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UPSC CSE PRELIMS 2025 TEST SERIES
SECTIONAL TEST - 04
INDIAN ECONOMY

Key with Explanation

Q1. B

- The economy is broadly categorized into different sectors based **on the nature of activities performed.** These sectors define how goods and services are produced, processed, and delivered to consumers.
- **The Primary Sector** involves the **direct extraction of natural resources from nature**. This includes activities such as agriculture, fishing, forestry, and **mining**. Since these activities involve **minimal processing and rely directly** on natural resources, they form the foundation of economic production. For example**, coal mining**, which involves extracting coal from the earth, is a classic Primary Sector activity. (pair 1 is correct)
- The **Secondary Sector** is responsible for **processing raw materials** obtained from the Primary Sector into **finished goods or semi-finished products**. This includes industries such as manufacturing, construction, and energy production. **Textile manufacturing,** for instance, involves converting cotton, wool, or synthetic fibers into fabric, making it a typical Secondary Sector activity. (pair 2 is correct)
- The **Tertiary Sector** focuses on **providing services** rather than goods. This sector includes activities such **as banking, retail, healthcare, education, and tourism.** Businesses in the Tertiary Sector facilitate trade, offer professional services, and cater to the needs of consumers. For instance, a hospital providing medical treatment, a bank offering financial services, or a travel agency arranging tours are all part of this sector.
    - However, **Research and Development (R&D) belong to the Quaternary Sector**, as it is **a knowledge-based activity** rather than a service directly provided to consumers. (pair 3 is incorrect)
- The **Quaternary Sector** is centered around **intellectual services, research, and technology.** It includes fields such as **information technology, scientific research, data analysis, and consultancy**. Activities in this sector drive innovation and economic progress through knowledge creation and application. Companies like Google and Microsoft, pharmaceutical firms developing new drugs, and financial analysts predicting market trends all belong to this sector.
- The **Quinary Sector** includes the **highest level of decision-making in a society or economy**. It involves government administration, corporate leadership, diplomacy**, and policy formulation.** This sector consists of top executives, government officials, and international organizations that influence economic and social policies. Examples include prime ministers and presidents making national policies, CEOs of multinational corporations setting strategic goals, and United Nations officials formulating global agreements**. Since policy-making is a governance activity, it falls under the Quinary Sector rather than the Quaternary Sector.** (pair 4 is incorrect)

Q2. D

- **The domestic product** measures **all goods and services arising out of economic activity**, **while national income is the sum of all incomes as a result of the economic activity.**
- Since the production of goods and services is the result of the use of primary factors of inputs, namely, capital and labour, along with the raw materials, the process automatically generates income. This income is in the form of return to capital and labour used in the production process. **National income includes only those incomes which are derived directly from the current production of goods and services**, which are **called factor incomes**. (statement 1 is correct)
- The economy of India is not closed as there are transactions with rest of the world in the form of exports, imports, loans and the like. This gives rise to the concept of national or domestic income. **Gross Domestic Product refers to the production of all resident units within the borders of a country,** which is not exactly

same as the production of all productive activities of residents. Some of the productive activities of residents may take place abroad. Conversely, some production taking place within a country may be attributed to temporary and seasonal foreign labour. The **Gross National Income is calculated by the following formula:**

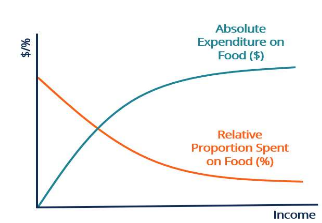
> GNI = GDP + compensation of employees and property income receivable from the rest of the world – compensation of employees and property income payable to the rest of the world. (statement 2 is correct)

- **GDP does not take into account the depreciation factor** because of which it does not reveal the complete flow of goods and services through various sectors. **Thus, the term net domestic product** is considered more suitable which is **obtained by subtracting depreciation cost** from the gross domestic product. (statement 3 is correct)
- Capital goods like machines, equipment, tools, factory building, tractors etc. get depreciated during the process of production. After some time these capital goods need replacement. The decline, during the course of the accounting period, in the current value of the stock of fixed assets owned and used by a producer as a result of physical deterioration, normal obsolescence or normal accidental damage is called **Consumption of Fixed capital (CFC). Deduction of CFC from GDP provides with the net domestic product.**

Q3. A

- In 2024, the Department of Economic Affairs (DEA), Ministry of Finance, spearheaded transformative initiatives to enhance India's economic resilience and global integration. Notably, the Union Cabinet approved the new **Framework on Currency Swap Arrangement for SAARC Countries (2024-27)**, fostering financial cooperation and regional integration.
- **A separate INR SWAP Window of ₹25000 crore** introduced **in addition to existing USD/Euro** SWAP Window of $2 billion to encourage withdrawals in INR **to support INR internationalisation.**
- New Framework replaced the 'Framework on Currency Swap Arrangement for SAARC Countries 2019-22'.
- **SAARC Currency Swap Framework**
    - Recognised bilateral swap arrangements in the Global Financial Safety Net.
    - To further strengthen India's ties **with SAARC Countries** and promote regional integration and inter-dependence.
    - The Framework is in place since inception in 2012 to provide SAARC countries a line of funding for short-term foreign exchange requirements.
- These measures underscore India's commitment to strengthening ties with SAARC nations and providing financial stability in the region.

Q4. C



- **Engel's Law** states that as household **income increases**, the **proportion of income spent on food decreases, even if absolute spending on food rises.**
- In **low-income economies**, a **larger share of household income** is allocated to food compared to **high-income economies**, where people spend a greater portion of their income on non-food items like housing, education, and entertainment. (statement 1 is correct)
- According to **Engel's Law**, the **income elasticity of demand for food** is **less than 1**, meaning that as income rises, the percentage increase in food expenditure is **lower** compared to the percentage increase in income. This is because **food is a basic necessity,** and after fulfilling basic dietary needs, additional income is spent on other goods and services. (statement 2 is also correct)

Q5. D

- **GROSS CAPITAL FORMATION**: Gross Capital Formation includes **only produced capital goods** (machinery, buildings, roads, artistic originals etc.) **and improvements to non produced assets**. Gross Capital Formation measures the additions to the capital stock of buildings, equipment and inventories, i.e. additions to the capacity to produce more goods and income in the future. The components of gross capital formation are
    - **Gross fixed capital formation**
    - Changes in inventories
    - Acquisition less disposal of valuables(such as jewelry and works of art)
- **Gross Fixed Capital Formation** includes
    - **purchases of new assets within the domestic market like buildings, transport equipment, machinery, breeding stock** etc.; (1 is correct)
    - **import of new assets**; (2 is correct)
    - own account production of new assets such as production of rail engines, wagons, trucks, aero-planes, farm machinery, breeding stock of fish, sheep, cows etc. by the enterprise**;**
    - **purchase of new houses by consumer households** and (3 is correct)
    - **net purchase of second hand physical assets from abroad.** (4 is correct)

Q6. B

- **Context**: The Government of India has decided to constitute a Working Group for base revision of the current series of Wholesale Price Index (WPI) from base 2011-12 to 2022-23.
- Some of the important indices like **Wholesale Price Index (WPI), Index of Industrial Production (IIP), Consumer Price Index (CPI),** etc. give a fairly good idea as to what is happening in the economy.
- **Wholesale Price Index (WPI):**
    - Among the price indices in India, **WPI is compiled and released on monthly basis by the Office of Economic Adviser**, Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry.
    - Wholesale price is generally defined to **capture all bulk transactions of goods carried out in the domestic market**. The universe of WPI, therefore, comprises **all possible transactions at first point of bulk sale** in the domestic market.
    - WPI does **not** include services; it mainly tracks the prices of goods at the wholesale level, while CPI includes both goods and services. (statement 1 is not correct)
- **Consumer Price Index (CPI):**
    - Consumer Price Indices (CPI) measure changes over time in general level of prices of goods and services that households acquire for the purpose of consumption.
    - **CPI reflects retail inflation** experienced by consumers. It is widely used as a macroeconomic indicator of inflation, **as a tool by governments and central banks for inflation targeting and for monitoring price stability,** and as deflators in the national accounts.
        - RBI uses it for inflation targeting. (statement 2 is correct)
    - **CPI is also used for indexing dearness allowance to employees** for increase in prices. (statement 3 is not correct)
    - The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation has revised the Base Year of the Consumer Price Index (CPI) from 2010=100 to 2012=100 with effect from the release of indices for the month of January, 2015.
    - **CPI (Urban, Rural and All India) is released by Central Statistics Office (CSO**), Ministry of Statistics & Programme Implementation (MoSPI); and
    - **CPI (Industrial Workers), CPI (Agricultural Labour) and CPI (Rural Labour) are a set of Indices released by the Labour Bureau,** Ministry of Labour. Some States also compile variants of CPI and WPI indices at the State level.

Q7. D

- **Income elasticity of demand** measures **how the quantity demanded of a good responds to changes in consumer income**. It is expressed as the **percentage change in quantity demanded divided by the percentage change in income**.
- Depending on whether the elasticity is positive, negative, or zero, goods can be classified into different categories such as **normal goods, inferior goods, necessities, and luxury goods**. This concept helps economists and businesses understand consumer behavior and make pricing and production decisions accordingly.
- When a good has a **negative income elasticity of demand** ($\varepsilon y < 0$), it means that as income increases, the demand for the good decreases. This occurs because consumers tend to shift to better-quality alternatives when they can afford to do so. Such goods are classified as **inferior goods**. (statement 1 is correct)
    - An example of an inferior good is **instant noodles** or **public transport services**—as people's incomes rise, they may prefer to buy fresh groceries or use private vehicles instead.
- If a good has an **income elasticity of demand equal to zero ($\varepsilon y = 0$)**, its demand remains **unchanged** regardless of income fluctuations. This is because such goods are absolute necessities that consumers will continue to purchase in the same quantity regardless of how much they earn. (statement 2 is correct)
    - An example of a good with zero income elasticity is **life-saving medicines** such as insulin—whether a person's income rises or falls, their need for the medicine remains the same.
- A **luxury good** is one that has an **income elasticity of demand greater than 1 ($\varepsilon y > 1$)**, meaning demand for the good increases **more than proportionally** with an increase in income. As people become wealthier, they tend to spend significantly more on such goods, often considering them as status symbols. (statement 3 is correct)
    - Examples of luxury goods include **designer clothing, high-end cars (such as Ferrari or Tesla), and five-star vacations**—a small increase in income can lead to a substantial rise in demand for these products.

Q8. C

- **Revenue deficit** occurs when the government's **revenue expenditure exceeds its revenue receipts** (tax and non-tax revenues). It indicates that the government is borrowing not for asset creation but to meet its day-to-day operational expenses like salaries, pensions, and subsidies. A high revenue deficit **reflects fiscal mismanagement and excessive reliance on borrowings** for routine expenditures.
- **Effective revenue deficit (ERD)** is a refined measure of revenue deficit that **excludes grants given to states for capital asset creation**. Some grants classified as revenue expenditure are actually used for productive asset formation, so ERD provides a more accurate picture of the real revenue shortfall. The formula is:
    - **Effective Revenue Deficit=Revenue Deficit−Grants for Capital Creation** (statement 2 is correct)
- **Fiscal deficit** is the **total borrowing requirement of the government** in a financial year. It is calculated as the difference between the government's **total expenditure** (both revenue and capital) and its **total receipts**, excluding borrowings.
- **Primary deficit** is the **fiscal deficit minus interest payments** on past borrowings. It represents the borrowing needs of the government excluding the burden of interest obligations. A **high primary deficit** indicates that the government is borrowing not just to pay past interest but also for fresh expenditure, signaling fiscal stress. The formula is:
    - **Primary Deficit=Fiscal Deficit−Interest Payments** (statement 1 is correct)

Q9. A

- **Public Private Partnership "PPP"** is a form of **fixed-term contractual arrangement** between **a public entity on one side and a private entity on the other**, for the provision of public assets and/or public services through investments being made and/or management being undertaken by the private entity.
- **Type of PPP**: Mode under which the project is being implemented.
- **Annuity:** In this type of BOT model, the government harnesses private sector efficiencies through contracts based on availability/performance payments. The granting authority pays the concessionaire annuities on scheduled dates throughout the concession period.
- **Build Operate Transfer (BOT):** BOT is a framework where **the private entity receives a franchise to finance, design, build and operate a facility (and to charge user fees) for a specified period, after which ownership is transferred back to the public sector.** This type of arrangement involves greatest level of private sector participation across a set of different functions and often covering a long period. The risk allocation to the private sector may be significant, including volume and finance risk, and potentially price risk. (statement 1 is correct)
- **Build Own Operate (BOO):** This is a **type of PPP project model in which a private organization builds, owns and operates a project or structure with some incentive** from the government. Although the **government doesn't provide direct funding** in this model, it may offer other financial incentives such as tax-exempt status. The developer owns and operates the facility independently. (statement 2 is not correct)
- **Hybrid Annuity Model (HAM):** HAM combines EPC (40 per cent) and BOT-Annuity (60 percent). On behalf of the government, NHAI releases 40 per cent of the total project cost. It is given in five tranches linked to milestones. The balance 60 per cent is arranged by the developer. Here, the developer usually invests not more than 20-25 per cent of the project cost (as against 40 percent or more before), while the remaining is raised as debt.

Q10. B

- **Depreciation of the Indian Rupee** refers to a **decline in its value relative to foreign currencies,** primarily the U.S. dollar, in a **market-driven exchange rate system**. This means the rupee weakens due to factors **like trade deficits, capital outflows, inflation, or global economic conditions**. On the other hand, **devaluation** occurs when the government or central bank deliberately reduces the currency's value in a **fixed exchange rate system** to gain trade advantages.
- A weaker rupee makes Indian goods and services **cheaper and more competitive** in international markets. This benefits export-driven industries such as **IT services, textiles, pharmaceuticals, and automobiles**, as foreign buyers can purchase more Indian products at a lower cost. Increased exports can help reduce the **trade deficit** and stimulate economic growth. However, the extent of this benefit depends on global demand and price elasticity of Indian exports. (1 is correct)
- Depreciation leads to **higher import costs**, particularly for essential goods like **crude oil,** which India imports in large quantities. Since **India is a net importer of oil,** a weaker rupee increases fuel prices, raising transportation costs and overall inflation **(cost-push inflation).** (2 is correct)
- Contrary to expectation, depreciation **often reduces foreign investment in Indian government bonds**. Foreign investors, who hold Indian bonds, may withdraw their investments due to **exchange rate volatility**, fearing further depreciation that could erode their returns in dollar terms. (3 is not correct)

Q11. B

- Green deposits allow **Regulated Entities (REs)**, such as banks and NBFCs, to mobilize funds specifically for financing green projects, aligning with global climate goals.
- In order to foster and strengthen the country's green finance ecosystem, the RBI put in place the framework for accepting Green Deposits for Regulated Entities (REs), with effect from 1 June 2023, to encourage green deposits to augment the flow of credit **to green activities/projects address greenwashing concerns.**
- **'Framework for acceptance of Green Deposits'**

- **It is not mandatory but in case REs intend to raise green deposits** from their customers they should follow the framework prescribed therein. (statement 1 is not correct)
- The REs shall pay interest on green deposits to their customers as per agreed terms and conditions and aforesaid directions irrespective of allocation/ utilisation of proceeds.
- There is no restriction on premature withdrawal of green deposits, however, the REs, shall adhere to the extant guidelines. Further, premature withdrawal would not have any bearing on the activities/ projects undertaken using the proceeds of green deposits.
- The REs can temporarily park proceeds of green deposits, pending allocation towards green activities/ projects, in liquid instruments with maximum maturity upto one year (This will have to be specified under the Financing Framework).
- The framework does not envisage any penalty for non-allocation of proceeds towards green activities/ projects; however, it shall be subject to supervisory review.
- The framework is applicable for green deposits raised by REs on or after June 01, 2023.
- **REs cannot finance green activities/ projects first and raise green deposits thereafter.** (statement 2 is correct)

Q12. B

- The Reserve Bank of India (RBI) actively intervenes in the foreign exchange market to manage currency stability, control inflation, and maintain financial stability. One such intervention is the **buying of U.S. dollars** from the market.
- **When the RBI buys U.S. dollars** from the market, it **releases rupees into the system**, **increasing the supply of Indian currency**. As the rupee supply rises, **its value depreciates** rather than strengthening. A weaker rupee makes imports costlier and increases domestic inflationary pressures. (1 is not correct)
- Since buying dollars leads to **higher rupee liquidity**, it can result in **demand-pull inflation**, where increased money supply boosts spending, pushing up prices. Additionally, a **weaker rupee makes imports costlier**, especially for essential commodities like crude oil, electronic goods, and raw materials, leading to **cost-push inflation**. (2 is correct)
- A depreciated rupee makes **Indian goods cheaper in international markets**, increasing the competitiveness of exports. (3 is correct)

Q13. D

- **The securities market in India** plays a crucial role in mobilizing savings and channelling them into productive investments. It provides a platform for companies to raise funds and for investors to trade financial instruments such as stocks, bonds, and debentures. The market is broadly classified into the **primary market** and the **secondary market**, both of which are regulated by the **Securities and Exchange Board of India (SEBI)** to ensure transparency, efficiency, and investor protection. (statement 3 is correct)
- The **primary market** is where companies **issue new securities** for the first time to raise capital. This process occurs through **Initial Public Offerings (IPO)** or **Follow-on Public Offerings (FPO)**, where businesses sell shares or bonds directly to investors. The funds raised in the primary market are used for business expansion, infrastructure projects, or debt repayment. (statement 1 is correct)
- Unlike the secondary market, where investors buy and sell securities among themselves, the **primary market does not facilitate such trading**. Instead, in the primary market, the transaction occurs **between the issuing company and the investors**. Once the securities are allotted, they are later traded in the **secondary market**, where investors can freely buy and sell them. (statement 2 is correct)

Q14. C

- **Buffer stock** refers to the **reserve of essential food grains** maintained by the government to ensure **food security, price stability, and availability during emergencies** such as droughts, floods, or other disruptions.
- The **Food Corporation of India (FCI)** is the primary agency responsible for maintaining buffer stock, but it is **not the only agency**. Various **state government agencies (SGAs)** and cooperative organizations such as **National Agricultural Cooperative Marketing Federation of India (NAFED)** and **Small Farmers' Agribusiness Consortium (SFAC)** also participate in food grain procurement and storage. (statement 1 is not correct)
- While the government primarily procures food grains like **wheat and rice** under MSP to maintain buffer stocks, it **also procures other essential food items** like **onion** under different schemes. Additionally, strategic reserves of food items like **sugar and coarse** grains are sometimes maintained beyond MSP-based procurement. Recently, the central government had started bulk supply of onions to control market price of onion. (statement 2 is not correct)
- So, the option 'c' is correct

Q15. C

- The **Statutory Liquidity Ratio (SLR)** is the minimum percentage of a commercial **bank's net demand and time liabilities (NDTL)** that must be maintained in the form of **liquid assets, such as cash, gold, or approved government securities**, before offering credit to customers. It is a crucial tool used by the Reserve Bank of India (RBI) to regulate liquidity and control inflation in the economy.
- **When the RBI increases the SLR by 50 basis points (0.50%), banks are required to set aside a higher proportion of their deposits in liquid assets, reducing the funds available for lending.** This affects the overall liquidity in the banking sector and influences interest rates and credit growth.
- **Since banks have fewer funds to lend**, they may compensate by **raising interest rates** on loans, making borrowing costlier for businesses and individuals. (option 'c' is correct)
- While a reduction in credit availability may slow down economic growth, the impact is **gradual** rather than **dramatic**. (option 'a' is not correct)

Q16. C

- **Inflation** plays a crucial role in **determining the value of financial assets**, particularly **government bonds.** It influences interest rates, purchasing power, and investor sentiment in the economy.
- **When inflation rises, bond prices tend to fall** because higher inflation erodes the purchasing power of the fixed interest payments that bonds provide. (statement-I is correct)
    - Bonds give fixed interest payments, but if inflation rises, that fixed amount loses value over time. Investors then sell older bonds to buy newer ones with higher interest rates, making the price of old bonds fall.
- Inflation reduces the real value of fixed-interest returns. Instead of investing in fixed-income assets like bonds, investors often seek **inflation-hedging assets**, such as **gold, real estate, or stocks**, which have the potential to grow in value over time. (statement-II is incorrect)
    - **Example:** Imagine you invest **₹1,00,000** in a **fixed deposit (FD)** that offers **5% annual interest**. After one year, your total amount becomes **₹1,05,000**.
        - If inflation is **2%**, the real return (after adjusting for inflation) is **3%** (5% – 2%). This means you are still making a gain in purchasing power.
        - However, if inflation rises to **7%**, the real return becomes **-2%** (5% – 7%), meaning your money is losing value over time.

Q17. A

- The **US Federal Reserve (Fed)** plays a key role in shaping global financial markets. When the Fed **raises interest rates**, investors tend to shift their capital toward **US assets**, which offer safer and higher returns. This has significant consequences for emerging economies like India, affecting **capital flows, exchange rates, and overall economic stability**.
- When the US Fed **hikes interest rates**, global investors find US bonds and assets more attractive due to higher returns. As a result, **foreign portfolio investors (FPIs) withdraw funds from Indian stock and bond markets**, leading to **capital outflows**. This reduces liquidity in Indian financial markets and can cause stock market corrections. (1 is correct)
- With large capital outflows, the **demand for the US dollar rises** as investors convert their Indian holdings into dollars. This puts downward pressure on the Indian **rupee**, leading to **rupee depreciation**. A weaker rupee makes imports (especially crude oil) more expensive, increasing **inflationary pressures** in the economy. (2 is correct)
- A Fed rate hike can slow down capital inflows and increase borrowing costs in India. This can **impact business expansion and investment**, potentially reducing corporate profits and taxable income. However, the impact on **tax collection is not direct** and depends on broader economic factors. (3 is not correct)

Q18. B

- **Deep Trade Agreements are reciprocal agreements between countries that cover not just trade but additional policy areas, such as international flows of investment and labor, and the protection of intellectual property rights and the environment.** While these agreements are still referred to as trade agreements, their goal is integration beyond trade or deep integration.
- Deep trade agreements matter for economic development. The rules embedded in DTAs, along with multilateral trade rules and other elements of international economic law such as bilateral investment agreements, influence how countries (and, hence, the people and firms that live and operate within them) transact, invest, work, and, ultimately, develop. Trade and investment regimes determine the extent of economic integration, competition rules affect economic efficiency, intellectual property rights matter for innovation, and environmental and labour rules contribute to environmental and social outcomes.

Q19. A

- **Context:** 100 years of establishment of Indian Council of Agricultural Research (ICAR)-**National Institute of Secondary Agriculture (NISA)**
- **Secondary Agriculture** refers to activities that go beyond traditional farming, focusing on **processing, value addition, and commercialization** of agricultural products. Unlike **primary agriculture**, which involves growing crops and raising livestock, secondary agriculture includes **food processing, agro-based industries, bio-energy production, and rural entrepreneurship**. This sector helps in reducing **post-harvest losses**, increasing farmers' income, and generating employment in rural areas.
  - For example, converting wheat into flour, milk into cheese, or sugarcane into ethanol are key secondary agricultural activities that enhance the value of raw agricultural produce.
- Additionally, it also includes other agriculture-related activities like **beekeeping, poultry farming, agricultural tourism etc.**

Q20. C

- **The Open Network for Digital Commerce (ONDC)** represents a paradigm shift, promoting a democratic and interoperable digital commerce ecosystem thus fostering inclusivity and equity. ONDC enables buyers and sellers to transact seamlessly across different platforms.

- It helps by **reducing customer acquisition costs, enhancing business efficiencies, and expanding choices for merchants and consumers**.
- ONDC recorded more than 14 million transactions in the month of November 2024 across 1100+ cities. 7 lakh+ sellers and service providers are active on the ONDC network spread across 600+ cities and towns across India. 190+ network participants are live on the network.
- Presently, over 7000 farmer producer organisations (FPOs) have registered to be a part of the ONDC network through various seller network participants. Around 400 self-help groups (SHGs), micro-entrepreneurs, and social sector enterprises have been onboarded on the network. Mobility through the ONDC network is live in 15+ cities with around 5.45 lakh taxi and auto drivers onboarded.

- **Source: Economic Survey 2024-25**

Q21. C

- **Money market instruments are short-term financing instruments, typically for a period of one year or less** aiming to increase the financial liquidity of businesses.
- The main characteristic of money market instruments is that they **can be easily converted to cash**, thereby preserving an investor's cash requirements.
- The money market and its instruments are usually traded over the counter and, therefore, cannot be done by standalone individual investors themselves. It has to be done through certified brokers or a money market mutual fund.
- There are multiple types of money market instruments available, each of them aiming to boost the total productive capacity and hence, the GDP of the country. It also provides secure returns to investors looking for low-risk investment opportunities for a short tenure.
- One of the most important instruments is **Treasury Bills (T-Bills)**, which are issued by the Government of India to raise short-term funds. They have maturities of **91 days, 182 days, and 364 days** and are considered **risk-free** since they are backed by the government. (1 is correct)
- Another key instrument is **Commercial Paper (CP)**, which is **issued by large corporations and financial institutions** to meet their short-term working capital requirements. (3 is correct)
- **Certificates of Deposit (CDs)** are another widely used instrument, issued by **commercial banks and financial institutions** to raise fixed-term deposits from investors. These typically have maturities ranging from **7 days to 1 year** (for banks) and up to **3 years** (for financial institutions). (2 is correct)
- Additionally, **Call Money and Notice Money** are used by banks and financial institutions to manage short-term liquidity needs. **Call Money** has an overnight maturity, while **Notice Money** is for up to **14 days**.

Q22. A

- In our journey of realizing 'Sabka Vikas' by stimulating balanced growth of all regions, Exports have been reckoned as one of the powerful engines of India's growth story. The Union Budget 2025-26 tabled in Parliament, aims to initiate transformative reforms in domestic manufacturing and integrating India's economy with global supply chains.
- **BharatTradeNet**
  - A digital public infrastructure, 'BharatTradeNet' (BTN) **for international trade** has been proposed to be set-up as a unified platform **for trade documentation and financing solutions.** In the budget

speech Smt. Sitharaman stated that, "BTN will complement the Unified Logistics Interface Platform and will be aligned with international practices".

- **Source: Budget 2025-26**

Q23. A

- India is an agricultural powerhouse, producing a wide variety of crops due to its diverse climate and soil conditions. Different states specialize in cultivating specific crops based on factors like rainfall, temperature, and soil fertility. Understanding the largest producing states for key crops like rice, wheat, and maize is essential for agricultural planning, policymaking, and food security.

Table 1.18: Production of Important Crops in three Largest Producing States in 2023-24

(Production in Million Tonnes)

Crops/Groups of Crops	States	Production	Per cent Share of Production to All India	Cumulative per cent Share of Production
(1)	(2)	(3)	(4)	(5)
I. **Foodgrains**				
Rice	Telangana	16.87	12.24	12.24
	Uttar Pradesh	15.99	11.60	23.84
	West Bengal	15.69	11.38	35.22
Wheat	Uttar Pradesh	35.34	31.19	31.19
	Madhya Pradesh	22.58	19.93	51.12
	Punjab	17.74	15.66	66.78
Maize	Karnataka	5.71	15.16	15.16
	Bihar	5.63	14.95	30.11
	Madhya Pradesh	4.34	11.52	41.63

Q24. B

- **Monetization of the fiscal deficit** occurs when the central bank (e.g., the Reserve Bank of India) directly finances the government's deficit by **printing new money** instead of borrowing from the market. This increases the money supply in the economy, which can have significant economic consequences.
- When the central bank prints money to finance the fiscal deficit, it increases the money supply, leading to **higher demand for goods and services**. If supply does not increase at the same pace, it can result in **inflationary pressures**. (b is correct)
    - Monetization **increases** liquidity rather than reducing it, as new money enters circulation.
    - More money in the system generally **boosts demand**, not reduces it.
    - **High inflation and uncertainty** caused by monetization can **discourage private investment**

Q25. D

- **Krishi-DSS** is a first-of-its-kind geospatial platform specifically designed for Indian agriculture. The platform provides seamless access to comprehensive data including satellite images, **weather information**, **reservoir storage, groundwater levels and soil health information,** which can be easily accessed from anywhere at any time.
- Krishi-DSS includes several advanced modules designed to support comprehensive agricultural management. From the vast expanse of fields to the smallest soil particle, Krishi-DSS has it covered.
- **With crop mapping and monitoring,** we will be able to understand cropping patterns by analysing parcel-level crop maps over the different years. This information helps in **understanding crop rotation practices** and promotes sustainable agriculture by encouraging the cultivation of diverse crops.

- **Drought monitoring** will help to stay ahead of the drought, which gives near real-time information on various indicators i.e soil moisture, water storages, crop condition, dry spells etc, while crop weather watch will keep us informed about how weather is impacting the crops, crop harvest status, crop residue burning etc.

Q26. D

- In a **perfectly competitive market**, there are **many sellers and buyers**, and the products are **homogeneous (identical)**. No single firm can influence the market price.
    - **Example:** Agricultural markets like wheat and rice.
- A **monopoly** exists when there is **only one producer** with **no close substitutes** for the product. The firm has complete control over price and supply.
    - **Example:** Indian Railways (government monopoly in railway transport).
- In **monopolistic competition**, **many firms compete** but sell products that are **differentiated** through branding, quality, or other features. Each firm has some degree of pricing power.
    - **Example:** Fast food chains (McDonald's, KFC, and Burger King) sell similar but differentiated products).
- An **oligopoly** consists of **a few large firms** dominating the market. They may sell **identical or slightly differentiated** products, and their pricing and output decisions are interdependent.
    - **Example:** Automobile industry (Maruti Suzuki, Hyundai, Tata Motors)

Q27. B

- **The tax-to-GDP ratio** measures the percentage of a country's gross domestic product (GDP) that is collected through taxation. It reflects the government's capacity to generate revenue, which is essential for funding public services and investments. (statement 1 is correct)
- **Developed nations** typically have more comprehensive tax systems and higher tax compliance, leading to **higher tax-to-GDP ratios**. For instance, the average tax-to-GDP ratio for OECD countries is around 34%, whereas developing countries often have lower ratios. (statement 2 is correct)
- **Over the past decade,** India's tax-to-GDP ratio has shown an **upward trend.** Notably, the direct tax-to-GDP ratio reached a **15-year high of 6.6% in the fiscal year 2023-24, up from 6.1% in the previous year.** (statement 3 is incorrect)

Q28. C

- **ETFs are a sort of investment fund** that combines the best features of two popular assets: They combine the **diversification benefits of mutual funds with the simplicity** with which equities may be exchanged.
- An exchange-traded fund (ETF) is a collection of investments such as equities or bonds. **ETFs will let you invest in a large number of securities at once**, and they often have cheaper fees than other types of funds. ETFs are also more easily traded. (statement 1 is correct)
- **The assets that are underlying are owned by the fund provider**, who then forms a fund to track the performance and offers shares in that fund to investors. **Shareholders own a part of an ETF but not the fund's assets.** (statement 2 is correct)
- **Types of ETFs**
    - **Index ETFs:** These are funds that are designed to track a specific index.
    - **Fixed Income ETFs:** These funds are designed to provide exposure to nearly every type of bond available.
    - ETFs are designed to provide exposure to a specific industry, such as oil, medicines, or high technology.
    - **Commodity ETFs**: These funds are designed to track the price of a certain commodity, such as gold, oil, or corn.

Q29. A

- **A surety bond** is a risk transfer mechanism wherein an insurer provides a guarantee to a beneficiary or obligee that the principal or contractor will meet his contractual obligations.
- **In case the principal fails to deliver his promise, a monetary compensation is paid to the obligee by the insurer.**
- There are 3 parties involved:
    - **The Surety** (Insurance Companies like SBI General) will provide the financial guarantee to the Obligee /beneficiary.
    - **Obligee or Beneficiary** (example-Government, Infrastructure Development Authorities etc.) -the party that needs the surety and is often the beneficiary of the surety bond.
    - **Principal** (could be the owner or contractor)-the party that purchases the Surety bond from an insurer as a guarantee and undertakes a commitment to perform the obligations as per the contract entered.

Q30. A

- **Open Market Operations (OMO)** refer to the **buying and selling of government** securities in the open market **by the Reserve Bank of India (RBI).**
- This is done to regulate liquidity and control inflation or deflation in the economy. When the RBI buys securities, it injects liquidity into the banking system, and when it sells securities, it absorbs excess liquidity, thereby influencing interest rates and overall money supply.

Q31. C

- The **money multiplier** refers to the ability of the banking system to expand the money supply through the process of deposit creation. It is influenced by various factors that determine how much banks can lend and how much people keep in the banking system.
- **Factors that increase the money multiplier are:**
    - An **increase in the banking habits of people**, such as preferring digital transactions and deposits over cash holdings, ensures that more money remains within the banking system, enabling banks to lend more and enhance the money multiplier effect. (3 is correct)
    - **Lower Cash Reserve Ratio (CRR):** When the RBI reduces the CRR, banks have more funds to lend, increasing the money supply. (1 is correct)
    - **Lower Statutory Liquidity Ratio (SLR):** A lower SLR allows banks to use more of their deposits for lending instead of holding them in government securities.
    - **Higher Banking Efficiency:** If banks efficiently utilize deposits for lending and investments, the money multiplier effect strengthens.
    - **Higher Public Confidence in Banks**: If people **trust banks more**, they deposit more and withdraw less, allowing banks to lend more and increase the money supply.
    - **Increase in Credit Demand**: When businesses and individuals borrow more, banks extend more loans, increasing the money supply. (2 is correct)
    - **Stable Economic Environment**: If inflation and interest rates are stable, banks are more willing to lend, increasing the money creation process.

Q32. C

- **Monetary Policy in India** is the lifeblood of India's economy. As a critical economic management tool, it helps the RBI and the Government **to control the supply of money**, manage inflation, and achieve economic stability. (statement 1 is correct)

- The RBI uses **monetary policy** to regulate liquidity, interest rates, and credit flow in the economy. By adjusting policy tools like the **repo rate, reverse repo rate, Cash Reserve Ratio (CRR), and Open Market Operations (OMO)**, the RBI can either increase or decrease the money supply. (statement 2 is not correct)
- An **expansionary monetary policy** is aimed at increasing liquidity in the economy to stimulate growth. During such a policy, the **RBI purchases government securities** in the open market (OMO), injecting money into the banking system. This leads to increased lending by banks, lower interest rates, and higher economic activity. (statement 3 is correct)

Q33. D

- **According to the PLFS 2023-24, the agriculture sector remains dominant in employment, with its share rising from 44.1 per cent in 2017-18 to 46.1 per cent in 2023-24.** The share of industry and services sectors saw declines in employment share, with manufacturing falling from 12.1 per cent to 11.4 per cent, and services from 31.1 per cent to 29.7 per cent during the same period. (statement 1 is correct)
- **The share of female workers in agriculture has increased significantly, from 57.0 per cent in 2017-18 to 64.4 per cent in 2023-24,** whereas, male participation in agriculture decreased from 40.2 per cent to 36.3 per cent. Greater male involvement in sectors like construction, trade, hotel, restaurant, transport, storage and communication services is observed. (statement 2 is correct)
- In rural areas, female agricultural employment rose from 73.2 per cent in 201718 to 76.9 in 2023-24 per cent, while male participation decreased from 55.0 per cent to 49.4 per cent, reflecting a shift towards non-agricultural sectors during the same period. In urban areas, women predominantly work in other services, though this share declined slightly from 44.4 per cent in 2017-18 to 40.1 per cent in 2023-24.
- **From the gender perspective, the female labour force participation rate (FLFPR) has been rising for seven years,** i.e., from 23.3 per cent in 2017-18 to 41.7 per cent in 2023-24, driven mainly by the rising participation of rural women. The notable rise in the FLFPR is the primary driver of the overall improvement in the labour market indicators. (statement 3 is correct)
- **Source: Economic Survey 2024-25**

Q34. C

- **Inflation is the sustained rise in the general price level** of goods and services in an economy. It can be caused by various factors, including increased demand, rising production costs, or external shocks.
- **Demand-pull inflation** occurs when **aggregate demand exceeds aggregate supply**, leading to rising prices. One of the main causes is **expansionary fiscal policy**, where the government increases spending or reduces taxes to stimulate economic activity. This increases people's disposable income, boosting demand for goods and services, which in turn pushes prices upward. (pair 1 is correctly matched)
- **Cost-push inflation** arises when the **cost of production increases**, forcing businesses to raise prices. A significant factor contributing to this is the **rise in crude oil prices**, which increases transportation and manufacturing costs across industries. Since oil is a key input for various sectors, its price hike leads to a cascading effect on the economy, raising the cost of essential goods and services. (pair 2 is correctly matched)
- **Stagflation** is a unique economic condition where an economy experiences **high inflation, slow economic growth, and rising unemployment simultaneously**. This situation is often caused by **supply-side shocks**, such as a sharp increase in oil prices or poor economic policies that restrict productivity. Unlike typical inflation scenarios where higher demand leads to growth, stagflation presents a challenge as rising prices occur alongside economic stagnation. A historical example is the **1970s oil crisis**, when oil embargoes led to inflation and economic slowdown in many countries. (pair 3 is correctly matched)

Q35. B

- **Hyperinflation** is a situation where prices rise uncontrollably at an extremely high rate, leading to a sharp **decline in the value of money**. To counter hyperinflation, the government and central bank take **contractionary measures** to reduce excess liquidity in the economy.
- One of the most effective steps is to **increase interest rates and reduce the money supply.** Higher interest rates **discourage borrowing and encourage saving**, which helps absorb excess money from the economy. Additionally, the central bank can use **contractionary monetary policies** like selling government securities and increasing the Cash Reserve Ratio (CRR) to limit the flow of money. (option 'b' is correct)
- Cutting public spending can reduce money supply, but it alone is not enough. The most effective measure is **tightening monetary policy.**

Q36. B

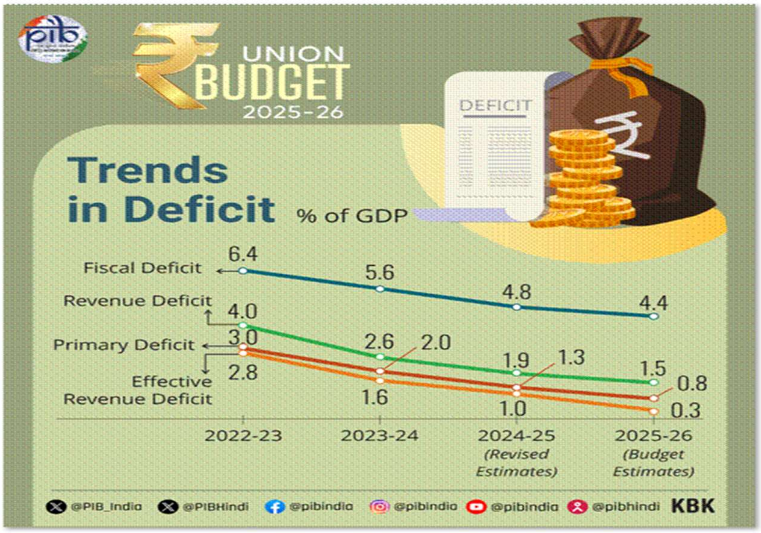
- **Minimum Export Price** is the **price below which an exporter is not allowed to export** the commodity from India. (statement 3 is correct)
- It is imposed in view of the **rising domestic retail / wholesale price** or production disruptions in the country. (statement 2 is correct)
- It is a kind of **quantitative restriction to trade**. (statement 1 is not correct)
- Government fixes MEP for the selected commodities with a view to arrest domestic price rise and augment domestic supply.
- This is intended to be imposed for short durations and is removed when situations change.
- The removal of MEP helps farmers / exporters in realising better and remunerative prices.
- MEP was first implemented on basmati rice in FY11 to deter exports and is typically implemented to contain surging domestic prices because of production disruptions.
- **Legal backing**
  - As per section 5 of the **The Foreign Trade (Development and Regulation) Act, 1992**, the Central Government may, from time to time, formulate and announce by notification in the Official Gazette, the export and import policy and may also, in the like manner, amend that policy.

Q37. C

- PCA full form stands for Prompt Corrective Action**. PCA is a system that the RBI imposes on banks showing signs of financial stress**. The regulator considers banks as unsafe if they fail to meet the standards on certain financial metrics or parameters.
- RBI takes into account four factors to determine whether it needs to put a bank under the PCA framework. These include **profitability, asset quality, capital ratios and debt level.**
- **The RBI introduced the PCA framework in 2002** as a structured early-intervention mechanism for banks that become undercapitalised due to poor asset quality, or vulnerable due to loss of profitability. (statement 2 is not correct)
  - The framework was reviewed in 2017 based on the recommendations of the working group of the Financial Stability and Development Council on Resolution Regimes for Financial Institutions in India and the Financial Sector Legislative Reforms Commission.
- It is imposed on banks having negative return on assets, that is banks which are loss making. (statement 1 is not correct)
- **It is aimed to check the problem of Non-Performing Assets (NPAs) in the Indian banking sector.** (statement 3 is correct)

Q38. D

- Reiterating the commitment to stay the course for fiscal consolidation, the Union Finance Minister stated that the Government endeavours to keep the fiscal deficit each year such that the Central Government debt remains on a declining path as a percentage of the GDP and the detailed roadmap for the next 6 years has been detailed in the FRBM statement. Smt. Sitharaman stated that the Revised Estimate 2024-25 of fiscal deficit is 4.8 per cent of GDP, while the Budget Estimates 2025-26 is estimated to be 4.4 per cent of GDP.



- Source: **Budget 2025-26**

Q39. A

- The Union Budget 2025-26 contained an announcement on the **Grameen Credit Score, a framework to be developed by public-sector banks for the credit needs of members of Self-Help Groups (SHGs) and people in rural areas.**
- The current credit scoring mechanism used by Credit Information Companies (ClCs) is, by design, generic to all individual borrowers with no specific consideration for the rural sector. A Grameen credit score tailored for the credit assessment purposes of SHG borrowers and the rural population would facilitate better credit assessment, thereby improving access to formal credit not just for SHGs but for the rural population, including farmers and marginalised communities.
- This is crucial for their economic growth and development. The Government is working out the modalities and contours of the Grameen Credit Score in consultation with the stakeholders.

Q40.

Answer: (c)

Explanation:

- Recently, the Reserve Bank of India (RBI) introduced a framework to allow foreign portfolio investors to convert their investments to foreign direct investment (FDI).
- **Any foreign portfolio investor investing above 10% of the total paid-up equity has the option of divesting their holdings or reclassifying such holdings as FDI.** (statement 2 is correct)
- **FDI is considered more stable and long-term** because it involves **direct ownership and management** in a company, often leading to technology transfer and infrastructure development. In contrast**, FPI is more volatile** as it consists of investments in stocks, bonds, and other financial assets, which can be easily withdrawn in response to market fluctuations. (statement 1 is correct)

Q41. B

- **Human capital formation** refers to the process of improving the **quality of human resources** through **education, skill development, healthcare, and institutional support**. It enhances productivity, innovation, and overall economic growth.
- **Education and skill development** play a fundamental role in human capital formation. A well-educated and skilled workforce is more productive, adaptable, and capable of driving economic progress. (1 is correct)
- **Social capital and institutional support** also contribute significantly to human capital formation. Strong institutions, good governance, and social networks provide the necessary framework for individuals to access education, healthcare, and employment opportunities. (2 is correct)
- **The construction of expressways** is **not a direct dimension of human capital formation.** While infrastructure development plays a crucial role in economic growth by enhancing trade, transportation, and connectivity, it does not directly improve human skills, knowledge, or health. Unlike education or institutional support, expressways contribute to **physical capital formation** rather than human capital. (3 is correct)

Q42. A

- **RRBs** were established under the **Regional Rural Banks Act, 1976**, to provide credit and financial services to rural and semi-urban areas, particularly for small and marginal farmers, agricultural labourers, and rural artisans.
- RRBs operate with a mix of ownership, where the **central government (50%), state government (15%), and sponsor banks (35%)** share the capital. Their primary objective is to ensure financial inclusion **by offering loans** for agriculture, micro-enterprises, self-help groups (SHGs), and rural infrastructure development. (statement 1 is correct and 2 is not correct)
- **Refinance banks**, on the other hand, **do not directly lend to individuals or businesses**. Instead, they provide **financial support to other banks and financial institutions** by offering them low-cost funds to enhance credit flow in the economy. A key example of a refinance bank in India is the **National Bank for Agriculture and Rural Development (NABARD)**, which refinances RRBs, cooperative banks, and commercial banks for rural and agricultural lending. Similarly, the **Small Industries Development Bank of India (SIDBI)** refinances loans for micro, small, and medium enterprises (MSMEs).

Q43. A

- The **Reserve Tranche Position (RTP)** refers to the portion of a country's **quota** with the **International Monetary Fund (IMF)** that can be accessed without stringent conditions. Every member country of the IMF contributes a **quota**, part of which is **held in reserve** and can be withdrawn when needed. Unlike regular IMF borrowing, using the RTP does **not require policy conditions or additional interest payments**.

Q44. C

- **The Financial Stability Report (FSR) is a half-yearly publication of RBI**, with contributions from all financial sector regulators. It presents the collective assessment of the Sub Committee of the Financial Stability and Development Council on current and emerging risks to the stability of the Indian financial system. (statement 1 is correct)
- **Findings:**
    - The global economy and the financial system are exhibiting resilience amidst heightened risks and uncertainties. While near-term prospects are improving, pitstops in the last mile of disinflation, high public debt, stretched asset valuations, economic fragmentation, geopolitical tensions, climate disasters and cyber threats present downside risks. Emerging market economies (EMEs) remain vulnerable to external shocks and spillovers.
    - Strong macroeconomic fundamentals and a sound and stable financial system have supported the sustained expansion of the Indian economy. Moderating inflation, a strong external position and

ongoing fiscal consolidation are anchoring business and consumer confidence. Domestic financial conditions are buttressed by healthy balance sheets across financial institutions, marked by strong capital buffers, improving asset quality, adequate provisioning and robust earnings.

  - **Scheduled commercial banks (SCBs) have been boosted by rising profitability and declining non-performing assets.** Return on assets (RoA) and return on equity (RoE) are close to decadal highs at 1.3 per cent and 13.8 per cent, respectively, while gross non-performing assets (GNPA) ratio and net non-performing assets (NNPA) ratios fell to multi-year lows of 2.8 per cent and 0.6 per cent, respectively. This has helped SCBs to maintain strong capital buffers: their capital to risk-weighted assets ratio (CRAR) and the common equity tier 1 (CET1) ratio at 16.8 per cent and 13.9 per cent, respectively, stood well above the regulatory minimum in March 2024. (statement 2 is correct)

Q45. A

- The government's revenue is broadly classified into **tax revenue and non-tax revenue**. Non-tax revenue refers to income earned by the government from sources other than taxes, such as fees, dividends, and interest payments.
- **Dividends from PSUs (Public Sector Undertakings)** are a major source of non-tax revenue for the government. The government, as a shareholder in various public sector enterprises, earns profits in the form of dividends.
- **Interest on loans** given by the government to states, public sector units, and foreign governments also forms a significant portion of non-tax revenue.
- **Fees and fines collected by government departments** include various charges such as court fees, license fees, toll charges, and penalties imposed for violations of laws and regulations. These payments are made by individuals and organizations for specific services or because of non-compliance, categorizing them under non-tax revenue.
- **Goods and Services Tax (GST)** is a form of **tax revenue**, not non-tax revenue. It is a consumption-based tax imposed on the supply of goods and services at different stages of production and distribution.

Q46. D

- **Since 2017-18**, in addition to the financial outlays of the Ministries/Departments schemes being indicated in the Budget document, the expected outputs and outcomes of the schemes are also presented in a **consolidated Outcome Budget document**, along with the regular Budget.
- These Outlays, Outputs and Outcomes are being presented to the Parliament in measurable terms, bringing **greater accountability** to the agencies involved in executing government schemes. The outlay is the amount that is provided for a given scheme in the Budget, while Output refers to the direct and measurable product of scheme activities, often expressed in physical terms or units. Outcomes are the collective results or qualitative improvements brought about in delivering these services.
- The Outcome Budget for the year 2025-26 presents (a) **the financial outlay, (b) clearly defined outputs and outcomes statement, (c) measurable output and outcome indicators, and (d) specific output and outcome targets.** This will significantly enhance transparency, predictability and ease of understanding of the Government's development agenda. (all four are correct)
- Through this exercise, the Government aims to nurture an **open, accountable, proactive and purposeful style of governance** by transitioning from mere outlays to result-oriented outputs and outcomes. This effort will enable Ministries/Departments to keep track of the scheme objectives and work towards the development goals they have set.

Q47. C

- As per the first advanced estimates of agricultural production for 2024-25, **total Kharif food grain production is** estimated at a record 1647.05 lakh metric tonnes (LMT), higher by 5.7 per cent compared to 2023-24 and 8.2 per cent **higher than the average food grain production in the past five years.** The estimated increase is mainly on account of the rise in rice, maize, coarse grains and oilseeds output. A normal southwest monsoon in 2024 has improved the water levels in reservoirs, ensuring sufficient water for irrigation during the rabi crop production. (statement 1 is correct)
- The industrial sector grew by 6 per cent in H1 FY25. Q1 saw a strong growth of 8.3 per cent, but growth moderated in Q2 due to three key factors. First, **manufacturing exports slowed significantly due to weak demand from destination countries, and aggressive trade and industrial policies in major trading nations.** Second, the aboveaverage monsoon had mixed effects - while it replenished reservoirs and supported agriculture, it also disrupted sectors like mining, construction, and, to some extent, manufacturing. Third, the variation in the timing of festivities between September and October in the previous and current years led to a modest growth slowdown in Q2 FY25. (statement 2 is not correct)
- **Acknowledging the importance of the Service Sector,** it has been termed as **'Old War Horse'** in the Economic Survey 2024-25 tabled in the Parliament. India's services sector has been the steadiest contributor to the Gross Value Added (GVA) in the economy. **Its contribution to the total GVA at current prices has increased from 50.6% in FY14 to about 55% in FY25.** The growth in the service sector, as measured by YoY change in the real GVA by services, has been above 6% in each year in the last decade, except for the Covid-19 pandemic that affected FY21. (statement 3 is correct)
- **Source: Economic Survey 2024-25**

Q48. D

- In macroeconomics, **fiscal deficit** and **revenue deficit** are key indicators of a government's financial health.
- **Revenue deficit** occurs when a government's total revenue expenditure exceeds its total revenue receipts, indicating that it is unable to meet its day-to-day expenses without borrowing.
- **Fiscal deficit**, on the other hand, represents the total shortfall between a government's total expenditure (both revenue and capital) and its total receipts (excluding borrowings).
- While fiscal deficit generally includes revenue deficit along with capital expenditure, it is **not always greater than or equal to revenue deficit**. In some cases, governments generate **high capital receipts (excluding borrowings)**—from sources like **disinvestment, asset sales, or sovereign wealth funds**—which help reduce fiscal deficit even when revenue deficit remains high.
- For example, **Saudi Arabia (2018-2019)** had a revenue deficit due to high public spending, but its fiscal deficit was lower because of **substantial capital receipts from oil revenues**. (statement-I is incorrect)
- **Fiscal deficit measures the total borrowing requirement of the government**. It represents the total shortfall between **total expenditure (both revenue and capital) and total receipts (excluding borrowings)**. Governments fill this gap primarily by borrowing from domestic or international markets. (statement-II is correct)

Q49. A

- **The Reserve Bank of India (RBI) has been actively increasing its gold reserves in recent years**. For instance, in November 2024, the RBI added 8 tonnes of gold, bringing its total holdings to 876 tonnes for that year. This indicates **a strategic move to diversify its reserves by incorporating more gold**. (statement-I is correct)
- Gold serves as a hedge against currency fluctuations and economic uncertainties. **By increasing gold reserves, the RBI aims to protect the purchasing power of India's forex reserves.** Gold's inverse relationship with the US dollar means that when the dollar's value declines, gold prices typically rise, thereby preserving the overall value of the reserves. **There is decline in confidence in dollar** assets among major central banks. (statement-II is correct and explains the statement-I)

Q50. B

- **The "Peace Clause" is related to the World Trade Organization (WTO)** and was introduced under the **Bali Package (2013)** during the 9th WTO Ministerial Conference.
- **What is the Peace Clause?**
  - It provides **temporary protection for developing countries**, including India, allowing them to provide **higher levels of subsidies for food security programs** without facing legal challenges under WTO rules.
  - Normally, WTO's **Agreement on Agriculture (AoA) sets a limit on agricultural subsidies** (10% of the value of agricultural production for developing countries).
  - The Peace Clause ensures that even if a country breaches this limit, no WTO member can challenge it under the Dispute Settlement Mechanism until a permanent solution is found.
- **India and the Peace Clause:**
  - India uses the Peace Clause to continue providing minimum support prices (MSP) and food subsidies under the National Food Security Act (NFSA).
  - India had invoked the peace clause at the World Trade Organization (WTO) for the fifth consecutive time for the marketing year 2022-23 (October-September) due to breaching the prescribed subsidy limit for rice offered to its farmers.
  - While the value of India's production of rice was $52.8 billion in 2022-23, a subsidy worth $6.39 billion was given to farmers during the year, India notified to the WTO. This means **the rice subsidy was 12 per cent of the value of production**, thereby breaching the 10 per cent domestic support ceiling, which is in accordance with global trade rules.

Q51. D

- The Economic Survey 2024-25 has warned **that excessive financialization** can harm the economy, with potentially severe consequences for a low-middle-income country like India.
- **Financialization** refers to the **increasing influence of financial motives, markets, instruments, actors, and institutions in both domestic and international economies.**
- It involves the growing dominance of finance tools in firm management, the impact of financial markets on decision-making, and the significance of the global financial system in capital distribution worldwide.
- It represents the shift from traditional industrial or productive activities (like manufacturing) to financial activities that involve the trading, management, and **speculation of financial assets.**
- It often leads to **corporate profit-seeking through financial instruments (e.g., stock buybacks, derivatives) rather than investment in real production**. It also affects households, as economies become **more dependent on debt and financial services** for consumption and investment.

Q52. B

- **India's external debt** continued to be sustainable and prudently managed. As of the end of March 2024, it stood at US$ 663.8 billion, growing by 6.4 per cent over the level a year ago.
- The **external debt ratio to GDP was 18.7 per cent**, while the foreign exchange reserves to external debt ratio were 97.4 per cent.
- At the end of March 2024, **the sovereign external debt at US$ 148.7 billion** rose by 11.5 per cent over its level a year ago, mainly because of increased foreign portfolio investment (FPI) in government securities. **The non-sovereign debt grew 5.0 per cent to US$ 515.1 billion** over the level at the end of March 2023. Commercial borrowings, NRI deposits and short-term trade credit are the three biggest constituents of non-sovereign debt, accounting for as much as 95.1 per cent of total non-sovereign debt. While NRI deposits increased by 9.4 per cent to US$ 151.9 billion, commercial borrowings grew by 13.3 per cent to US$ 250.4 billion. On the other hand, short-term trade credit at US$ 118.0 billion contracted by 4.8 per cent. (<u>statement 2 is correct</u>)

- **The long-term external debt constituted 81.5 per cent of the total, while the remaining 18.5 per cent was of short-term maturity**. Within short-term debt, trade credit for financing imports accounted for 96.3 per cent of the total short-term debt, underscoring the stability aspect of the debt. (statement 1 is not correct)
- **In terms of the denomination of external debt, the US dollar was the leading currency** (53.8 per cent). The Indian Rupee was the second leading currency (31.5 per cent), with debt mainly in the form of NRI deposits and FPI investment in Indian debt securities, providing an element of comfort from a currency risk standpoint. (statement 3 is not correct)

Q53. B

- India holds a **prominent position in global agriculture**, especially in cereal production and export, India's diverse agro-climatic conditions and advanced agricultural practices have enabled it to achieve remarkable milestones in this sector.
- According to the Third Advance estimate for the year 2023-24 by the Ministry of Agriculture of India, the production of major cereals like Rice, Wheat, Maize and Bajra stood at 136.7 million tonnes, 112.92 million tonnes, 35.67 million tonnes and 10.66 million tonnes respectively.
- **India is the world's largest producer of Millets** (38.40% of worlds production), **second-largest producer of Rice** (25.27% of worlds production) **& Wheat** (13.33% of worlds production) and fifth largest producer of Maize(2.9% of worlds production) (Source: Food & Agricultural Organisation (FAO) (Updated as on 01-12-2023)). (statement 1 is not correct)
- **According to FAO (2023) India is the largest producer as well as the largest exporter of cereal products in the world.** (statement 2 is correct)
    - Rice (including Basmati and Non-Basmati) occupy the major share in India's total cereals export with 95% (in value terms) during the same period.
    - **Major Export Destinations (2023-24):** Saudi Arabia, Iran, Iraq, Benin, United Arab Emirates and Vietnam.

Q54. C

- **Greenium** (Green Premium) refers to the discount in yield that investors accept when purchasing green bonds, meaning **they are willing to pay a higher price for sustainable investments compared to traditional bonds.**
- Lower yields **reduce borrowing costs for governments and companies** issuing green bonds, making eco-friendly projects more attractive.

Q55. C

- Union Minister of Commerce & Industry, Shri Piyush inaugurated the National Turmeric Board in New Delhi. Shri Goyal announced **Shri Palle Ganga Reddy** as **its first Chairperson.** The **headquarters of the Board has been set up at Nizamabad**, **Telangana.** (statement 3 is not correct)
- The Board will promote research and development of new turmeric products and will look into the value addition of turmeric related products for marketing abroad. The Board will also look into creating awareness on the essential and medical properties of turmeric, ways to increase its yield and boost logistics and supply chain to foster trade into newer markets.
- The turmeric is also known as ‘Golden Spice’, and newly formed Board will pay special attention to the welfare of the turmeric farmers spread across 20 states, including **Maharashtra, Tamil Nadu, Andhra Pradesh, Telangana, Madhya Pradesh, Meghalaya** and others.

- **India is the largest producer, consumer and exporter of turmeric in the world**. India has more than 62% share of world trade. During 2023-24, 1.62 lakh tonnes of turmeric and turmeric products valued at 226.5 million USD was exported. (statement 1 is correct)
- **Maharashtra stands as the top turmeric-producing state in India.** In the fiscal year 2024, it produced over 325 thousand metric tons. (statement 2 is correct)

Q56. D

- The Government of India fixes Minimum Support Price (MSP) for **23 mandated agricultural crops** on the basis of the recommendations of the Commission for Agricultural Costs & Prices (CACP), views of State Governments and Central Ministries/Departments concerned.
- At present, the Central Government sets MSP for 23 crops.These include:
  - 7 cereals (bajra, wheat, maize, paddy barley, **ragi** and **jowar**);
  - 5 pulses (tur, chana, **masur**, urad and moong);
  - 7 oilseeds (safflower, mustard, niger seed, soyabean, groundnut, sesamum and sunflower);
  - 4 commercial crops (raw jute, **cotton**, **copra** and sugarcane)

Q57. D

- The **Pradhan Mantri Bhartiya Jan Urvarak Pariyojana**, also known as the "**One Nation One Fertilizer**" scheme, aims to implement a **uniform branding strategy for all subsidized fertilizers across India**. Under this initiative, all subsidized fertilizers, such as urea, di-ammonium phosphate (DAP), Muriate of Potash (MoP), and NPK, are marketed under the **single brand name 'Bharat'**. This standardization ensures consistent quality and availability of fertilizers to farmers nationwide, reducing confusion caused by multiple brands and enhancing transparency in the fertilizer sector.

Q58. B

- The Donald Trump administration's decision to raise tariffs on aluminium imports from 10 to 25 per cent starting March 12 is set to hit Indian exporters, **for whom the United States has become the largest international market for aluminium products.** (statement 2 is correct)
- In 2023-24, India's aluminium exports to the US stood at $946 million (Rs 7,831 crore), after exceeding $1 billion in each of the previous two financial years, according to official trade data. Exports have surged in recent years, up from just $350 million in 2016-17, when Trump began his first term as US President.
- While India accounts for only 3 per cent of US aluminium imports, it is the largest supplier of aluminium conductors — stranded wires and cables used in electrical applications.
- **India is also the world's second-largest aluminium producer after China**, though much of its output is consumed domestically. (statement 1 is correct)

Q59. C

- **JNPT**, also known as Nhava Sheva, is located in **Navi Mumbai, Maharashtra**. It is the busiest container port in India, handling around **50% of the country's total containerized cargo** volume across major ports. (pair 1 is correct)
- Formerly known as the Port of Kolkata, **Syama Prasad Mookerjee Port** is India's **only major riverine port**, situated on the Hooghly River in West Bengal. It is the oldest operating port in India and is located approximately 232 kilometers from the sea. (pair 2 is correct)

- **Mundra Port,** located in Gujarat, **is India's largest private port**. It is operated by Adani Ports and Special Economic Zone Limited (APSEZ), a part of the Adani Group. (pair 3 is correct)

Q60. A

- Unemployment is a crucial economic indicator that reflects the state of a country's labor market. It can be classified into various types based on its causes and characteristics.
- **Disguised Unemployment** is a situation where **more workers are employed than necessary**, leading to reduced productivity. It is common in agriculture and other labor-intensive sectors, where removing some workers would not affect total output. (pair 1 is not correct)
- **Structural Unemployment** occurs due to a **mismatch between workers' skills and available jobs**, often caused by technological advancements or changes in the economy. It requires retraining and skill development to address the issue. (pair 2 is correct)
- **Frictional Unemployment** refers to **temporary unemployment** faced by individuals transitioning between jobs or entering the workforce. It is a natural part of job searching. (pair 3 is not correct)

Q61. C

- The Cabinet Committee on Economic Affairs (CCEA), chaired by Prime Minister Narendra Modi, has approved two major ropeway projects in Uttarakhand under the **National Ropeways Development Programme – Parvatmala Pariyojana.** The 12.4 km Govindghat to Hemkund Sahib Ji ropeway will be developed at a cost of ₹2,730.13 crore, while the 12.9 km Sonprayag to Kedarnath ropeway is sanctioned at ₹4,081.28 crore. Both projects will be executed under the Design, Build, Finance, Operate, and Transfer (DBFOT) model in a **Public-Private Partnership (PPP)** framework.
- To enhance last-mile connectivity in remote and hilly regions, the Government of India, in the **2022 Budget**, announced the **National Ropeways Development Programme – Parvatmala under the Public-Private Partnership (PPP) mode.**
- **Implemented by the National Highway Logistics Management Limited (NHLML),** the initiative aims to develop over **250 ropeway projects** covering 1,200 km within five years, providing a sustainable and efficient alternative to conventional road transport. (statement 2 is correct)
- **Aligned with the 'Make in India' initiative, the programme mandates at least 50% indigenous components in ropeway construction**. With minimal environmental impact, ropeways offer a cost-effective, energy-efficient, and reliable transport solution for India's challenging terrains. (statement 1 is correct)

Q62. C

- The Indian Census is the largest single source of various statistical information on various characteristics of the people of India. With a history of more than 130 years, this reliable, time-tested exercise is bringing in a real insight into the data every 10 years, **beginning in the year 1872 when the first census was conducted non-synchronously in different parts of India**. The Indian Census has been an attractive source of data for scholars and researchers in demography, economics, anthropology, sociology, statistics and many other disciplines. The rich diversity of India's people is indeed revealed by the decadal census, which has become a tool for understanding and studying India. (statement 1 is correct.)
- The responsibility of conducting the decadal census rests with the Office of the Registrar General and Census Commissioner of India, **Ministry of Home Affairs**, Government of India. (statement 2 is not correct)
- It may be of historical interest that although the population census of India is a major administrative task; Census organization was set up on an ad-hoc basis for each census till the year 1951 census. **The Census Act was enacted in the year 1948 to provide a plan for conducting population census along with the duties and responsibilities of census officers.** (statement 3 is correct)

- The Government of India decided in May 1949 to take steps to develop a systematic collection of data on population size, its growth, etc. and set up an organization in the Ministry of Home Affairs under the **Registrar General of India and ex-officio Census Commissioner**. This organization was created to prepare data on population figures including vital statistics and census. Later, this office was also entrusted with the task of implementation of the **Birth and Death Registration Act, 1969** in the country.

Q63. B

- **Since 2000, International Organization for Migration (IOM) has been producing its flagship world migration reports every two years**.
- The **World Migration Report 2024**, the twelfth in the world migration report series, has been produced to contribute to increased understanding of migration and mobility throughout the world. This new edition presents key data and information on migration as well as thematic chapters on highly topical migration issues and is structured to focus on two key contributions for readers: Part I: key information on migration and migrants (including migration-related statistics); and Part II: balanced, evidence-based analysis of complex and emerging migration issues.

Q64. B

- The **interest coverage ratio** measures how easily a company can pay interest on its outstanding debt. It is calculated as **EBIT (Earnings Before Interest and Taxes) divided by interest expenses**.
- A **low interest coverage ratio** means that the company's earnings are barely sufficient to cover its interest expenses, indicating **higher financial risk** and a possible risk of default.
- A **high interest coverage ratio**, on the other hand, suggests strong profitability and financial stability.

Q65. B

- **Most-favoured-nation (MFN):** treating other people equally. **Under the WTO agreements, countries cannot normally discriminate between their trading partners.** Grant someone a special favour (such as a lower customs duty rate for one of their products) and you have to do the same for all other WTO members.
- This principle is known as most-favoured-nation (MFN) treatment. It is so important that it is the **first article of the General Agreement on Tariffs and Trade (GATT),** which governs trade in goods. MFN is also a priority in the **General Agreement on Trade in Services (GATS)** (Article 2) and the Agreement on **Trade-Related Aspects of Intellectual Property Rights (TRIPS)** (Article 4), although in each agreement the principle is handled slightly differently. Together, those three agreements cover all three main areas of trade handled by the WTO.
- **Some exceptions are allowed.** For example, countries can set up **a free trade agreement** that applies only to goods traded within the group — discriminating against goods from outside. Or they **can give developing countries special access** to their markets. Or a **country can raise barriers against products that are considered to be traded unfairly** from specific countries. And **in services, countries are allowed, in limited circumstances**, to discriminate. But the agreements only permit these exceptions **under strict conditions**. In general, MFN means that every time a country lowers a trade barrier or opens up a market, it has to do so for the same goods or services from all its trading partners — whether rich or poor, weak or strong.

Q66. C

- **Insurance penetration and density** are two metrics, among others, often used to assess the level of development of the insurance sector in a country**. While insurance penetration is measured as the**

percentage of insurance premiums to GDP, insurance density is calculated as the ratio of premiums to population (per capita premium). (statement 1 is correct)

- Globally, the share of life insurance business in total premium was 46.34 per cent and the share of non-life insurance premium was 53.66 per cent during 2019. However, **the share of life insurance business for India was high at 74.94 per cent while the share of non-life insurance business was at 25.06 percent.** (statement 2 is correct)
- **Budget 2025-26** aims to initiate transformative reforms across six domains which will augment our growth potential and global competitiveness during the next five years, the Union Finance & Corporate Affairs Minister said while presenting the Union Budget 2025-26 in the Parliament
- One of these domains is **Financial Sector** which encompasses sectors like Insurance, Pensions, Bilateral Investment Treaties (BIT). Smt. Nirmala Sitharaman informed that the **FDI limit for the insurance sector will be raised from 74 to 100 per cent**. This **enhanced limit will be available for those companies which invest the entire premium in India**. (statement 3 is not correct)

Q67. B

- **The core sector in India** comprises eight key industries: **coal,** crude oil, natural gas, refinery products, fertilizers**, steel, cement**, and electricity.
- The growth rate of the core sector is a crucial indicator of the overall health of the Indian economy. A strong growth rate in the core sector often signals a positive economic outlook.
- The core sector's performance is considered a key indicator of a country's overall industrial and economic performance, serving as a barometer for gauging the health of the economy and predicting future economic trends. For example, steel is a critical material for construction, automobiles, and machinery. Electricity is essential for powering factories, homes, and businesses.
- The core sector industries have significant interconnections with other sectors. This interdependence creates a multiplier effect, where changes in the core sector's growth or contraction impact the entire economy.

Q68. A

- **Opportunity cost** refers to the value of the **next best alternative that is forgone** when a choice is made. Since resources are limited, individuals, businesses, and governments must decide how to allocate them efficiently. For example, if a person spends money on a vacation instead of investing in education, the opportunity cost is the potential knowledge and career growth they sacrificed. It plays a crucial role in decision-making by helping assess trade-offs and ensuring optimal use of available resources.

Q69. D

- The Government of India classifies Central Public Sector Enterprises (CPSEs) into three categories—**Maharatna, Navratna, and Miniratna**—based on specific eligibility criteria.
- Public Sector Undertakings (PSUs) in India are also classified based on their specific non-financial objectives and are registered under Section 8 of the Companies Act, 2013 (formerly Section 25 of the Companies Act, 1956). In 2010, the government introduced the Maharatna category to recognize higher-performing PSUs.
- **Eligibility Criteria for a Maharatna Company:**
    - **Must hold Navratna status.** (1 is correct)
    - Listed on the Indian stock exchange with the required minimum public shareholding as per Securities and Exchange Board of India (SEBI) regulations.
    - **Should have an average annual net profit after tax exceeding Rs. 5,000 crore over the last three years.** (2 is correct)
    - **Must maintain an average annual turnover of Rs. 25,000 crore for three years,** (3 is correct)

- **An average annual net worth of Rs. 15,000 crore for three years.** (4 is correct)
- Must demonstrate a global presence or international operations.

- Maharatna status is a prestigious designation granted to select Central Public Sector Enterprises (CPSEs) in India. Here are some key benefits of Maharatna status:
  - **Greater Autonomy:** Maharatna companies enjoy greater operational and financial autonomy compared to other CPSEs. This allows them to make quicker and more efficient decisions.
  - **Investment Capabilities:** These companies can invest up to ₹5,000 crore or 15% of their net worth in a single project without requiring government approval.
  - **Strategic Flexibility:** Maharatna companies have the freedom to undertake mergers, acquisitions, and strategic investments both domestically and internationally.
  - **Human Resource Management:** The Board of Directors of Maharatna companies has the authority to create posts below the level of the Board of Directors and make decisions related to human resource management and training.
  - **Global Expansion:** The status aims to empower these companies to expand their operations and emerge as global giants.
  - **Financial Performance:** To qualify for Maharatna status, companies must demonstrate exceptional financial performance, including high turnover, net worth, and profitability over the past three years.

Q70. A

- **The Reserve Bank's annual publication "State Finances: A Study of Budgets"** provides a comprehensive analysis of the fiscal position of State governments in India. This year's Report covering the period 2022-23 (actuals) to 2024-25 (budget estimates) takes 'Fiscal Reforms by States' as its theme. The analysis shows that State governments have demonstrated fiscal prudence by containing their consolidated gross fiscal deficit and revenue deficit, while continuing to improve the quality of expenditure. While States' total outstanding liabilities have been declining, they remain above the pre-pandemic level.

Q71. A

- **Cess** is mentioned in the Constitution of India **under Article 270,** while **Surcharge** is mentioned separately under **Article 271.** However, both concepts have constitutional backing. (statement 1 is not correct)
- **Cesses** are recognized in the Constitution under **Article 277 and Article 270 (which outlines the revenue-sharing framework between the Union and States).**
- **Cess** is levied for a **specific purpose** (e.g., Education Cess, Health Cess) and must be used **exclusively** for that purpose.(statement 2 is correct)
  - Cesses are typically charged for a specific time period, or until the government has gathered enough funds for the designated purpose.
- **The 80th Amendment** formally amended Article 270, explicitly excluding cesses and surcharges from the divisible pool (revenue from cesses is not shared with states). (statement 3 is not correct)

Q72. C

- The banking and financial sector remains stable and well-capitalised, and is catering to the financing needs of the economy.
- Stability in the banking sector is underscored by declining asset impairments, robust capital buffers, and strong operational performance.
- **As per the RBI's Financial Stability Report (FSR), December 202437, the gross non-performing assets (NPAs) in the banking system have declined to a 12-year low** of 2.6 per cent of gross loans and advances. (statement 1 is correct)

- **The capital-to-risk-weighted assets ratio (CRAR) for SCBs stands at 16.7 per cent as of September 2024, well above the norm.** (statement 2 is correct)
- The profitability of SCBs improved during H1 FY25, with profit after tax (PAT) surging by 22.2 per cent YoY, while the Return on Equity (RoE) and Return on Assets (RoA) have improved on a YoY basis. Macro stress tests suggest that banks' overall capital levels would stay above the regulatory minimum even in adverse scenarios.
- **Source: Economic Survey 2024-25**

Q73. D

- **Project mBridge** reached the minimum viable product (MVP) stage in mid-2024. The project **aimed to explore a multi-central bank digital currency (CBDC) platform** shared among participating central banks and commercial banks, built on distributed ledger technology (DLT) to enable instant cross-border payments and settlement.
- **Project mBridge** was a collaboration between the **Bank for International Settlement (BIS) Innovation Hub** Hong Kong Centre, the Hong Kong Monetary Authority, the Bank of Thailand, the Digital Currency Institute of the People's Bank of China and the Central Bank of the United Arab Emirates.
- The project aimed to tackle some of the key inefficiencies in cross-border payments, including high costs, low speed and operational complexities. It also addressed financial inclusion concerns, particularly in jurisdictions where correspondent banking (which connects countries to the global financial system) has been in retreat, causing additional costs and delays. Multi-CBDC arrangements that connect different jurisdictions in a single common technical infrastructure offer significant potential to improve the current system and allow cross-border payments to be immediate, cheap and universally accessible with final settlement.

Q74. A

- De-dollarisation is a topic that's been making waves in the global economic landscape and its implications for India are both intriguing and multifaceted. Let's dive into the concept and explore how it might influence the Indian economy.
- De-dollarisation refers to the gradual shift away from the dominance of the U.S. dollar in international trade and finance. Many countries, including India, have been exploring ways to reduce their reliance on the dollar due to various economic and geopolitical reasons.
- De-dollarisation has brought about an **increase in trade denominated in local currencies,** including the Indian Rupee. This development has given India more **leeway in setting monetary policy** and protecting its economy from external shocks.
- De-dollarisation will have **more autonomy in setting India's monetary policy**, **contributing to better control over inflation and overall Indian economic stability.** (option a is correct.)
- To reduce vulnerability to external shocks, De-dollarisation is imperative which can insulate the Indian economy from external shocks and changes in US monetary policy.

Q75. A

- **The Ministry of Fisheries, Animal Husbandry & Dairying** launched India's first organic fisheries cluster in **Soreng District, Sikkim** under the Pradhan Mantri Matsya Sampada Yojana (PMMSY).
- It aims to produce antibiotic, chemical, and pesticide-free organic fish for eco-conscious markets globally.
- The initiative promotes **sustainable aquaculture and ecologically healthy fish farming,** preventing pollution and damage to aquatic ecosystems.
- **National Bank for Agriculture and Rural Development** will fund infrastructure, build capacities, and form Fisheries-based Farmer Producer Organizations (FFPOs) to support the cluster.

Q76. D

- The rural co-operative credit system in India is primarily mandated to ensure flow of credit to the agriculture sector. It comprises short-term and long-term co-operative credit structures.The short-term co-operative credit structure operates with a three-tier system - Primary Agricultural Credit Societies (PACS) at the village level, Central Cooperative Banks (CCBs) at the district level and State Cooperative Banks (StCBs) at the State level.
- **PACS are outside the purview of the Banking Regulation Act, 1949 and hence not regulated by the Reserve Bank of India.** (statement 1 is correct)
- Multi-State Co-operative Societies including Multi-State Co-operative Banks are **regulated by Ministry of Cooperation** under the provisions of Multi-State Co-operative Societies Act, 2002. In addition, **Multi-State Co-operative Banks are also regulated under the provisions of the Banking Regulation (BR) Act, 1949, by the Reserve Bank of India (RBI).** (statement 2 is correct)
- The State Cooperative Banks are governed under the provisions of **concerned State Cooperative Societies Act.**
- In addition, **State Cooperative Banks are also regulated** under the provisions of the BR Act, 1949, **by the RBI and supervised by National Bank for Agricultural and Rural Development (NABARD)** in terms of financial performance and credit policies. (statement 3 is correct)

Q77. D

- In 2004-05, India's exports were predominantly directed to regions like North America, the European Union, North-East Asia, West Asia-Gulf Cooperation Council, and ASEAN. By 2013-14, there was a marked increase in export values across these regions, with North America, the EU, and West Asia seeing notable growth.
- Fast forward to 2023-24, and the export landscape shows continued expansion, with North America leading as the largest destination. The EU, West Asia, and ASEAN also experienced robust growth, illustrating India's diversified and strengthened global trade relationships over the years.
- In 2023-24, the top merchandise export destinations for India included the
  - **USA (17.90%),**
  - **UAE (8.23%),**
  - **Netherlands (5.16%),**
  - **China (3.85%),**
  - **Singapore (3.33%),**
  - UK (3.00%),
  - Saudi Arabia (2.67%),
  - Bangladesh (2.55%),
  - **Germany (2.27%),** and
  - Italy (2.02%).

- Together, these 10 countries made up 51% of India's total merchandise export value in 2023-24.

Q78. B

- **Drip pricing** is a pricing technique in which firms **advertise only part of a product's price and reveal other charges later as the customer goes through the buying process.** The additional charges can be mandatory charges, such as hotel resort fees, or fees for optional upgrades and add-ons.

Q79. D

- **The Indian pharmaceutical industry is the world's third-largest by volume.** The industry boasts of a diverse product portfolio encompassing generic drugs, bulk drugs, over-the-counter medications, vaccines, biosimilars, and biologics, establishing a strong global presence. The total output of the pharmaceuticals, medicinal and botanical products industry in FY23, at constant prices, reached ₹4.56 lakh crore, with a value-added of ₹1.76 lakh crore16. The total annual turnover of pharmaceuticals in FY24 was ₹4.17 lakh crore, growing at an average rate of 10.1 per cent in the last five years. (statement 1 is not correct)

- **Exports account for 50 per cent of the total turnover, with its value at ₹2.19 lakh crore** in FY24. **The total import of pharmaceuticals was worth about ₹58,440.4 crore**. The government has taken various measures to support the sector like PLI scheme and Strengthening of Pharmaceuticals Industry (SPI) among others. PLI scheme aims to attain self-reliance and reduce import dependence in critical Key Starting Materials (KSMs)/Drug Intermediates and Active Pharmaceutical Ingredients (APIs). SPI addresses the demand to support the existing pharma clusters and MSMEs across the country to improve their productivity, quality and sustainability. (statement 2 is not correct)

Q80. A

- **Syndicated loans** started as a way of allowing lenders to lend large sums of money to a single borrower, where the sums involved went far beyond the credit appetite of a single lender.
- An investment grade syndicated loan is usually a **multi-lender transaction**, where lenders (usually banks) contract with a borrower to provide a loan on common terms and conditions governed by a common document (or sets of documents).
- It is structured so that multiple banks contribute funds, **reducing the financial burden and risk for any single institution**. The lead arranger organizes the loan while other banks participate, ensuring diversified risk-sharing.

Q81. C

- Since about **more than 90% of India's trade by volume is conducted via the country's maritime route,** there is a continuous need to develop India's ports and trade related infrastructure to accelerate growth in the manufacturing industry and to assist the 'Make in India' initiative. India has 12 major ports and approximately 200 non-major ports administered by Central and State Governments respectively.
- Giving special emphasis to modernization of Indian ports under Sagarmala, 234 projects at cost of Rs. 2,91,622 Cr. have been undertaken for implementation. Out of total 234 projects, 94 projects worth Rs. 31,517 Cr. have been completed and 65 projects worth Rs. 79,958 Cr are under implementation.
- **New Ports:** 14 projects related to development of new ports with estimated investment of Rs. 1,70,842 Cr. have been identified. Three projects at **Honavar in Karnataka**, Chhara in Gujarat and Kakinada SEZ in Andhra Pradesh are currently under implementation and further new port development expected at 11 locations across India which broadly includes **Vadhavan in Maharashtra**, Transhipment Port at South Bay of Andaman Islands, **Ramayyapatnam in Andhra Pradesh**, and CNG Terminal at Bhavnagar Port etc. (all pairs are correctly matched)

Q82. D

- India's agriculture is characterised by diversity, with performance varying significantly across different segments and states. As a major global cereal producer, India accounts for 11.6 per cent of the world's total output. **However, crop yields in the country are considerably lower compared to those of other leading producers**, underscoring the need for productivity improvements.

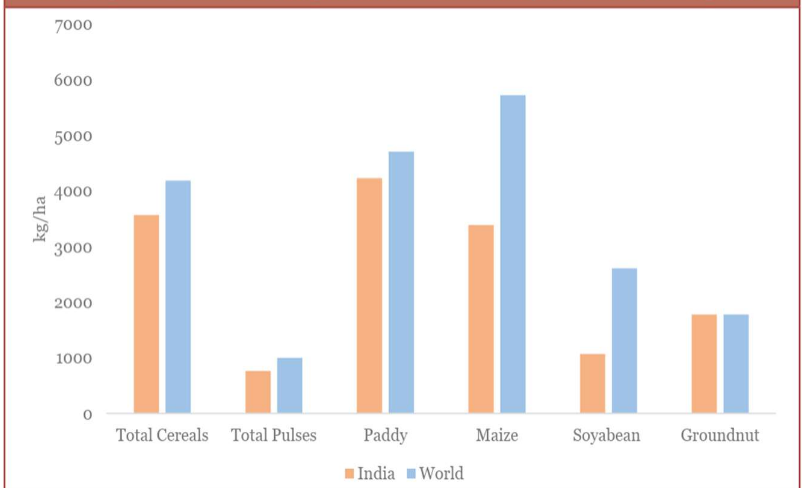
- 

Chart IX.5: International Comparison of Productivity for Selected Crops, 2022

Source: Price Policy for Kharif Crops 2024-25, CACP

Q83. A

- **Long-Term Capital Gains (LTCG)** tax applies to profits earned from the sale of assets like real estate, mutual funds, and stocks held for a specified period.
- To ensure that inflation does not unfairly inflate tax liabilities, the concept of **indexation benefits** is introduced. Indexation allows the purchase price of an asset to be adjusted for inflation using the **Cost Inflation Index (CII)**, thereby reducing the taxable capital gains and ultimately lowering the tax burden.

Q84. B

- **According to the data of Ministry of Mines, India is net exporter of iron ore. However, it is the net importer of the gold and copper ore.**
- **Exports**

Mineral	2018-19		2019-20		2020-21		2021-22		2022-23	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Copper Ores & Conc.	1,81,642	1,662.76	2,12,659	2,045.09	82,463	768.94	34,827	396.46	26,336	243.54
Iron Ore	1,70,53,670	9,262.61	3,73,03,850	18,609.27	5,84,05,280	36,255.60	2,64,96,516	24,148.04	2,11,68,464	14,429.97
Gold Primary	0.51	144.13	1.73	574.27	4.19	1,889.57	0.13	46.4	2.62	1,192.02

- **Imports**

Mineral	2018-19		2019-20		2020-21		2021-22		2022-23	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Copper Ores & Conc.	8,23,938	12,146.20	8,21,555	8,667.52	4,15,136	5,907.16	10,18,935	22,381.43	11,78,920	27,374.43
Iron Ore	1,68,31,630	5,913.67	75,15,830	940.98	72,42,200	844.52	66,81,975	3,538.93	17,91,399	1,594.75
Gold Primary	983	2,29,536.50	720	1,99,249.50	651	2,54,288.47	879	3,44,092.82	678	2,80,480.

Q85. A

- **The export of spices and spice products reached an all-time high in FY 2023-24 and attained 4.46 billion USD.**
- During 2023-24 the export of spices/spice products from the country has been 15,39,692 tons valued Rs.36958.80 crore (4464.17 million US$).
-

ITEM-WISE EXPORT OF SPICES FROM INDIA (QTY. IN TONNES & VALUE IN Rs. LAKHS)										
	2019-20		2020-21		2021-22		2022-23(*)		2023-24(*)	
ITEM	QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE
	(MT)	(RS.LAKHS)	(MT)	(RS.LAKHS)	(MT)	(RS.LAKHS)	(MT)	(RS.LAKHS)	(MT)	(RS.LAKHS)
PEPPER	17,000	57,370.94	19,980	57,068.74	21,863	75,331.23	17,958	72,686.41	17,890	73,648.88
CARDAMOM(S)	1,850	42,537.15	6,486	110,346.58	10,571	137,566.95	7,352	87,514.87	6,168	99,959.85
CARDAMOM(L)	1,310	7,090.17	1,220	9,635.74	1,981	15,448.21	1,883	13,720.19	1,281	14,815.41
CHILLI	496,000	671,039.53	649,815	924,126.56	557,144	858,458.36	516,177	1,044,412.31	601,084	1,249,248.45
GINGER	60,410	52,905.00	145,974	84,982.34	147,677	83,651.76	50,885	43,246.06	60,833	64,688.57
TURMERIC	137,650	128,690.53	183,868	172,264.56	152,758	153,442.05	170,085	166,699.49	162,019	187,586.79
CORIANDER	47,135	39,831.38	57,359	49,627.93	48,656	48,247.51	54,481	66,501.19	108,624	94,820.97
CUMIN	214,190	332,806.00	298,423	425,154.66	216,971	334,367.40	186,509	419,359.76	165,269	579,723.43
CELERY	6,230	6,903.85	7,438	9,815.24	7,579	9,854.19	5,248	7,755.76	6,599	10,074.31
FENNEL	24,220	23,162.14	33,742	29,396.40	40,139	41,197.20	21,201	31,437.42	39,565	66,960.91
FENUGREEK	26,570	15,690.38	40,340	26,703.34	32,402	26,285.83	35,055	26,680.17	30,855	26,612.76
OTHER SEEDS (1)	37,580	22,080.72	68,266	42,629.21	47,167	40,445.48	57,431	48,089.08	39,438	36,177.50
GARLIC	22,280	17,182.52	17,643	14,971.04	22,135	18,575.04	57,346	24,579.64	73,950	44,118.84
NUTMEG & MACE	2,900	13,280.00	3,812	19,115.33	3,597	21,798.86	3,447	22,127.57	5,143	28,687.69
OTHER SPICES (2)	37,235	66,545.96	128,755	297,147.81	109,369	159,957.89	116,269	193,701.29	102,133	186,808.08
CURRY POWDER/PASTE	38,370	81,278.66	51,347	117,064.38	52,479	115,836.50	57,924	141,689.27	72,421	175,727.66
SPICE OILS & OLEORESINS	13,000	244,682.74	16,997	340,568.76	21,920	447,823.73	18,398	408,551.25	18,762	412,300.59
MINT PRODUCTS (3)	24,470	383,202.24	27,519	366,713.38	36,254	444,144.18	26,708	357,386.49	27,659	343,919.81
TOTAL(incl others)	1,208,400	2,206,279.91	1,758,985	3,097,331.96	1,530,661	3,032,432.44	1,404,357	3,176,138.22	1,539,692	3,695,880.50
Value in Million USD		3,110.63		4,178.80		4,068.47		3,952.68		4,464.17

Q86. D

- International Finance Corporation (IFC) — a **member of the World Bank Group** — is the **largest global development institution focused on the private sector in emerging markets.**
- In fiscal year 2024, IFC committed a record $56 billion to private companies and financial institutions in developing countries, leveraging private sector solutions and mobilizing private capital to create a world free of poverty on a livable planet.
- **To enhance critical road infrastructure and bolster climate resilience in highway development, IFC has invested ₹860 crore (~$98.35 million) in India's first sustainability-linked bond (SLB)** in the road sector, issued by **Cube Highways Trust (Cube InvIT)**

Q87. D

- **Price discrimination** occurs when a seller charges different prices to different consumers for the same product or service based on various factors, without a corresponding difference in cost.
- **First-degree price discrimination** (also known as **perfect price discrimination**) occurs when a seller charges each consumer the maximum price they are willing to pay for a product or service. This allows the seller to capture the entire consumer surplus.
    - **Example**: Some **lawyers or doctors** may charge different fees based on the financial status of the client/patient.
- **Selling the same product at different prices based on the time of purchase** (such as peak vs. off-peak pricing) is an example of **second-degree price discrimination**, where prices vary based on usage conditions or time sensitivity. (statement 3 is correct)
- **Offering rebates or credit terms to some buyers but not others is a form of third-degree price discrimination,** where customers are segmented based on their ability to negotiate or their purchasing behaviour. (statement 1 is correct)
- **Offering discounts to students and senior citizens** is also **third-degree price discrimination**, as it differentiates customers based on demographic factors. (statement 2 is correct)

Q88. C

- **Svavalambini Programme** was launched by the **Ministry of Skill Development and Entrepreneurship (MSDE)**, in collaboration with **NITI Aayog** in **Assam, Meghalaya and Mizoram.** (statement 1 is correct)
- **This initiative is aimed at empowering female students in select Higher Education Institutions (HEIs) in the northeast** by equipping them with the essential entrepreneurial mind-set, resources, and mentorship they need to succeed in their entrepreneurial journey. (statement 2 is correct)
- MSDE through Indian Institute of Entrepreneurship (IIE) in collation with NITI Aayog, a structured stage-wise entrepreneurial process—from awareness to development, mentorship, and funding support, has been introduced.
- Those who successfully build their ventures will be recognized and awarded, ensuring that their success stories inspire others.
- The initiative aims to provide structured training through the Entrepreneurship Awareness Programme (EAP) which introduces 600 female students to entrepreneurship as a viable career option.

Q89. B

- Spurring agricultural growth and productivity is one of the development measures proposed in the Union Budget 2025-26. **Agriculture is one of the four powerful engines** amongst MSME, Investment and Exports, stated Union Minister of Finance and Corporate Affairs, Smt. Nirmala Sitharaman, while presenting the Union Budget 2025-26, in the Parliament
- **Prime Minister Dhan-Dhaanya Krishi Yojana- Developing Agri Districts Programme:**
- The Union Finance Minister stated that **motivated by the success of the Aspirational Districts Programme**, the Government will undertake a 'Prime Minister Dhan-Dhaanya Krishi Yojana' in partnership with states. Through the convergence of existing schemes and specialized measures, **the programme will cover 100 districts with low productivity, moderate crop intensity and below-average credit parameters.** (statement 1 is not correct)
- The programme **aims to enhance agricultural productivity; adopt crop diversification and sustainable agriculture practices;** augment post-harvest storage at the panchayat and block level; improve irrigation facilities and facilitate availability of long-term and short-term credit**.** This programme is likely to help 1.7 crore farmers. (statement 2 is correct)

Q90. D

- The 'Agriculture and Allied Activities' sector has long been the backbone of the Indian economy, playing a vital role in national income and employment. With nearly 46.1 per cent of the population engaged in agriculture and allied activities, ensuring financial security and accessible credit for farmers remains a top priority for the government.
- Recognizing this, the **Union Budget 2025-26** introduces key measures to strengthen agricultural financing, particularly through **the Kisan Credit Card (KCC) scheme.**
- The KCC scheme has been instrumental in fulfilling farmer's financial needs. With a significant increase in the loan limit under the **Modified Interest Subvention Scheme from ₹3 lakh to ₹5 lakh**; this year's budget underscores the government's commitment to empowering farmers and boosting agricultural productivity.
- The **Kisan Credit Card (KCC)** scheme is designed to provide farmers with adequate and timely credit to meet their diverse financial needs. It helps farmers access institutional credit easily, ensuring their financial stability and agricultural productivity. The scheme offers support for:

- **Cultivation and post-harvest activities:** Ensuring funds are available for cultivation and post-harvest costs.
- **Marketing loans:** Helping farmers bridge financial gaps until they sell their produce at competitive market rates.
- **Household consumption needs:** Offering financial support to meet essential household expenses, preventing dependency on informal lending sources.
- **Working capital for farm assets:** Assisting in the maintenance of essential farming equipment and infrastructure.
- **Investment credit for allied activities:** Expanding financial access to animal husbandry, dairying, fisheries, and other agricultural extensions.

Q91. D

- **The exchange rate of a currency** plays a crucial role in international trade and economic competitiveness. However, a single exchange rate against one currency (e.g., INR to USD) does not provide a complete picture of a country's overall exchange rate dynamics. To address this, economists use two broader indicators: **Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER).** These indices measure the **value of a country's currency relative to a weighted basket of multiple trading partner currencies**, giving a better understanding of currency valuation and trade competitiveness.
- The **NEER** is an index that represents the weighted average exchange rate of a country's currency **relative to a basket of multiple foreign currencies**, without adjusting for inflation differences. It helps assess how the currency is performing **in nominal terms** against its major trading partners.
  - A **higher NEER** indicates that the **domestic currency has appreciated**, making exports **less competitive** and imports **cheaper**.
  - Conversely, a **lower NEER** means the **domestic currency has depreciated**, making exports **cheaper** and imports **costlier**.
- The **REER** is an **inflation-adjusted version of NEER**. It accounts for the **differences in inflation rates** between the home country and its trading partners, making it a more accurate measure of a currency's real purchasing power and trade competitiveness. (Statement-II is correct)
  - $\text{REER} = \text{NEER} \times \text{Foreign Price Level} \div \text{Domestic Price Level}$
  - If the **REER is greater than 100**, it suggests that the currency is **overvalued**, making exports more expensive and reducing trade competitiveness. If **REER is below 100**, the currency is **undervalued**, making exports cheaper and imports more expensive, which can boost export-driven growth.
- The Nominal Effective Exchange Rate (NEER) **is not always greater than the Real Effective Exchange Rate (REER)**. The relationship between NEER and REER depends on the relative inflation levels of India compared to its trading partners. (statement I is not correct)
  - If **India's inflation is higher** than its trading partners, the **REER will be greater than NEER**, indicating that the Indian currency is overvalued in real terms.
  - If **India's inflation is lower** than its trading partners, the **REER will be lower than NEER**, suggesting an undervalued currency.
- Thus, statement-I is incorrect and statement-II is correct.

Q92. B

- **Corporate Social Responsibility (CSR)** refers to a company's responsibility to contribute positively to society by engaging in activities like environmental protection, education, healthcare, and rural development.
- The Corporate Social Responsibility concept in India is **governed by Section 135 of the Companies Act, 2013 ('Act')**, Schedule VII of the Act and Companies (CSR Policy) Rules, 2014 wherein the criteria has been provided for assessing the CSR eligibility of a company, Implementation and Reporting of their CSR Policies. (statement 1 is correct)
- The provisions of CSR applies to every company fulfiing any of **the following conditions** in the preceding financial year:

- Net worth of more than Rs.500 crore
- Turnover of more than Rs.1000 crore
- Net profit of more than Rs.5 crore
- (statement 1 is not ccorrect)

- The Board of Directors of every company for which the CSR provisions apply must ensure that the company spends in every financial year **at least 2% of its average net profits made during the immediately preceding three financial years** as per its CSR policy. If the company has not completed three financial years since its incorporation, it must spend 2% of its average net profits made during the immediately preceding financial years as per its CSR policy.

Q93. C

- **Government receipts** are broadly classified into **revenue receipts** and **capital receipts**, depending on their impact on liabilities and assets.
- Capital receipts either **increase government liabilities** (such as borrowing from the market, foreign loans, or issuing bonds) or **reduce government assets** (such as disinvestment or sale of government property).
  - Examples:
    - **Borrowings from domestic or foreign sources** (which increase liabilities).
    - **Disinvestment proceeds** (which reduce asset value).
    - **Recovery of loans given by the government** (which reduces government assets).
- Revenue receipts include the government's earnings that **do not lead to an increase in liabilities or a reduction in assets**. These receipts are used for day-to-day expenses.
  - Examples:
    - **Tax revenue** (such as income tax, GST, corporate tax, excise duties).
    - **Non-tax revenue** (such as fees, fines, interest on loans given by the government, and dividends from PSUs).

Q94. A

- **The Digital Agriculture Mission** is designed as an **umbrella scheme** to support various digital agriculture initiatives. These include creating Digital Public Infrastructure (DPI), implementing the Digital General Crop Estimation Survey (DGCES), and supporting IT initiatives by the Central Government, State Governments, and Academic and Research Institutions.
- The Mission envisages the creation of Digital Public Infrastructure for Agriculture such as **Agristack, Krishi Decision Support System, Comprehensive Soil Fertility & Profile Map** and other IT initiatives undertaken by Central Government/State Governments.
- **Agristack project** is one of the major components of this Mission, which consists of three foundational registries or databases in the agriculture sector, i.e., the Farmers' Registry, Geo-referenced village maps and the Crop Sown Registry, **all created and maintained by the State Governments/ Union Territories.** The central government is providing administrative and technical support to all the states for implementation of the mission. (statement 2 is not correct)
- **A crucial feature of AgriStack is the introduction of a 'Farmer ID', similar to Aadhaar card, serving as a trusted digital identity for farmers.** (statement 1 is correct)
  - These IDs, created and maintained by the State Governments/ Union Territories, will be linked to various farmer-related data, including land records, livestock ownership, crops sown, and benefits availed.

Q95. D

- Recently, the **Ministry of Commerce & Industry** released the **6th Logistics Ease Across Different States (LEADS) 2024 report.**
- It is an **annual assessment** released by the Ministry of Commerce and Industry to promote inter-state competitiveness and help policymakers improve logistics performance.
- LEADS was conceived on the lines of the **Logistics Performance Index (LPI) of World Bank** in 2018.
- The report assesses logistics performance based **on four key pillars**:
    - Logistics Infrastructure
    - Logistics Services
    - Operating and Regulatory Environment
    - **Sustainable Logistics (introduced in 2024).**

Q96. D

- **The demand for a commodity** in the market is influenced by multiple factors, including price, availability of substitutes, consumer income, and external conditions like government policies and seasonal changes.
- **The price of the commodity** itself plays a crucial role, as per the **law of demand**, where a rise in price leads to a decrease in demand, and a fall in price increases demand.
- Similarly, the **price of a substitute good** affects demand—if the price of a competing product rises, consumers may switch to the given commodity, increasing its demand.
- **Government policies and taxes** also play a significant role. Higher taxes on a product may discourage its consumption, whereas subsidies or tax exemptions can make it more affordable, increasing demand.
- Additionally, **seasonal changes impact demand patterns**, as certain goods, such as woolen clothes in winter or cold beverages in summer, experience fluctuations based on weather conditions.
- **A rise in consumers' income** affects purchasing power—when income increases, people tend to buy more of normal goods, boosting demand, whereas for inferior goods, demand may decline as consumers shift to better alternatives.

Q97. A

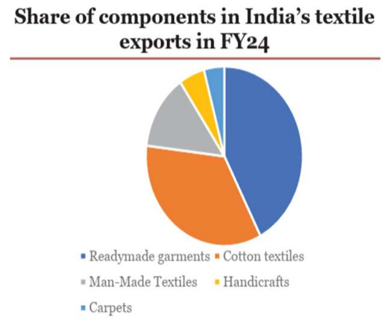
- A **Line of Credit (LoC)** is a financial arrangement in which a lender (usually a bank) provides a borrower with access to funds **up to a specified credit limit**. Unlike traditional loans, the borrower can **withdraw funds as needed**, repay them, and borrow again within the limit. This makes it a **flexible borrowing option** for individuals, businesses, or even governments. The borrower pays interest only on the amount used rather than the entire credit limit. **Export-import financing and international financial aid agreements often use LoCs to facilitate trade and economic assistance.**
- Indian government often gives line of credit for neighbouring countries like Bhutan, Maldives, Sri Lanka, etc.

Q98. D

- As part of **India's Space Vision 2047**, the Union Cabinet has approved four key projects:
    - the **Gaganyaan** follow-on mission, which will pave the way for the establishment of the first module of the Bhartiya Antariksh Station;
    - the **Chandrayaan-4** Lunar Sample Return Mission;
    - the **Venus Orbiter Mission**; and
    - the **development of the Next Generation Launch Vehicle.**
- These initiatives aim to enhance India's technological capabilities, foster industry collaboration, and strengthen the country's position in global space exploration.
- **Source: Economic Survey 2024-25**

Q99. A

- **The textile industry is a major employment generator, and it accounts for about 11 per cent of India's manufacturing GVA.** (<u>statement 1 is correct</u>)
- **India is a leading producer of jute and ranks second globally in cotton, silk, and man-made fibre production.** (<u>statement 2 is correct</u>)



- India is the sixth largest exporter of textiles and apparel and has a share of about 4 per cent of the global trade in this segment. The share of textiles and apparel, including handicrafts, in India's total merchandise exports stood at about 8 per cent in FY24.
- After having recorded a high of USD 44.44 billion in FY22, India's export of textiles and apparel, including handicrafts, stood at USD 35.87 billion in the FY24, compared to export of USD 36.69 billion in FY23. India is looking to diversify its export market to other regions.
- India has traditionally focused on cotton textiles. Globally, manmade fibre (MMF) consumption is dominant. Hence, in order to move towards a higher global MMF share, it is essential to simultaneously focus on MMF along with cotton textiles.
- **Technical textiles** are another area of potential growth14. India's technical textile industry is rapidly growing, ranking fifth globally. Indian technical textiles market stands at US$26.8 billion in FY2415**. India is a net exporter of technical textiles**, with exports valuing US$2.58 billion in FY24. To assist the technical textiles manufacturing ecosystem, the government has introduced several initiatives, including the Production Linked Incentive (PLI) scheme. (<u>statement 3 is not correct</u>)
- **Source: Economic Survey 2024-25**

Q100. D

- **The IMF created the SDR as a supplementary international reserve asset in 1969**, when currencies were tied to the price of gold and the US dollar was the leading international reserve asset. The IMF defined the SDR as equivalent to a fractional amount of gold that was equivalent to one US dollar.
- When fixed exchange rates ended in 1973, the **IMF redefined the SDR as equivalent to the value of a basket of world currencies**. The **SDR itself is not a currency** but an asset that holders can exchange for currency when needed. The SDR serves as the unit of account of the IMF and other international organizations.
- As of the latest revision, the SDR basket includes the following five currencies:
  - **US Dollar (USD)**
  - **Renminbi (Chinese Yuan - CNY)**
  - **Japanese Yen (JPY)**
  - **Euro (EUR)**
  - **Pound Sterling (GBP)**
  - **The Indian Rupee (INR) has never been a part of the SDR basket.**
- **Individuals and private entities cannot hold SDRs.** IMF members – and the IMF itself – hold SDRs and the IMF has the authority to approve other holders, such as central banks and multilateral development banks, while individuals and private entities cannot hold SDRs. As of February 2023, there were 20 organizations approved as prescribed holders.

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