debt. By excluding interest payments, the primary deficit shows the government's current fiscal position independent of past-borrowing obligations.

Statement 1: Correct

A primary deficit indicates that the government's expenditures exceed its revenues even after excluding interest payments.

This means that the government must borrow not only to pay interest but also to finance current expenditure.

Thus, a persistent primary deficit suggests structural fiscal imbalance.

Statement 2: Correct

If the primary deficit is zero, it means:

Fiscal Deficit = Interest Payments

In such a situation:

- the government's current revenues are sufficient to finance all non-interest expenditures
- borrowings are required only to service past debt obligations.

This situation is sometimes described as primary balance.

Q30. D

Statement 1: Correct

The Controller General of Accounts (CGA) is the principal accounting authority of the Government of India.

Its responsibilities include:

- maintaining and consolidating the accounts of the Central Government
- preparing monthly and annual accounts
- monitoring government expenditure and receipts.

The CGA ensures that government financial records are accurate, transparent and standardized.

Statement 2: Incorrect

The CGA operates under the Department of Expenditure in the Ministry of Finance. It heads the Indian Civil Accounts Service (ICAS) and supervises the system of government accounting and financial reporting.

This institutional arrangement ensures coordination between government expenditure management and accounting oversight.

Statement 3: Incorrect

The Union Budget is prepared by the Department of Economic Affairs in the Ministry of Finance, not by the CGA. While the CGA provides accounting data and fiscal reports, it does not prepare or present the Union Budget.

The budget is presented in Parliament by the Union Finance Minister.

Provisional data released by the Controller General of Accounts (CGA) confirms that the Government of India has successfully met its fiscal deficit target of 4.8% of GDP for the financial year 2024-25.

Q31. C

Statement 2:

An Inverted Duty Structure occurs when the GST rate on inputs is higher than the GST rate on the final product. In such a situation, manufacturers pay higher tax on inputs than they collect on outputs.

This leads to tax credit accumulation. Thus Statement 2 is correct.

Statement 3:

Because producers (NOT consumers) pay higher GST on inputs, they accumulate Input Tax Credit (ITC). However, since the output tax liability is lower, the credit cannot be fully utilised.

This leads to blocked working capital, increased cost of production. Thus, an inverted duty structure can negatively affect manufacturing competitiveness. Hence statement 3 is incorrect.

Statement 1:

To address this issue, the GST system allows refund of unutilised Input Tax Credit in cases arising due to inverted duty structures. However, the refund is subject to certain conditions and exclusions. For example: refunds are generally allowed only for inputs, not for input services in some cases.

This provision aims to reduce the financial burden on producers. Thus Statement 2 is correct. And statement 2 explains statement 1.

Question 32

Q32. **A**

Traditionally, the success of a government budget was measured by Outlays: the total amount of money allocated or spent. However, this didn't account for whether the money actually improved people's lives. The shift to Outcomes focuses on the real-world impact.

By using the Output-Outcome Monitoring Framework (OOMF), the government can audit schemes like Mahatma Gandhi Gram Swaraj to ensure they are creating tangible assets and generating sustainable income, rather than just "utilizing funds" by the end of the fiscal year.

Statement I: Correct

The Outlays to Outcomes framework was introduced to improve transparency and accountability in public spending. It evaluates whether government expenditure actually produces intended results.

Statement II: Correct

The framework connects financial outlays (budget allocations) with outputs and outcomes (actual results of schemes).

Example: Instead of only measuring money spent on roads, the framework may evaluate kilometres of roads constructed and improvement in connectivity.

Q33. **C**

India experienced a significant fiscal shock during the pandemic, with the deficit peaking near 9.2% in 2020-21. The government then committed to a "Glide Path" to reach below 4.5% by 2025-26.

Statement 1 is correct: Fiscal consolidation is defined as the process where a government reduces its fiscal deficit and seeks to stabilize or lower its debt-to-GDP ratio to ensure long-term sustainability.

Statement 2 is correct: This refers to the concept of "growing out of debt." Since fiscal indicators are usually measured as a percentage of GDP (e.g., Debt-to-GDP ratio), a higher growth rate increases the denominator. This improves the ratio and typically boosts tax revenues, allowing the fiscal position to improve even if absolute expenditure remains steady.

Statement 3 is correct: A fiscal deficit is essentially the gap between spending and revenue, which must be bridged by borrowing. Persistent deficits lead to an accumulation of public debt. As debt rises, the interest burden (interest payments as a percentage of the budget) increases, often "crowding out" more productive investments.

Q34. **A**

Pair I is correctly matched. SCORES 2.0 (SEBI Complaints Redress System) is an upgraded, technology-driven platform introduced by SEBI to handle investor grievances. It provides an automated workflow, tracking of complaints and time-bound redressal, making intermediaries accountable for resolving complaints within prescribed timelines.

Pair II is also correctly matched. Section 11 of the SEBI Act, 1992 lays down SEBI's fundamental duty to protect the interests of investors and regulate the securities market. Under this provision, SEBI has the authority to register, regulate and inspect market intermediaries such as stock brokers, merchant bankers and credit rating agencies.

Pair III is incorrectly matched. Accredited Investors are not investors with low risk appetite. They are financially sophisticated or high net-worth investors who possess sufficient financial capacity and understanding of complex investment products. Because they can bear higher risks, SEBI allows them certain regulatory relaxations in investment norms.

Therefore, only Pairs I and II are correctly matched.

Q35. **C**

All three statements are correct.

Statement 1: GIFT City IFSC was created to enable financial services transactions that are normally carried out in global financial centres. Therefore, activities such as banking, insurance, capital market services and derivatives trading are permitted in foreign currencies, mainly USD and other convertible currencies. This makes the IFSC internationally competitive.

Statement 2: Units operating in an IFSC are treated as being outside the Domestic Tariff Area (DTA) for certain regulatory and tax purposes. This treatment allows them to operate under a special regulatory and fiscal framework designed to promote international financial services.

Statement 3: The International Financial Services Centres Authority (IFSCA) was established in 2020 as a unified regulator for IFSCs in India. It consolidates regulatory powers that were earlier divided among multiple regulators such as RBI, SEBI, IRDAI and PFRDA for activities within the IFSC.

Q36. B

Statement 1: Correct

Bond price and bond yield move in opposite directions.

When demand for bonds increases, their price rises, but the fixed interest payment remains the same, so the yield falls. Conversely, when bond prices fall, yields rise.

Statement 2: Incorrect

If the central bank raises policy interest rates:

- newly issued bonds offer higher interest rates
- older bonds with lower coupons become less attractive.

Therefore existing bond prices fall and bond yields rise.

Statement 3: Correct

Higher inflation reduces real returns on bonds. Investors therefore demand higher nominal yields to compensate for inflation risk.

Thus inflation expectations push bond yields upward.

Q37. D

T+0 settlement means the trade and settlement happen on the same day. It is an initiative of the equity market settlement framework introduced by SEBI and implemented through stock exchanges and clearing corporations.

1. Reserve Bank of India (RBI):
Indirect role. RBI regulates banks and payment systems, but T+0 equity settlement is governed by SEBI and exchange clearing systems, not RBI.

2. Securities and Exchange Board of India (SEBI):
SEBI introduced and regulates the T+0 settlement framework.

3. National Stock Exchange (NSE)
Stock exchanges like NSE implement the trading and settlement mechanism.

4. Mutual Funds
Mutual funds participate as institutional investors in equity markets, and their trades in equities also settle through the same settlement cycle.

5. Stock Markets
T+0 applies specifically to equity transactions in stock markets.

6. Money Market
Money market instruments follow different settlement systems (often T+1 or same-day through RBI systems) and are not part of equity settlement reforms.

Thus, SEBI, NSE, Mutual Funds, Stock Markets are directly related

Q38. **A**

Only Pair 1 is correctly matched. Matching in Pairs 2 and 3 have been interchanged.

Instrument	Actual Issuer	Explanation
Treasury Bills (T-Bills)	Government of India	Treasury Bills are short-term government securities issued by the Government of India through the RBI to meet short-term funding needs. They are issued in maturities such as 91 days, 182 days, and 364 days and are sold at a discount and redeemed at face value.
Commercial Paper (CP)	Corporates / Financial Institutions	Commercial Paper is an unsecured money market instrument issued by corporates, NBFCs, and other eligible financial institutions with strong credit ratings. It is used for short-term working capital requirements. Banks generally invest in CP but are not the typical issuers in the way described in the pair.
Certificate of Deposit (CD)	Scheduled Commercial Banks / Financial Institutions	Certificates of Deposit are negotiable money market instruments issued by Scheduled Commercial Banks and certain Financial Institutions to raise short-term funds. Corporates are usually investors, not issuers.

Q39. **B**

Statement I is correct: The expansion of UPI to countries like the UAE, Singapore, and France (via partnerships like Liquid Group and PayNow) facilitates direct person-to-person (P2P) and person-to-merchant (P2M) transfers. By bypassing traditional correspondent banking networks, which involve multiple intermediary banks and high fees, UPI significantly lowers the transaction costs of international remittances.

Statement II is correct: UPI is an instant, real-time payment system developed by the National Payments Corporation of India (NPCI) that allows for the immediate transfer of funds between two bank accounts via a mobile platform using a Virtual Payment Address (VPA) or mobile number.

Relationship: While both statements are factually correct, statement II does not explain why costs are reduced. The cost reduction is explained by the elimination of intermediaries and the adoption of interoperable digital protocols, rather than just the fact that it is a mobile-based real-time system.

Q40. **B**

The Payments Regulatory Board (PRB) was proposed by the Government of India through amendments to the Payment and Settlement Systems Act, 2007 to strengthen the regulatory framework governing digital payments.

Statement 1: Correct

The proposal suggested the creation of a Payments Regulatory Board as an independent body within the RBI structure to regulate and supervise payment systems in India. It was intended to replace the existing Board for Regulation and Supervision of Payment and Settlement Systems (BPSS). Therefore, the idea of creating a dedicated regulatory body for payment systems is correct.

Statement 2: Incorrect

The proposed PRB was not intended to operate under the National Payments Corporation of India (NPCI). NPCI is only a payments infrastructure provider (operating systems like UPI, RuPay, IMPS). Regulation of payment systems was proposed to remain with a regulatory authority linked to the RBI, not NPCI.

Statement 3: Correct

The proposal emerged because India's digital payments ecosystem (UPI, wallets, fintech platforms, etc.) was expanding rapidly, and a stronger governance and oversight framework was considered necessary to manage systemic risks and ensure consumer protection.

Q41. **C**

Statement I is correct. ISO 20022 is an international standard for electronic financial messaging. It provides a common language and structured data format used by financial institutions for communication in payment systems, securities trading, trade finance and other financial transactions.

Statement II is also correct and explains Statement I. Because ISO 20022 uses a standardized messaging format, it allows different payment systems, banks and financial infrastructures across countries to communicate and exchange data seamlessly. This improves interoperability, transparency and efficiency in cross-border payments.

Statement III is incorrect. ISO 20022 is not designed to replace blockchain-based payment systems. Instead, it is a messaging standard used in traditional financial infrastructure such as SWIFT and central bank payment systems. Blockchain networks operate independently and are not the primary target of ISO 20022.

Therefore, only Statement II is correct and it explains Statement I.

Q42. **A**

Statement I is correct.
The proposed BRICS Pay system is a payment mechanism being explored by BRICS countries to facilitate cross-border financial transactions among member states. The idea is to create an integrated payment infrastructure that can support trade and financial flows within the BRICS bloc.

Statement II is also correct.
One of the major motivations behind the initiative is to reduce dependence on the SWIFT network, which currently dominates international financial messaging. Several countries, particularly Russia, have faced sanctions or restrictions through SWIFT, prompting interest in alternative payment systems.

Relationship between the statements:
Statement II actually explains why BRICS Pay is being proposed. By reducing reliance on SWIFT, BRICS countries aim to build an independent payment architecture that enables secure and uninterrupted cross-border transactions among themselves. Thus, the objective mentioned in Statement II directly supports the purpose stated in Statement I.

Q43. **C**

Statement 1: Correct
The Digital Intelligence Unit (DIU) was established by the Department of Telecommunications (DoT) under the Ministry of Communications. It serves as a specialized unit to monitor and address misuse of telecom resources such as SIM cards and telecom networks.

Statement 2: Correct
One of the primary objectives of the DIU is to coordinate with telecom service providers (TSPs) to identify suspicious telecom activity—such as bulk SIM usage, spoofing, and fraudulent calls—that are often used in digital payment and cyber frauds.

Statement 3: Correct
The DIU operates through a multi-stakeholder approach, collaborating with banks, financial institutions, telecom operators, and law enforcement agencies to detect and block telecom resources involved in cybercrime and financial fraud.

Q44. **A**

The Chakshu platform is a facility under the Sanchar Saathi initiative of the Department of Telecommunications (DoT). It allows citizens to report suspected fraud communications such as scam calls, phishing SMS, WhatsApp messages, or other telecom-based financial fraud attempts. The information is used by authorities to take action against fraudulent telecom resources.

The Sanchar Saathi portal provides several telecom security services, including the CEIR (Central Equipment Identity Register) system that allows users to block, track, and recover lost or stolen mobile phones by blocking the device's IMEI across networks.

Cyber Swachhta Kendra (Botnet Cleaning and Malware Analysis Centre) is an initiative of the Ministry of Electronics and Information Technology (MeitY) under the Digital India programme. Its purpose is to detect botnet infections and provide tools for malware removal and cyber hygiene, not to monitor stock market manipulation (which falls under SEBI's regulatory domain).

Q45. **A**

Statement 1: correct. Money market instruments are short-term financial instruments with maturity of up to one year. Examples include Treasury Bills, Commercial Papers, Certificates of Deposit, and Call/Notice Money. Their primary objective is to provide short-term liquidity to financial institutions, corporations, and governments.

Statement 2: incorrect. Money market instruments are not meant for long-term liquidity management. They are specifically designed for short-term funding and liquidity adjustment, usually for periods ranging from overnight to one year. Long-term liquidity or financing needs are generally met through capital market instruments such as bonds and equities.

Statement 3: incorrect. Money market instruments are generally considered low-risk instruments because of their short maturity and high credit quality. Many of them, such as Treasury Bills, are sovereign-backed, making them safer than many long-term corporate bonds, which may carry higher default risk.

Therefore, only Statement 1 is correct.

Q46. **C**

Statement 1: Foreign Direct Investment (FDI) generally implies a long-term investment with the intention of establishing a lasting interest and some degree of managerial influence or control in an enterprise. FDI investors typically participate in management decisions or strategic direction. Hence, this statement is correct.

Statement 2: Foreign Portfolio Investment (FPI) refers to investment in financial securities such as equities, bonds, debentures and other market instruments without any intention of controlling or managing the enterprise. Investors mainly seek financial returns and can easily enter or exit the market. Therefore, this statement is correct.

Statement 3: Internationally, and in India's regulatory framework as well, a 10% ownership threshold is used to distinguish FDI from portfolio investment. When a foreign investor holds 10% or more of the paid-up equity capital (or voting power) of a company, it is generally treated as FDI, while holdings below this level are usually classified as FPI. Hence, this statement is correct.

Q47. **A**

Statement I is correct. Internationalisation of the Indian Rupee refers to the process of increasing the use of the rupee in cross-border trade, financial transactions, investment and reserves, so that the currency is used beyond India's domestic economy in global markets.

Statement II is also correct. When countries allow invoicing, settlement and payments for international trade in Indian rupees, it increases the use of the rupee in global transactions. For example, the RBI's framework for international trade settlement in INR (2022) allows exports and imports to be invoiced and settled in rupees through Special Rupee Vostro Accounts.

This directly contributes to the internationalisation of the rupee, because wider use of the currency in international trade is one of the key steps toward making it a globally used currency.

Therefore, both statements are correct and Statement II explains Statement I.

Q48. **B**

Statement 1:
The Nominal Effective Exchange Rate (NEER) is an index that measures the value of a country's currency against a basket of major trading partner currencies, weighted by trade shares. It reflects the nominal exchange rate movements only and does not adjust for inflation differences between countries. Therefore, Statement 1 is correct.

Statement 2:
The Real Effective Exchange Rate (REER) modifies NEER by incorporating inflation differentials between the home country and its trading partners. This adjustment reflects changes in relative prices and cost competitiveness. Thus, Statement 2 is correct.

Statement 3:
An increase in REER means the domestic currency has appreciated in real terms relative to trading partners after accounting for inflation. Real appreciation makes exports more expensive and less competitive in global markets. Hence, an increase in REER indicates reduced export competitiveness, not improved competitiveness. Therefore, Statement 3 is incorrect.

Q49. **A**

Statement 1:
The Liberalized Remittance Scheme (LRS) of the Reserve Bank of India allows resident individuals to remit money abroad for permitted current or capital account transactions such as education, travel, medical treatment, maintenance of relatives, or investment in foreign assets. These remittances are allowed within a specified annual limit (currently USD 250,000 per financial year). Hence, Statement 1 is correct.

Statement 2:
Under the Income-tax Act, Tax Collected at Source (TCS) is applicable on certain foreign remittances

made under LRS. It applies to categories such as overseas tour program packages, foreign investments, and other specified remittances, subject to thresholds and rates notified by the government. Therefore, Statement 2 is correct.

Statement 3:
The TCS collected under LRS is not the final tax liability. It is only an advance tax collection mechanism. The taxpayer can adjust it against the total tax payable while filing the income-tax return, or claim a refund if excess tax has been collected. Hence, Statement 3 is incorrect.

Q50. C

Statement 1:
The India–UK Free Trade Agreement seeks to provide significant market access for Indian goods in the UK. Under the negotiated framework, the UK has agreed to eliminate tariffs on about 99% of Indian exports by value, covering sectors such as textiles, footwear, marine products, engineering goods and gems and jewellery. Hence, Statement 1 is correct.

Statement 2:
India has also agreed to reduce tariffs on a large share of imports from the UK. Roughly 90% of UK tariff lines will see tariff reductions, many of them becoming tariff-free gradually over a phased schedule rather than immediately. This phased liberalization is common in FTAs to protect sensitive domestic sectors. Therefore, Statement 2 is correct.

Statement 3:
The agreement includes a Double Contribution Convention (DCC) related to social security. Under this provision, professionals or employees posted temporarily in the partner country do not have to contribute to social security systems in both countries simultaneously. This reduces the cost of overseas assignments for companies and workers. Thus, Statement 3 is correct.

Statement 4:
Issues such as visa quotas, mobility rules, and entry of foreign law firms into India have been sensitive areas in negotiations and were not fully resolved under the FTA itself. These matters typically fall under domestic regulatory frameworks or separate negotiations rather than being completely settled within the trade agreement. Hence, Statement 4 is incorrect.

Therefore, three statements (1, 2 and 3) are correct.

Q51. B

The European Free Trade Association (EFTA) consists of four countries: Switzerland, Norway, Iceland and Liechtenstein. These countries are not part of the European Union but cooperate on trade liberalization among themselves and through agreements with other countries.

The Trade and Economic Partnership Agreement (TEPA) signed in 2024 between India and EFTA is notable because it contains a dedicated investment commitment. Under the agreement, EFTA countries have committed to facilitating around USD 100 billion of investment into India over a period of 15 years, along with job creation targets.

EFTA countries are not part of the European Union's customs union. In fact, EFTA was formed as an alternative economic grouping for countries that chose not to join the EU. Some EFTA members participate in the European Economic Area (EEA), but they remain outside the EU customs union and maintain independent trade policies.

Q52. **A**

Export promotion policies are commonly used by governments to strengthen the Balance of Payments (BoP). The BoP records all economic transactions between a country and the rest of the world, especially those involving foreign exchange such as exports and imports.

Statement II is correct because when a country increases its exports, it receives foreign currency payments from other countries. These receipts add to the current account inflows and increase the country's foreign exchange earnings.

Statement I is also correct because governments often introduce policies such as export incentives, duty drawbacks, export subsidies, production-linked incentives, and improved trade infrastructure to encourage exports. The objective is to increase foreign exchange inflows and reduce pressure on the BoP.

Statement II explains Statement I because the reason governments promote exports is precisely that exports bring foreign exchange into the economy, which improves the balance of payments position.

Therefore, both statements are correct and Statement II correctly explains Statement I.

Q53. **B**

Statement 1:
Import cover refers to the number of months of imports that a country can pay for using its foreign

exchange reserves. It is a commonly used indicator of external sector vulnerability and reserve adequacy. If a country has high reserves relative to its import bill, it can continue importing essential goods even during external shocks. Hence, Statement 1 is correct.

Statement 2:
A higher import cover indicates stronger external sector resilience. It means the country has sufficient foreign exchange reserves to manage balance of payments pressures, sudden capital outflows, or disruptions in foreign inflows. Economists generally consider around 3 months of import cover as the minimum safety benchmark, though many countries maintain much higher levels. Therefore, Statement 2 is correct.

Statement 3:
This statement is incorrect. Import cover is not calculated by dividing total imports by foreign exchange reserves. Instead, it is calculated as:

Import Cover=Average Monthly Imports/ Foreign Exchange Reserves

This gives the number of months of imports that reserves can finance.

Q54. **C**

Pair 1: correct. The Debt-to-GDP ratio compares a country's total external debt with its Gross Domestic Product (GDP). It indicates the country's ability to sustain and repay debt relative to the size of its economy. A higher ratio generally signals higher debt vulnerability.

Pair 2: correct. The Debt Service Ratio (DSR) measures the proportion of principal repayments plus interest payments on external debt relative to current receipts from exports of goods and services. It shows how much of the country's export earnings are used to service external debt obligations.

Pair 3: correct as well. The Short-term Debt Ratio indicates the proportion of short-term external debt (generally with maturity up to one year) in total external debt. A higher share increases rollover and liquidity risks.

Q55. **D**

All three statements are correct.

Statement 1: Diversifying sources of critical minerals helps reduce supply chain vulnerabilities. Countries that rely on a limited number of suppliers for minerals such as lithium, cobalt, nickel or rare earth elements face significant risks if those suppliers restrict exports or if disruptions occur due to conflicts, sanctions or natural disasters. By diversifying import sources, developing domestic mining and encouraging recycling, countries can make their supply chains more resilient and reduce dependence on any single source.

Statement 2: Strategic partnerships with resource-rich countries can enhance resource security. Nations often enter into long-term agreements, joint ventures or investment partnerships with countries possessing abundant mineral reserves. Such partnerships ensure stable access to essential inputs required for industries like renewable energy, semiconductors, electric vehicles and defence manufacturing.

Statement 3: Dependence on a single supplier for critical minerals may expose countries to geopolitical risks. Over-reliance on one country for key minerals can create strategic vulnerability. If political tensions, trade restrictions or export controls arise, the importing country may face shortages that can affect industrial production and national security.

Q56. **C**

Statement 1: not correct. SDR is not a currency. It is an international reserve asset (or accounting unit) created by the IMF in 1969 to supplement the official reserves of member countries. Countries can exchange SDRs for freely usable currencies like the US dollar or euro, but SDR itself is not a currency used in transactions.

Statement 2: correct. The value of SDR is calculated based on a basket of five major currencies: US dollar, Euro, Chinese renminbi, Japanese yen and British pound.

Statement 3: incorrect. SDRs are used only by IMF member governments and certain international institutions, not by private individuals or companies.

Thus, the statements that are NOT correct are 1 and 3.

Q57. **B**

Statement A is incorrect. Global Capability Centres (GCCs) are typically offshore captive units established by multinational corporations in countries like India to carry out specialised business functions for their parent organisations. Since they operate outside the home country of the multinational company, describing them as onshore units is inaccurate.

Statement B is correct. GCCs perform a wide range of high-value and knowledge-intensive functions, including research and development, data analytics, engineering design, IT services, product development and financial operations. Over time, these centres have evolved from basic back-office processing units into important hubs for innovation and advanced services.

Statement C is incorrect. GCCs mainly support the global operations of the parent multinational firms. Their work is integrated into international business processes and global value chains rather than being limited to the domestic Indian market.

Statement D is incorrect. The number of GCCs in India is far higher than 500, with well over a thousand centres operating across major technology and service hubs.

Q58. **B**

Statement I is correct. The Producer Price Index (PPI) measures the average change in prices received by producers for goods and services at the wholesale or producer stage, i.e., before the goods reach the final consumer. It captures price movements at earlier stages of production and distribution.

Statement II is also correct. Since PPI reflects price changes at the producer level, rising producer prices often indicate that production costs are increasing, which may later be passed on to consumers in the form of higher retail prices. Therefore, economists frequently treat PPI as a leading indicator of inflationary pressures in the economy.

However, Statement II does not explain Statement I. Statement I describes what PPI measures, whereas Statement II explains why PPI is useful for assessing inflation trends. The second statement does not directly explain the definition given in the first.

Q59. **A**

The Multidimensional Poverty Index (MPI) measures poverty not only through income but also through multiple deprivations faced by people in health, education and living standards. It captures aspects such as nutrition, child mortality, years of schooling, school attendance, access to electricity, sanitation, drinking water, housing, cooking fuel and assets.

The Global MPI is jointly developed and released by two institutions:

1. United Nations Development Programme (UNDP) – a UN agency that publishes the Human Development Report (HDR) and works on poverty reduction, human development and sustainable development.

2. Oxford Poverty and Human Development Initiative (OPHI) – a research centre at the University of Oxford that developed the MPI methodology using the Alkire–Foster method to measure multidimensional poverty.

Dimensions and Indicators of MPI

Dimension	Indicator	Weight Distribution
Health	Nutrition	1/6
	Child Mortality	1/6
Education	Years of Schooling	1/6
	School Attendance	1/6
Living Standards	Cooking Fuel	1/18
	Sanitation	1/18
	Drinking Water	1/18
	Electricity	1/18
	Housing	1/18
	Assets	1/18

Q60. **B**

The World Inequality Report is published by the World Inequality Lab, a global research initiative that studies the dynamics of income and wealth inequality across countries

Aspect	Key Facts
Released by	World Inequality Lab (based on World Inequality Database – WID.world)
Global Wealth Inequality	Top 10% own ~75% of global wealth; Bottom 50% hold ~2%
Global Income Inequality	Top 10% earn more than remaining 90% combined; Bottom 50% get <10% of global income
Carbon Inequality	Bottom 50% emit ~3% of global emissions; Top 10% responsible for ~77%
Global Financial Inequality	Rich countries borrow cheaply & earn higher returns → ~1% of global GDP transfers annually from poorer to richer nations
India – Income Inequality	Top 10% capture 58% of national income; Bottom 50% receive 15%
India – Wealth Inequality	Top 10% hold ~65% of wealth; Top 1% hold ~40%
Gini Index	Measures inequality (0 = perfect equality; 100 = perfect inequality)
Kuznets Ratio	Income share of top quantiles ÷ bottom quantiles
Palma Ratio	Income share of Top 10% ÷ Bottom 40%

Q61. **A**

Statement 1: The Financial Inclusion Index (FI-Index) is indeed published by the Reserve Bank of India (RBI). RBI introduced it in 2021 to measure the extent of financial inclusion in the country on an annual basis. Hence, Statement 1 is correct.

Statement 2: The index is designed to capture multiple dimensions of financial inclusion. RBI has structured it around three broad parameters: Access (availability of financial services such as bank branches, ATMs, etc.), Usage (actual use of services like deposits, credit, insurance, payments), and Quality (efficiency, financial literacy, and consumer protection aspects). Therefore, Statement 2 is also correct.

Statement 3: This statement is incorrect. The FI-Index ranges from 0 to 100, not from 0 to 1. A value of 0 indicates complete financial exclusion, while 100 represents full financial inclusion.

Q62. **D**

Statement I: not correct. India is currently the 5th largest economy in nominal GDP terms. Some projections by international institutions like the IMF suggest that India may become the 3rd largest economy in the coming years, but it has not yet officially reached that position. Hence the statement as written is incorrect.

Statement II: correct. Countries are generally ranked by nominal GDP, which is calculated using market exchange rates. This method converts the GDP of each country into a common currency (usually US dollars) to compare the absolute size of economies. Institutions such as the IMF and World Bank typically use this measure for global rankings.

Since Statement I is incorrect but Statement II is correct, the correct answer is D

Q63. **B**

The Human Development Report (HDR) published by the United Nations Development Program evaluates development beyond purely economic indicators. Its key measure is the Human Development Index.

HDI is constructed using three core pillars of human development:

- Health – measured through life expectancy at birth
- Education – measured through mean years of schooling and expected years of schooling
- Standard of living – measured through Gross National Income (GNI) per capita.

HDI uses life expectancy at birth to capture the health dimension, as it reflects the overall mortality conditions of a population.

The basic HDI does not measure inequality within a country. Inequality aspects are captured separately through the Inequality-adjusted Human Development Index (IHDI).

Q64. **A**

The Atal Mission for Rejuvenation and Urban Transformation (AMRUT), launched in 2015 by the Government of India, focuses on improving basic urban infrastructure and quality of life in cities, particularly in water supply, sewerage and urban amenities.

Pair 1 is correct. One of the primary objectives of AMRUT is to ensure that every household in mission cities has access to tap water with a reliable supply, along with improving water supply infrastructure and reducing losses.

Pair 2 is also correct. AMRUT includes projects aimed at developing sewerage networks, sewage treatment plants and septage management systems to improve sanitation and reduce environmental pollution in urban areas.

Pair 3 is incorrect. Under AMRUT, urban transport interventions mainly focus on non-motorised transport infrastructure, such as footpaths, cycle tracks and pedestrian-friendly streets. Development of metro rail networks falls under other initiatives like Metro Rail Policy and urban transport projects, not AMRUT.

Therefore, the correctly matched pairs are 1 and 2 only.

Q65. **A**

Statement 1:
The CAPEX Survey provides estimates of private sector capital expenditure intentions, particularly focusing on the manufacturing sector. It collects information from enterprises regarding their planned investments in plant, machinery, and infrastructure. These estimates help policymakers understand future investment trends in the private sector. Hence, Statement 1 is correct.

Statement 2:
The survey is conducted by the Ministry of Statistics and Programme Implementation (MOSPI). MOSPI undertakes the survey to generate forward-looking estimates of private corporate investment, which are useful for assessing investment cycles in the economy. Therefore, Statement 2 is correct.

Statement 3:
The CAPEX Survey does not measure government expenditure on infrastructure projects. It focuses on private sector investment intentions, not on public sector spending. Government capital

expenditure is tracked through budget documents and public finance statistics, not through this survey. Hence, Statement 3 is incorrect.

Q66. A

The Ministry of Statistics and Programme Implementation (MoSPI) has proposed a new CPI series with base year 2024, replacing the earlier 2012 base year series. Hence, Statement 1 is correct.

However, the Consumer Price Index (CPI) is compiled and released by the National Statistical Office (NSO) under MoSPI, not by the Reserve Bank of India (RBI). The RBI only uses CPI (Combined) as the headline inflation indicator for monetary policy under the inflation-targeting framework.

Therefore, Statement 1 is correct and Statement 2 is incorrect.

Q67. A

Statement I is correct. Such a situation is known as "jobless growth." It occurs when economic output increases but the expansion does not generate enough new jobs. India has often witnessed this phenomenon where GDP grows but employment creation remains relatively slow.

Statement II is also correct. Capital-intensive sectors such as heavy manufacturing, automation-driven industries, or certain modern services rely more on machines, technology, and high capital investment rather than large numbers of workers. As a result, output can increase significantly without requiring many additional employees.

Link between the statements:
Statement II provides a valid explanation for Statement I. When economic growth is led by capital-intensive industries, production can expand rapidly while labour demand grows slowly, resulting in GDP growth without proportional employment growth.

Q68. B

The Pradhan Mantri Matsya Sampada Yojana (PMMSY) was launched in 2020 as a flagship scheme to bring about a "Blue Revolution" through sustainable and responsible development of the fisheries sector in India.

Statement 1 is correct. PMMSY focuses on sustainable and responsible fisheries development, modernization of infrastructure, improved fisheries management and conservation of aquatic resources.

Statement 2 is correct. One of the key objectives of PMMSY is to increase fish production, enhance productivity, expand aquaculture, and double the income of fishers and fish farmers through value chain development, better marketing, and infrastructure support.

Statement 3 is incorrect. PMMSY is implemented by the Department of Fisheries under the Ministry of Fisheries, Animal Husbandry and Dairying, not by the Ministry of Agriculture and Farmers' Welfare.

Q69. **B**

Statement 1 is correct. The PM Dhan-Dhaanya Krishi Yojana (PMDDKY) operates under the Ministry of Agriculture and Farmers' Welfare. It is designed as a large integrated agricultural development program targeting 100 underperforming districts that face issues such as low crop yields, water scarcity, and limited access to agricultural resources. The scheme seeks to improve agricultural productivity and farmer incomes by strengthening irrigation, storage infrastructure, mechanization, credit access, and market linkages. It also integrates 36 existing agricultural schemes across 11 ministries (such as PM-KISAN, PMFBY, PMKSY and RKVY) to streamline implementation and maximize impact.

Statement 2 is incorrect. The scheme does not exclusively focus on organic farming. Instead, it adopts a broad agricultural development approach, including high-yield seeds, modern irrigation systems (drip and sprinkler), mechanization, storage infrastructure, digital market access (e-NAM), and credit support. While sustainable and organic practices may be encouraged, they are only a part of the overall strategy aimed at increasing crop yields, reducing post-harvest losses, and improving farmers' incomes.

Q70. **C**

Pair 1 is correct. The mission has been designed as a six-year programme running from 2025-26 to 2030-31 with the objective of boosting domestic production of pulses and reducing import dependence. It also sets long-term targets such as expanding cultivation area and increasing productivity.

Pair 2 is incorrect. The mission is implemented by the Ministry of Agriculture and Farmers' Welfare, which is responsible for crop production policies and agricultural development programmes. The Ministry of Food Processing Industries deals mainly with value addition and processing of agricultural products, not primary production schemes.

Pair 3 is correct. The mission concentrates on these three pulses because India has a large demand–supply gap for them and frequently imports them to meet domestic consumption needs. Increasing their production is therefore crucial for achieving pulses self-reliance.

Pair 4 is correct. The mission includes assured procurement of Tur, Urad and Masoor at MSP, which will be carried out by agencies such as NAFED (National Agricultural Cooperative Marketing Federation of India) and NCCF (National Cooperative Consumers' Federation) under the Price Support Scheme (PSS) of PM-AASHA. This ensures price support for farmers and encourages them to cultivate pulses.

Thus, Pairs 1, 3 and 4 are correctly matched, while Pair 2 is incorrect.

Q71. **D**

The National Turmeric Board was approved by the Government of India in 2023 to strengthen India's position in the global turmeric market.

Statement 1: The Board has been established to promote turmeric production, processing and export. Its objective is to support farmers, improve supply chains, encourage research, and increase India's share in the global turmeric trade.

Statement 2: The Board functions under the Ministry of Commerce and Industry, specifically under the Department of Commerce, since its main focus is on promoting exports and international trade of turmeric.

Statement 3: One of the key aims of the Board is to encourage value addition, product development and global branding of Indian turmeric, including promoting varieties like Lakadong turmeric and strengthening India's reputation as the largest producer and exporter of turmeric.

Q72. **B**

Statement I is correct. M. S. Swaminathan is widely regarded as the architect (or father) of India's Green Revolution because of his leadership in introducing and adapting high-yielding varieties of wheat and rice in India and coordinating research and policy efforts that transformed agricultural production during the 1960s.

Statement II is also correct. The Green Revolution involved the adoption of high-yielding variety (HYV) seeds, along with improved irrigation, chemical fertilizers, pesticides, and modern agricultural practices to increase crop productivity.

However, Statement II does not directly explain why M. S. Swaminathan is called the architect of the Green Revolution. Statement II describes the features of the Green Revolution, while Statement I refers to the individual associated with leading and promoting these changes.

Therefore, both statements are correct, but Statement II does not explain Statement I.

Q73. B

Statement 1: Makhana (fox nut), obtained from the plant Euryale ferox, is cultivated mainly in freshwater wetlands, ponds, and low-lying water bodies. The plant grows in stagnant water and is traditionally harvested from ponds and marshy wetlands. Hence, Statement 1 is correct.

Statement 2: India is the largest producer of makhana in the world. In fact, India accounts for the overwhelming majority of global production. Within India, Bihar alone contributes around 80–90% of total production, making the country the dominant global supplier. Therefore, Statement 2 is correct.

Statement 3: The crop is not mainly associated with the northeastern states. Instead, it is primarily cultivated in Bihar, especially in districts like Darbhanga, Madhubani, Purnea, Katihar, and Sitamarhi. Although it may be grown in small pockets of other states, its core cultivation region is the Mithilanchal area of Bihar, not the Northeast. Hence, Statement 3 is incorrect.

Q74. **D**

All three pairs are correctly matched.

Pair 1: Mulberry Silk – Karnataka
Mulberry silk is the most widely produced silk in India and accounts for the majority of the country's silk production. The silkworm Bombyx mori feeds on mulberry leaves. Karnataka is the largest producer of mulberry silk in India, contributing a major share of national output, followed by states such as Tamil Nadu, Andhra Pradesh and West Bengal.

Pair 2: Muga Silk – Assam
Muga silk is a unique variety of silk known for its natural golden colour and high durability. It is produced by the silkworm Antheraea assamensis. This silk is geographically concentrated in Assam and is closely associated with the traditional culture and textiles of the region.

Pair 3: Tasar Silk – Jharkhand and Chhattisgarh
Tasar (or Tussar) silk is a type of wild silk produced mainly in forested regions where silkworms feed on trees such as Arjun, Asan and Sal. Major producing states include Jharkhand, Chhattisgarh, Odisha and parts of Madhya Pradesh.

Q75. **B**

Statement 1: Cotton is commonly referred to as "White Gold" because of its significant contribution to agriculture, the textile industry and export earnings. It is an important cash crop supporting millions of farmers and workers in the textile value chain. Hence, this statement is correct.

Statement 2: Cotton does not require cool climatic conditions throughout the growing season. It is a tropical and subtropical crop that grows best in warm temperatures (around 21–30°C) with moderate rainfall (about 50–100 cm). Too much rainfall or cool conditions during the growing season can damage the crop and reduce yield. Therefore, this statement is incorrect.

Statement 3: India is one of the largest producers of cotton in the world, often ranking among the top producers along with countries such as China and the United States. Hence, this statement is correct.

Q76. **B**

Statement 1 is incorrect. The Kisan Credit Card (KCC) scheme, introduced in 1998 by the Government of India on the recommendations of the R. V. Gupta Committee, primarily provides short-term credit to farmers. The credit is meant for meeting working capital requirements such as purchase of seeds, fertilizers, pesticides, payment of labour, irrigation expenses, and other crop cultivation needs. Although the card may also cover certain allied activities like animal husbandry and fisheries, its core objective is to provide timely short-term crop loans, not long-term agricultural credit.

Statement 2 is correct. The KCC scheme is implemented through the institutional banking system, which includes commercial banks, regional rural banks (RRBs), and cooperative banks. These institutions issue KCCs to eligible farmers, including cultivators, tenant farmers, and self-help groups engaged in agriculture and allied activities.

Q77. **B**

Statement 1 is correct. Organic farming is a system of agriculture that avoids the use of synthetic fertilizers, pesticides, genetically modified organisms, and chemical growth regulators. Instead, it relies on natural inputs such as compost, green manure, crop rotation, and biological pest control to maintain soil fertility and ecological balance.

Statement 2 is incorrect. India actually has the largest number of organic farmers in the world, not the second largest. However, in terms of total area under organic cultivation, countries like Australia have a much larger area.

Statement 3 is correct. The Government of India promotes organic farming through schemes such as Paramparagat Krishi Vikas Yojana (PKVY), which encourages cluster-based organic farming, provides financial assistance to farmers, and supports certification and marketing of organic produce.

Q78. C

Statement I is correct. In 2016, Sikkim was declared India's first fully organic state after converting all its cultivable agricultural land (around 75,000 hectares) to organic farming. The state implemented policies promoting organic inputs, certification systems, and training for farmers to shift away from chemical-based agriculture.

Statement II is incorrect. The transition to organic farming in Sikkim involved a complete ban on the use of chemical fertilizers and pesticides. The state government gradually withdrew subsidies for chemical fertilizers and prohibited their sale and use, replacing them with organic alternatives such as compost, vermicompost, and biofertilizers.

Q79. B

Pair 1 is correctly matched. The Commission for Agricultural Costs and Prices (CACP) is an expert body under the Ministry of Agriculture that examines various factors such as cost of cultivation, demand–supply conditions, price trends, inter-crop parity and implications for consumers. Based on these factors, it recommends the Minimum Support Price (MSP) for major agricultural commodities to the Government of India.

Pair 2 is also correctly matched. The final decision on MSP is taken by the Cabinet Committee on Economic Affairs (CCEA), chaired by the Prime Minister. The CCEA approves the MSP levels after considering the recommendations of the CACP and other policy considerations.

Pair 3 is incorrectly matched. The Food Corporation of India (FCI) does not announce MSP. MSP is announced by the Government of India after approval by the CCEA, usually before the sowing season of crops. FCI's role is mainly procurement, storage and distribution of food grains under the public distribution system and other schemes.

Therefore, only Pairs 1 and 2 are correctly matched.

Q80. **D**

Precision farming (or precision agriculture) refers to the use of advanced technologies to monitor, measure and manage crop production efficiently. It focuses on applying inputs like water, fertilizers and pesticides in the right amount, at the right place and at the right time, using data and technology.

GPS is used to map fields accurately and guide farm machinery. It helps farmers identify variations within a field and apply inputs precisely in specific locations. Hence, GPS is an important component of precision farming.

Sensors are used to monitor soil moisture, nutrient levels, crop health and environmental conditions. These sensors provide real-time data that helps farmers make informed decisions regarding irrigation and fertilization.

Flood irrigation is a traditional irrigation technique where water is allowed to flow over the entire field. It does not involve site-specific management or technological monitoring, and therefore it is not a component of precision farming.

Data analytics plays a key role in processing the large amount of data collected from sensors, satellites and farm equipment. It helps farmers analyse patterns and optimize crop management practices.

Remote sensing, using satellites or drones, helps in monitoring crop growth, detecting stress, assessing soil moisture and identifying pest or disease outbreaks across large fields.

Therefore, the technologies used in precision farming are GPS, Sensors, Data analytics and Remote Sensing.

Q81. **A**

Statement 1: Bio-fortification refers to the process of increasing the nutritional quality of food crops by enhancing the concentration of essential micronutrients such as iron, zinc, vitamin A, or protein. This improvement can be achieved through conventional plant breeding, agronomic practices, or modern biotechnology methods. Therefore, the statement that bio-fortification involves increasing nutrient content through conventional breeding or biotechnology is correct.

Statement 2: Bio-fortified crops do not necessarily require genetic modification (GM) techniques. Many bio-fortified varieties have been developed through traditional breeding methods, where naturally nutrient-rich varieties are crossbred with high-yielding crops. Examples include iron-rich pearl millet and zinc-enriched wheat developed in India. Genetic engineering can be used in some cases, but it is not mandatory for bio-fortification.

Q82. **B**

The International Potato Centre (CIP) is an international agricultural research organisation working mainly on potato, sweet potato and other root and tuber crops. It is part of the global agricultural research system.

Statement 1:
CIP is one of the research centres under the CGIAR (Consultative Group on International Agricultural Research) network. CGIAR is a global partnership that coordinates international agricultural research aimed at improving food security and sustainable agriculture. Therefore, this statement is correct.

Statement 2:
The primary mandate of CIP is research on potato, sweet potato and other root and tuber crops, especially to improve productivity, nutrition and resilience to climate change. Hence, this statement is also correct.

Statement 3:
The headquarters of the International Potato Centre is not in the Philippines. It is located in Lima, Peru. Therefore, this statement is incorrect.

Q83. **C**

Statement 1: Correct

The Index of Industrial Production (IIP) measures short-term changes in the volume of industrial output in the economy. It tracks the performance of three major sectors:

Sector	Coverage
Mining	Extraction of minerals
Manufacturing	Production of industrial goods
Electricity	Power generation

Thus, IIP serves as an important indicator of industrial growth.

Statement 2: Correct

The National Statistical Office (NSO), under the Ministry of Statistics and Programme Implementation, compiles and publishes the IIP. The index is released monthly and provides timely information on industrial performance.

Statement 3: Correct

The current base year for the IIP is 2011–12. The base year is periodically revised to reflect changes in industrial structure, technology and product composition..

Statement 4: Incorrect

Sectoral Weights in IIP (2011–12 Series)

Sector	Weight
Manufacturing	~77.6%
Mining	~14.4%
Electricity	~8.0%

Because manufacturing has the highest weight, industrial growth largely depends on manufacturing performance.

Q84. A

The Annual Survey of Industries (ASI) is the principal source of industrial statistics in India for the organized manufacturing sector. It is conducted annually by the National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI) and covers factories registered under the Factories Act, 1948 and certain other industrial establishments.

Statement I is correct because ASI indeed provides comprehensive statistical information about the organized manufacturing sector, including the structure and performance of factories across India.

Statement II is also correct because the ASI collects detailed data on multiple economic and industrial parameters such as employment, wages, capital investment, fixed assets, input consumption, output, value added, and productivity of factories.

Further, Statement II explains Statement I. The reason ASI is able to provide detailed information on the organized manufacturing sector (as stated in Statement I) is precisely because it collects extensive data on employment, investment, output and other operational variables in factories, which form the basis for industrial statistics.

Q85. **B**

Statement 1 is correct. Semiconductor fabrication (fab) units manufacture integrated circuits on silicon wafers using highly complex processes such as photolithography, deposition, etching, doping and cleaning in controlled cleanroom environments. These facilities form the core of semiconductor manufacturing.

Statement 2 is correct. ATMP (Assembly, Testing, Marking and Packaging) units operate in the downstream stage of the semiconductor value chain. After wafer fabrication, chips are cut, packaged, marked and tested to ensure functionality and reliability before being integrated into electronic devices.

Statement 3 is incorrect. Semiconductor fabrication plants are far more capital-intensive and technologically complex than ATMP units. Setting up a leading edge fab can cost USD 10–20 billion or more, whereas ATMP facilities require significantly lower investment and technological sophistication.

Q86. **B**

The Mines and Minerals (Development and Regulation) Amendment Bill, 2025 aims to strengthen India's mineral security, particularly for critical and strategic minerals that are essential for sectors such as renewable energy, electronics, batteries and defence.

Statement 1 is correct. The Bill allows holders of an existing mining lease to apply to the state government to include additional minerals within the same lease area. For critical and strategic minerals such as lithium, graphite, nickel, cobalt, gold and silver, the Bill provides that no additional payment is required for their inclusion.

Statement 2 is correct. The Bill expands the scope of the National Mineral Exploration Trust (NMET) to also support development of mines in addition to exploration. It also allows the Trust's funds to be used for exploration and development in offshore areas and even outside India. The Trust is also proposed to be renamed as the National Mineral Exploration and Development Trust, and the contribution from lessees is proposed to increase from 2% to 3% of royalty.

Statement 3 is incorrect. Under the existing law, captive mines can sell up to 50% of the minerals produced after meeting end-use requirements. However, the Amendment Bill removes this limit, allowing captive mines to sell the entire surplus mineral production. Therefore, the statement that the limit is retained is incorrect.

Q87. **B**

Statement 1 is correct. The District Mineral Foundation (DMF) is a statutory trust set up under the Mines and Minerals (Development and Regulation) Amendment Act, 2015. It is established in districts affected by mining operations with the objective of working for the interest and benefit of people affected by mining.

Statement 2 is correct. Mining lease holders are required to contribute a certain percentage of royalty to the DMF. The contribution rate differs depending on when the mining lease was granted (higher for leases granted after January 2015).

Statement 3 is incorrect. DMF funds are primarily intended for the welfare and development of mining-affected areas and communities, especially rural and tribal regions. The Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) guidelines specify priority areas such as drinking water supply, healthcare, education, sanitation, skill development, environment protection and livelihood support, not exclusively urban infrastructure.

Q88. **B**

Although both statements are correct, the policy measure mentioned in Statement II does not explain, but is explained by, the strategic importance of critical minerals highlighted in Statement I.

Critical minerals such as lithium and cobalt are essential inputs for modern technologies, particularly lithium-ion batteries used in electric vehicles, renewable energy storage systems, and electronics. They, therefore, play a crucial role in the global clean energy transition and technological supply chains. Because of this strategic importance, countries are increasingly trying to secure stable supplies of these minerals and build domestic processing capabilities.

Recognizing this importance, the Union Budget 2026–27 introduced a policy measure to promote domestic capacity in this sector. It provides customs duty exemptions on capital goods used for the processing of critical minerals and for the manufacturing of lithium-ion cells. The objective is to reduce import dependence, encourage investment in processing and battery manufacturing, and strengthen India’s position in emerging clean-energy industries.

Q89. A

Krishna–Godavari Basin lies along the east coast and extends into the Bay of Bengal, making the first pair correct.

Mumbai Offshore Basin is located in the Arabian Sea off the coast of Maharashtra and Gujarat (Bombay High region), so the second pair is correct.

The Andaman Basin is associated with the Andaman Sea, which lies east of the Andaman–Nicobar Islands, not the Gulf of Mannar. Hence the third pair is incorrect.

Q90. C

The National Steel Policy (NSP) 2017 was introduced by the Government of India to provide a long-term roadmap for the development of the steel sector. It aims to enhance India's steel production capacity, improve global competitiveness, and promote efficient and environmentally sustainable manufacturing practices to support infrastructure growth and economic development.

Statement 1: The National Steel Policy (NSP) 2017 sets a target of 300 million tonnes per annum (MTPA) crude steel capacity by 2030–31, along with 255 MTPA production and per capita consumption of about 160 kg. Hence, this statement is correct.

Statement 2: The policy also emphasizes energy efficiency, resource optimisation and environmentally sustainable steel production. It encourages measures such as greater scrap usage, adoption of cleaner technologies and improved energy efficiency to reduce emissions from the steel sector. Therefore, this statement is also correct.

Q91. A

The PM Mega Integrated Textile Region and Apparel (PM MITRA) Scheme was launched by the Government of India to create large, modern textile parks that integrate the entire textile value chain in a single location and enhance India's competitiveness in the global textile industry.

Statement 1: The scheme aims to establish large-scale integrated textile parks covering the entire value chain, from spinning and weaving to processing, manufacturing, and apparel production. This integrated model is intended to reduce logistics costs and improve efficiency. Hence, Statement 1 is correct.

Statement 2: The parks are not developed exclusively by the Central Government through public sector undertakings. Instead, they are implemented through a Special Purpose Vehicle (SPV) involving the State Government and private sector partners, with support from the Central Government. Therefore, Statement 2 is incorrect.

Q92. **C**

The Indian Ports Act, 2025 replaces the Indian Ports Act, 1908 and provides a modern legal framework for port governance, aiming to strengthen coordination between the Centre and coastal states and improve the management of ports in India.

Statement 1: The Act formally recognizes State Maritime Boards established by coastal states and empowers them to manage non-major ports, including responsibilities related to planning, licensing, tariffs and compliance. Hence, Statement 1 is correct.

Statement 2: The Act also grants statutory status to the Maritime State Development Council, which plays a role in national planning, policy advice, data transparency and coordination between the Union and the states in the maritime sector. Therefore, Statement 2 is correct.

Thus, both statements are correct.

Q93. **B**

The Vizhinjam International Seaport is a deep-water seaport developed near Thiruvananthapuram in Kerala. It is strategically located close to major international shipping routes and is intended to strengthen India’s position in global maritime trade.

Statement 1: Vizhinjam port is situated on the southwestern coast of India along the Arabian Sea, in Kerala. Hence, Statement 1 is correct.

Statement 2: The port is not located close to Visakhapatnam port, which lies on the eastern coast of India along the Bay of Bengal in Andhra Pradesh. Therefore, Statement 2 is incorrect.

Statement 3: The port is designed primarily as an international container transshipment hub, aiming to handle container cargo that is currently transshipped through foreign ports such as Colombo, Singapore and Dubai. Hence, Statement 3 is correct.

Q94. **C**

The National Logistics Policy (NLP), 2022 aims to improve logistics efficiency, reduce logistics costs, and enhance India’s competitiveness in global trade through digital integration, infrastructure development, and coordinated policy action.

Pair 1 is correct. ULIP is a digital platform that integrates data from multiple government systems and logistics stakeholders to enable seamless information exchange and improve efficiency in logistics operations.

Pair 2 is correct. The Logistics Performance Index (LPI) is a global index published by the World Bank that measures the logistics performance of countries and allows international comparison.

Pair 3 is correct. CLAP is a key component of the National Logistics Policy and outlines sector-specific actions to improve logistics infrastructure, processes, and services across the country.

Q95. D

All five listed items can be considered models or mechanisms associated with asset monetization in India, particularly in the context of the National Monetisation Pipeline (NMP), which aims to unlock value from public infrastructure assets through private sector participation.

Toll–Operate–Transfer (TOT) is a major asset monetization model used in the highways sector. Under this model, operational national highway stretches are leased to private players for a fixed concession period. The private entity collects toll revenue and maintains the asset while the government receives an upfront payment.

Infrastructure Investment Trusts (InvITs) are investment vehicles through which operational infrastructure assets such as roads, power transmission lines, or pipelines are pooled and offered to investors. Public sector entities like NHAI and PowerGrid have used InvITs to monetize infrastructure assets while retaining partial ownership.

Real Estate Investment Trusts (REITs) operate on a similar principle but focus on income-generating real estate assets such as office buildings and commercial spaces. Government agencies can monetize land or real estate assets by placing them under REIT structures and raising capital from investors.

Long-term leasing is another common monetization approach. In this model, public infrastructure such as railway stations, airports, stadiums or warehouses is leased to private operators for long periods, allowing the government to earn revenue while the asset remains publicly owned.

Project-based financing, although commonly associated with infrastructure development, is also used within monetization frameworks where future revenue streams from an infrastructure asset are leveraged to attract private investment. Thus it forms part of the broader asset monetization ecosystem.

Therefore, all five mechanisms are related to asset monetization in India.

Q96. A

Digital Public Infrastructure (DPI) refers to a set of open, interoperable digital platforms and protocols that enable the delivery of public and private services at scale. India's DPI ecosystem—often referred to as India Stack—includes initiatives such as Aadhaar, UPI, DigiLocker, and Bhashini, which aim to improve digital access, financial inclusion, and efficient service delivery.

Statement 1: Bhashini (BHASHa INterface for India) is a government initiative under the National Language Translation Mission that aims to enable real-time translation and language technologies across multiple Indian languages on digital platforms, improving accessibility to digital services. Hence, Statement 1 is correct.

Statement 2: Digital Public Infrastructure (DPI) refers to open, interoperable and scalable digital systems that enable citizens, businesses and governments to access services efficiently at large scale. Examples include Aadhaar, UPI, DigiLocker, etc. Therefore, Statement 2 is correct.

Statement 3: DPI platforms in India are designed with open APIs and interoperability, allowing both public and private entities (startups, fintech companies, service providers) to build applications and services on top of them. Hence, the statement that only government agencies can build applications is incorrect.

Q97. **C**

The Union Budget 2026–27 announced the establishment of Dedicated Rare Earth Corridors to strengthen India's domestic ecosystem for critical minerals and advanced materials. These corridors aim to promote integrated activities such as mining, processing, research, and manufacturing of Rare Earth Permanent Magnets (REPMs), which are essential for sectors like electric mobility, renewable energy, electronics, aerospace, and defence.

Statement 1 is correct. The Rare Earth Corridors are designed to develop a complete value chain covering mining, processing, research and manufacturing of Rare Earth Permanent Magnets (REPMs) to support strategic and clean-energy industries.

Statement 2 is correct. The corridors are proposed to be established in Odisha, Kerala, Andhra Pradesh and Tamil Nadu, states that possess significant rare-earth mineral resources, particularly in coastal beach sand deposits.

Statement 3 is also correct. The initiative aims to reduce India's import dependence on rare earth magnets (largely sourced from China) and integrate India more deeply into global advanced-materials value chains, strengthening supply chains for critical technologies.

Q98. **C**

The Code on Social Security, 2020 aims to expand social protection and streamline labour welfare provisions by integrating multiple existing social security laws into a single framework.

Statement 1: The Code provides for the creation of a National Database of Unorganised Workers. Workers from the unorganised, gig, and platform sectors must register on a national portal and receive a unique identification number, enabling portability of benefits across the country. Hence, this statement is correct.

Statement 2: The Code introduces a uniform definition of "wages" across labour laws for social security purposes. Under this definition, wages include basic pay, dearness allowance, and retaining allowance, if any. Therefore, this statement is correct.

Statement 3: The Code also provides that if additional components of remuneration such as bonuses, house rent allowance, conveyance allowance, overtime, or commission exceed 50% of the total remuneration, the excess amount will be added back to wages for calculating social security benefits. Hence, this statement is correct.

Q99. A

The Global Innovation Index (GII) is an international ranking that assesses the innovation performance of countries based on various input and output indicators.

Pair 1 is correct. The Innovation Input Index evaluates elements that enable innovation, including institutions, human capital and research, infrastructure, market sophistication, and business sophistication.

Pair 2 is correct. The Innovation Output Index captures the results of innovation, such as knowledge and technology outputs and creative outputs.

Pair 3 is incorrect. The Global Innovation Index is published annually by the World Intellectual Property Organization (WIPO) in collaboration with other institutions, not by the World Bank.

100. A

The Nobel Prize in Economic Sciences has recognised economists for significant contributions to understanding development, welfare, and economic behaviour.

Pair 1 is correct. Amartya Sen received the 1998 Nobel Prize in Economic Sciences for his work on welfare economics, particularly the capability approach, which emphasises human freedoms, capabilities, and well-being rather than income alone as measures of development.

Pair 2 is correct. Abhijit Banerjee, along with Esther Duflo and Michael Kremer, won the 2019 Nobel Prize in Economic Sciences for pioneering the experimental approach to alleviating global poverty, particularly through randomized controlled trials (RCTs) to evaluate development interventions.

Pair 3 is incorrect. In 2025, Joel Mokyr received half of the 2025 prize for identifying the prerequisites for sustained growth through technological progress. Richard H. Thaler won the Nobel Prize in Economic Sciences in 2017 for his work in behavioral economics.

For further clarifications and feedback feel free to write to us at **''testseriesrcr@gmail.com''**
