

ForumIAS

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## Prelims Marathon

19th to 25th July, 2021

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*HISTORY  
ECONOMICS  
POLITY  
SCIENCE AND TECHNOLOGY  
GEOGRAPHY AND ENVIRONMENT*

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## *Government Budgeting & Fiscal Policy*

**Q.1)** Which of the following is/are part of “revenue expenditure”?

1. Subsidies forwarded to all sectors by the government.
2. Postal Deficits of the government.
3. Grants given by the government to Indian states and foreign countries.

Select the correct answer using the codes given below:

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

**ANS: D**

**Explanation:** All expenditures incurred by the government are either of revenue kind or current kind or compulsive kind. The basic identity of such expenditures is that they are of consumptive kind and do not involve creation of productive assets. They are either used in running of a productive process or running a government. A broad category of things that fall under such expenditures in India are:

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

Source: Ramesh Singh

**Q.2)** Consider the following statements regarding measures to achieve “Fiscal Consolidation” in India:

1. Cutting down the burden of salaries and pensions.
2. Cutting down the Administered Price Mechanisms.
3. Higher education declared as non-priority sector.

Which of the statements given above is/are correct?

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

**ANS: D**

**Explanation:** India started the politically and socially painful process of fiscal reforms, a step towards fiscal consolidation. A number of steps were taken by the government at the

## **PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

Centre in this direction and there had been incessant attempts to do the same in the states' public finances too. Major highlights in this direction can be summed up as given below:

Policy initiatives towards cutting revenue deficits:

- Cutting down the burden of salaries, pensions and the PFs (downsizing/ right-sizing of the government, out of every 3 vacancies 1 to be filled up, interest cut on the PF, pension reforms-PFRDA, etc.);
- Cutting down the subsidies (Administered Price Mechanism in petroleum, fertilizers, sugar, drugs to be rationalised, it was done with mixed successes);
- Interest burden to be cut down (by going for lesser and lesser borrowings, pre-payment of external debts, debt swaps, promoting external lending, minimal dependence on costlier external borrowings, etc.);
- General Services to be motivated towards profit with subsidized services to the needy only (railways, power, water, etc.);
- Postal deficits to be checked by involving the post offices in other areas of profit;
- Higher education declared as non-priority sector; fees of institutions of professional courses revised upward; etc.

Source: Ramesh Singh

**Q.3)** Consider the following statements with respect to “Expenditure Management Commission (EMC)”:

1. It was created through executive resolution.
2. Raghuram rajan was the first chairman of EMC.

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

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

**ANS: B**

**Explanation:** By early September 2014, the GoI constituted an Expenditure Management Commission (EMC) through a Resolution.

- The EMC will look into various aspects of expenditure reforms to be undertaken by the government and other issues concerning Public Expenditure Management.
- The Commission has one full time, one part time and one ex-officio members other than Chairman of (Cabinet rank). Dr. Bimal Jalan is its first Chairman.

Source: Ramesh Singh

**Q.4)** Consider the following statements with respect to “Effective Revenue Deficit” (ERD):

1. It is aimed to deduct the money used out of borrowing to finance capital expenditure.
2. It is suggested by the Bimal Jalan Committee on Public Expenditure.

Which of the statements given above is/are correct?

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

**ANS: A**

**Explanation:** Effective Revenue Deficit is the difference between revenue deficit and grants for creation of capital assets.

- The concept of effective revenue deficit has been suggested by the Rangarajan Committee on Public Expenditure.

## **PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

- It is aimed to deduct the money used out of borrowing to finance capital expenditure.
- The concept has been introduced to ascertain the actual deficit in the revenue account after adjusting for expenditure of capital nature.
- Focusing on this will help in reducing the consumptive component of revenue deficit and create space for increased capital spending.
- Though the Budget documents have given targets for revenue deficit, the amendments to the Fiscal Responsibility and Budget Management Act 2003 has proposed to substitute the definitions of “effective revenue deficit” and “revenue deficit” with those of “Central government debt” and “general government debt” respectively.

Source: Ramesh Singh

**Q.5)** Which of the following is/are recommendations of “N K Singh committee”?

1. The combined debt-to-GDP ratio of the centre and states should be brought down to 80 per cent by 2023.
2. The Committee advocated Fiscal Deficit as the operating target to bring down public debt.
3. The Committee also recommends that centre reduce its revenue deficit steadily by 0.5% GDP points each year.

Select the correct answer using the codes given below:

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

**ANS: B**

**Explanation:** The FRBM Review Committee headed by former Revenue Secretary, NK Singh was appointed by the government to review the implementation of FRBM. In its report submitted in January 2017, titled, ‘The Committee in its Responsible Growth: A Debt and Fiscal Framework for 21st Century India’, the Committee suggested that a rule based fiscal policy by limiting government debt, fiscal deficit and revenue deficits to certain targets is good for fiscal consolidation in India. Following are the main recommendations of the NK Singh Committee.

- Public debt to GDP ratio should be considered as a medium-term anchor for fiscal policy in India. The combined debt-to-GDP ratio of the centre and states should be brought down to 60 per cent by 2023 (comprising of 40 per cent for the Centre and 20% for states) as against the existing 49.4 per cent, and 21per cent respectively.
- Fiscal deficit as the operating target: The Committee advocated fiscal deficit as the operating target to bring down public debt. For fiscal consolidation, the centre should reduce its fiscal deficit from the current 3.5% (2017) to 2.5% by 2023.
- Revenue deficit target: The Committee also recommends that the central government should reduce its revenue deficit steadily by 0.25 percentage (of GDP) points each year, to reach 0.8% by 2023, from a projected value of 2.3% in 2017.
- Formation of Fiscal Council to advice the government: The Committee advocated formation of institutions to ensure fiscal prudence in accordance with the FRBM spirit. It recommended setting up an independent Fiscal Council. The Council will provide several advisory functions.
- Escape Clause to accommodate counter cyclical issues.

Source: Sriram’s IAS

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

**Q.6)** Consider the following statements regarding “Pigovian Tax”:

1. It is a tax placed on any good which creates negative externalities.
2. Carbon tax is an example of Pigovian Tax.

Which of the following codes below given is/are correct?

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

**ANS: C**

**Explanation:** A Pigovian tax is a tax placed on any good which creates negative externalities.

- The aim of a Pigovian tax is to make the price of the good equal to the social marginal cost and create a more socially efficient allocation of resources.
- It is named after the economist Arthur Pigou who developed the concept of externalities in the 1920s.
- A carbon tax aims to make individuals and firms pay the full social cost of carbon pollution. In theory, the tax will reduce pollution and encourage more environmentally friendly alternatives.

Source: Ramesh Singh

**Q.7)** With reference to the “Tax-to-GDP” ratio of India, which of the following statements is/are correct?

1. Higher the tax to GDP ratio the better financial position the country will be in.
2. India’s Tax-to-GDP ratio is higher than the average OECD Tax-to-GDP ratio.

Select the correct answer using the codes given below:

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

**ANS: A**

**Explanation:** Tax-to-GDP ratio represents the size of a country's tax kitty relative to its GDP.

- It is a representation of the size of the government's tax revenue expressed as a percentage of the GDP.
- Higher the tax to GDP ratio the better financial position the country will be in.
- The ratio represents that the government is able to finance its expenditure. A higher tax to GDP ratio means that the government is able to cast its fiscal net wide.
- It reduces a government's dependence on borrowings.
- Although India has improved its tax-to-GDP ratio in the last six years, it is still far lower than the average OECD ratio which is 34 per cent.
- India's tax-to-GDP ratio is lower than some of its peers in the developing world. Developed countries tend to have higher tax-to-GDP ratio.

Source: The Hindu

**Q.8)** Which of the following is an example of “Stealth Tax”?

- a) Personal Income Tax
- b) Corporate Tax
- c) Sales Tax
- d) Excise Tax

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

**ANS: C**

**Explanation:** Stealth taxes are sometimes built into the prices of products so that consumers do not see how much tax they are paying.

- In comparison to income taxes and property taxes, stealth taxes are smaller and less visible.
- Because of their lower visibility they attract significantly less attention than income or property taxes.
- Governments find stealth taxes easier to collect than other types of taxes because the government collects them at the point of sale and they do not depend on a taxpayer's income level.
- The most common stealth tax is the sales tax.

Source: Ramesh Singh

**Q.9)** Which of the following statements is/are correct about "Tobin tax"?

1. It is a tax imposed on all foreign exchange transactions.
2. It is not implemented anywhere in the world till now.

Select the correct answer using the codes given below:

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

**ANS: C**

**Explanation:** It is a proposal of imposing small tax on all foreign exchange transactions with the objective to discourage destabilizing speculation and volatility in the foreign exchange markets.

Proposed by the Nobel prize-winning economist James Tobin (1918– 2002), the tax has never been implemented anywhere in the world so far.

Source: Ramesh Singh

**Q.10)** Which of the following state taxes is/are subsumed under Goods and Service Tax (GST)?

1. State VAT
2. Central Sales Tax
3. Entry Tax

Select the correct answer using the codes given below:

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

**ANS: D**

**Explanation:** The introduction of the Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India.

By amalgamating a large number of Central and State taxes into a single tax, GST will mitigate ill effects of cascading or double taxation in a major way and pave the way for a common national market.

The government rolled out GST with effect from 1st July 2017. State taxes that would be subsumed within the GST are:-

- State VAT
- Central Sales Tax

## PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021

- Purchase Tax
  - Luxury Tax
  - Entry Tax (All forms)
  - Entertainment Tax and Amusement Tax (except those levied by the local bodies)
  - Taxes on advertisements
  - Taxes on lotteries, betting and gambling
  - State cesses and surcharges in so far as they relate to supply of goods and services.
- Source: Sriram's IAS

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## *Balance of Payments and Convertibility*

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**Q.1)** When an increase in one form of net exports drives up a country's exchange rate, it is called as?

- a) French Disease
- b) Austria Disease
- c) Chinese Fever
- d) Dutch Disease

**ANS: D**

**Explanation:** When an increase in one form of net exports drives up a country's exchange rate, it is called the Dutch Disease.

- Such instances make other exports noncompetitive in the world market and impair the ability of domestic products to compete with imports.
- The term originated from the supposed effect of natural gas discoveries on the Netherlands economy.

Source: TMH Ramesh Singh

**Q.2)** "A graph showing those combinations of the two commodities that leave the consumer equally well off or equally satisfied"- describes which of the following?

- a) Supply Curve
- b) Indifference Curve
- c) Production Possibility Frontier
- d) Demand Curve

**ANS: B**

**Explanation:** An indifference curve, with respect to two commodities, is a graph showing those combinations of the two commodities that leave the consumer equally well off or equally satisfied—hence indifferent—in having any combination on the curve.

- Indifference curves are heuristic devices used in contemporary microeconomics to demonstrate consumer preference and the limitations of a budget.
- Economists have adopted the principles of indifference curves in the study of welfare economics.

Source: TMH Ramesh Singh

**Q.3)** A country's balance of trade initially worsens following a devaluation of its currency, then quickly recovers and finally surpasses its previous performance – describes which of the following?

- a) Laffer Curve effect
- b) Kuznets Curve effect
- c) Producers responsibility effect
- d) J – Curve effect

**ANS: D**

**Explanation:** The J-curve effect is often cited in economics to describe, for instance, the way that a country's balance of trade initially worsens following a devaluation of its currency, then quickly recovers and finally surpasses its previous performance.

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Source: TMH Ramesh Singh

**Q.4)** “Internal Debt” of India consists of which of the following?

1. Dated securities
2. External Assistance
3. Securities issued to International Financial Institutions
4. Short term borrowings

Select the correct answer using the codes given below:

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

**ANS: A**

**Explanation:** Internal debt of India consists of:

- Dated government securities or G-secs.
- Treasury Bills or T-bills
- External Assistance
- Short term borrowings
- Public Debt definition by Union Government

Source: Economic Survey

**Q.5)** The term “Crowding out Effect”, often seen news, is related to which of the following?

- a) Rise in individual investment
- b) Rise in foreign investment
- c) Rise in borrowing of government
- d) Rise in private sector borrowings

**ANS: C**

**Explanation:** In some situations, such as high budget deficit etc, there is rise in government borrowing from the market.

- Due to the excessive borrowing by the government from the market, there is little credit left for private sector to borrow.
- As a result, interest rate rises, making borrowings by private sector costly and leading to decline in private investment. This is known as crowding out effect.
- The private borrowing and subsequent private investment is discouraged.

Source: The Hindu

**Q.6)** The term “Autarky” is associated with which of the following?

- a) Service Sector
- b) International trade
- c) Defense sector
- d) Pension sector

**ANS: B**

**Explanation:** Autarky: The idea of self-sufficiency and ‘no’ international trade by a country. None of the countries of the world has been able to produce all the goods and services required by its population at competitive prices, however, some tried to live it up at the cost of inefficiency and comparative poverty.

Source: TMH Ramesh Singh

## **PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

**Q.7)** Consider the following statements regarding the Economic Census:

1. It is conducted by Ministry of Statistics and Programme Implementation.
2. It provides aggregated information on various operational and structural aspects of all establishments in the country.

Which of the statements given above is/are correct?

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

**ANS: A**

**Explanation:** The Economic Census is being conducted by Ministry of Statistics and Programme Implementation (MoSPI) to provide disaggregated information on various operational and structural aspects of all establishments in the country.

All entrepreneurial units in the country which are involved in any economic activities of either agricultural or non-agricultural sector which are engaged in production and/or distribution of goods and/or services not for the sole purpose of own consumption.

Source: TMH Ramesh Singh

**Q.8)** Consider the following statements regarding the Comparative Advantage:

1. It refers to easy control of Inflation by an economy.
2. It is a foundational principle in the theory of international trade.
3. The law of Comparative Advantage was propounded by John Nash.

Which of the statements given above is/are correct?

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

**ANS: B**

**Explanation:** Comparative advantage is an economic term that refers to an economy's ability to produce goods and services at a lower opportunity cost than that of trade partners.

- A comparative advantage gives a company the ability to sell goods and services at a lower price than its competitors and realize stronger sales margins.
- The law of comparative advantage is popularly attributed to English political economist David Ricardo and his book "On the Principles of Political Economy and Taxation" in 1817, although it is likely that Ricardo's mentor James Mill originated the analysis.
- One of the most important concepts in economic theory, comparative advantage is a fundamental tenet of the argument that all actors, at all times, can mutually benefit from cooperation and voluntary trade. It is also a foundational principle in the theory of international trade.

Source: TMH Ramesh Singh

**Q.9)** Consider the following statements regarding Foreign Portfolio Investment (FPI):

1. FPI has a shorter time frame for investment return.
2. Portfolio investment offers control over the business entity in which the investment is made.

Which of the statements given above is/are correct?

- a) 1 only

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

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

**ANS: A**

**Explanation:** Foreign portfolio investment (FPI) refers to investing in the financial assets of a foreign country, such as stocks or bonds available on an exchange.

- This type of investment is at times viewed less favorably than direct investment because portfolio investments can be sold off quickly and are at times seen as short-term attempts to make money, rather than a long-term investment in the economy.
- Portfolio investment typically has a shorter time frame for investment return than direct investment.
- As with any equity investment, foreign portfolio investors usually expect to quickly realize a profit on their investments.
- Unlike direct investment, portfolio investment does not offer control over the business entity in which the investment is made.

Source: TMH Ramesh Singh

**Q.10)** “Tarapore committee” recommendations are related to which of the following?

- a) Currency Convertibility
- b) Banking reforms
- c) Industrial Reforms
- d) Agriculture reforms

**ANS: A**

**Explanation:** India’s foreign exchange earning capacity was always poor and hence it had all possible provisions to check the foreign exchange outflow, be it for current purposes or capital purposes (remember the draconian FERA). But the process of economic reforms has changed the situation to unidentifiable levels.

**Current Account:** Current account is today fully convertible (operationalized on 19 August, 1994).

- It means that the full amount of the foreign exchange required by someone for current purposes will be made available to him at official exchange rate and there could be an un prohibited outflow of foreign exchange (earlier it was partially convertible).
- India was obliged to do so as per Article VIII of the IMF which prohibits any exchange restrictions on current international transactions (keep in mind that India was under preconditions of the IMF since 1991).

**Capital Account:** After the recommendations of the S.S. Tarapore Committee (1997) on Capital Account Convertibility, India has been moving in the direction of allowing full convertibility in this account, but with required precautions.

Source: TMH Ramesh Singh

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## *India & IMF and other International Institutions*

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**Q.1)** Which of the following subsidies is/are covered under “Green Box of WTO”?

1. Public storage for food security.
2. Pest and disease control.
3. Crop and income insurance.

Select the correct answer using the codes given below:

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

**ANS: B**

**Explanation:** The agricultural subsidies which cause minimal or no distortions to trade are put under the green box. They must not involve price support.

- This box basically includes all forms of government expenses, which are not targeted at a particular product, and all direct income support programmes to farmers, which are not related to current levels of production or prices.
- This is a very wide box and includes all government subsidies like—public storage for food security, pest and disease control, research and extension, and some direct payments to farmers that do not stimulate production like restructuring of agriculture, environmental protection, regional development, crop and income insurance, etc.

Source: TMH Ramesh Singh

**Q.2)** Which of the following are International Credit Rating Agencies?

1. S & P
2. Moody’s
3. Fitch
4. Dominion Bond Rating Service

Select the correct answer using the codes given below:

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

**ANS: D**

**Explanation:** Presently, India is rated by six international credit rating agencies, namely Standard and Poor’s (S&P), Moody’s Investor Services, FITCH, Dominion Bond Rating Service (DBRS), the Japanese Credit Rating Agency (JCRA), and the Rating and Investment Information Inc., Tokyo(R&I).

Source: TMH Ramesh Singh and Sriram’s IAS

**Q.3)** “Special Safeguard Mechanism” often seen in news is associated with which of the following?

- a) World Bank
- b) IMF

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

- c) WTO
- d) UNESCO

**ANS: C**

**Explanation:** In recent times, India has become more conscious towards protecting its agricultural trade interests at the international platforms.

At the 10th Ministerial Conference of the WTO (Nairobi, December 2015), the Government of India adopted the following approach towards agri-trade policy:

- A Special Safeguard Mechanism (SSM) for developing countries.
- Public stockholding food for security purposes,
- A commitment to abolish export subsidies for farm exports, and measures related to cotton.

Source: TMH Ramesh Singh

**Q.4)** “Most Favored Nation” provision is related to which of the following?

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

**ANS: B**

**Explanation:** The WTO provides a rule based transparent and predictable multilateral trading system.

- The WTO rules envisage non-discrimination in the form of National Treatment and Most Favoured Nation (MFN) treatment to India’s exports in the markets of other WTO Members.
- National Treatment ensures that India’s products once imported into the territory of other WTO Members would not be discriminated vis-à-vis the domestic products in those countries.
- MFN treatment principle ensures that members do not discriminate among various WTO members.

Source: TMH Ramesh Singh

**Q.5)** Consider the following statements regarding International Development Agency (IDA):

1. It is known as the soft window of the International Monetary Fund.
2. India is the biggest beneficiary of the IDA support.

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

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

**ANS: A**

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

- Its loans, known as credits are extended mainly to economies with less than \$895 per capita income.
- The credits are for a period of 35–40 years, interest-free, except for a small charge to cover administrative costs.

## **PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

- Repayment begins after a 10-year grace period. There was no human angle to its lending. But now there remain no hard and fast differences between the purposes for the IBRD and IDA lending.
- Every year developing nations make enough diplomatic attempts to carve out maximum loan disbursement for them.
- India had been the biggest beneficiary of the IDA support. The total support (IBRD + IDA) for India had been \$ 91.81 billion till date.

Source: TMH Ramesh Singh

**Q.6)** Consider the following statements regarding farm subsidies:

1. The farm subsidies of developed countries are lesser than developing countries.
2. World Bank has put some ceilings on the amount of subsidies being provided by the various developing and developed nations.

Which of the statements given above is/are correct?

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

**ANS: D**

**Explanation:** Farm subsidies form an integral part of the government's budget.

- In the case of developed countries, the agricultural or farm subsidies compose nearly 40 per cent of the total budgetary outlay, while in India's case it is much lower (around 7.8 per cent of GDP) and of different nature.
- The World Trade Organization (WTO) has put some ceilings on the amount of direct and indirect subsidies being provided by the various developing and developed nations due to the fact that these subsidies distort the free market forces which have their own implications.

Source: TMH Ramesh Singh

**Q.7)** The term "Supplemental Reserve Facility (SRF)" is related to which of the following?

- a) AIIB
- b) European Union Investment Bank
- c) International Monetary Fund
- d) World Bank

**ANS: C**

**Explanation:** In December 1997, the Executive Board (IMF) opened a new lending window—the SRF—for member countries experiencing exceptional balance of payments problems owing to a large short-term financing need resulting from a sudden and disruptive loss of market confidence reflected in pressure on the capital account and the member's reserves.

Source: TMH Ramesh Singh

**Q.8)** Which of the following institutions is/are NOT part of "World Bank"?

1. International Bank for Reconstruction and Development (IBRD).
2. International Financial Corporation (IFC).
3. Multilateral Investment Guarantee Agency (MIGA).
4. International Centre for Settlement of Investment Disputes (ICSID).
5. International Development Association (IDA).

Select the correct answer using the codes given below:

## **PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

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

**ANS: C**

**Explanation:** As the World Bank has adapted its mechanisms and approaches to address the evolving challenges developing countries have faced; it has evolved into the “World Bank Group”. This consists of five closely related institutions that specialize in different aspects of development:

- International Bank for Reconstruction and Development (IBRD);
- International Development Association (IDA);
- International Financial Corporation (IFC);
- Multilateral Investment Guarantee Agency (MIGA);
- International Centre for Settlement of Investment Disputes (ICSID).

The term “World Bank” refers only to IBRD and IDA. Together, these two organizations provide low-interest loans, interest-free credit, and grants to developing countries.

- Both IBRD loans and IDA credits support investment projects and programs designed to meet priority economic and social needs.
- They also provide financial support to help governments undertake reform in the structural and social policies that are crucial to effective private and public sector development, and to poverty reduction.

Source: TMH Ramesh Singh & World Bank

**Q.9)** Which of the following parameters are consists of International Monetary Fund (IMF) Quota Formula?

1. Weighted average of GDP.
2. Openness.
3. Contribution to IMF.
4. Economic Variability.
5. International reserves.

Select the correct answer using the code given below:

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

**ANS: C**

**Explanation:** When a country joins the IMF, it is assigned an initial quota in the same range as the quotas of existing members of broadly comparable economic size and characteristics. The IMF uses a quota formula to help assess a member’s relative position.

- The current quota formula is a weighted average of GDP (weight of 50 percent), openness (30 percent), economic variability (15 percent), and international reserves (5 percent).
- For this purpose, GDP is measured through a blend of GDP—based on market exchange rates (weight of 60 percent) and on PPP exchange rates (40 percent).
- The formula also includes a “compression factor” that reduces the dispersion in calculated quota shares across members.

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

**Q.10)** With reference to the World Intellectual Property Organization (WIPO), which of the following statements is/are correct?

1. It is the global forum for intellectual property (IP) services, policy, information and cooperation.
2. It is a self-funding agency of the United Nations.

Select the correct answer using the codes given below:

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

**ANS: C**

**Explanation:** WIPO is the global forum for intellectual property (IP) services, policy, information and cooperation.

- We are a self-funding agency of the United Nations, with 193 member states.
- Our mission is to lead the development of a balanced and effective international IP system that enables innovation and creativity for the benefit of all.
- Our mandate, governing bodies and procedures are set out in the WIPO Convention, which established WIPO in 1967.

Source: <https://www.wipo.int/about-wipo/en/>

## *Five Year Plans & Economic reforms*

**Q.1)** Which of the following statements is/are correct about 'Fifth five year plan'?

1. The time period for Fifth five year plan was 1974-79.
2. Plan focus was on unemployment.
3. Plan was completed its tenure without any lapse.

Select the correct answer using the codes given below:

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

**ANS: A**

**Explanation:** The fifth Plan (1974–79) has its focus on poverty alleviation and self-reliance. The Janata Party came to power with a thumping victory in 1977.

As the government of the time had then complete say in the central planning in India, how could the new government continue with the Fifth Plan of the last government which had still more than one year to reach its completion.

Source: TMH Ramesh Singh

**Q.2)** With reference to the 'District Rural Development Agency (DRDA)', which of the following statements is/are correct?

1. It was established by centre in 1980.
2. It has been given constitutional status by passing 74<sup>th</sup> Constitutional Amendment.

Select the correct answer using the codes given below:

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

**ANS: A**

**Explanation:** The District Rural Development Agency (DRDA) has traditionally been the principal organ at the District level to oversee the implementation of different poverty alleviation programmes.

The Centre established DRDA in 1980.

Source: TMH Ramesh Singh

**Q.3)** Consider the following statements regarding "Service Area Approach (SAA)":

1. It was introduced in seventh five year plan for planned and orderly development of rural and semi-urban areas.
2. It is applicable to Scheduled Commercial Banks including regional rural banks.

Which of the statements given above is/are correct?

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

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

**ANS: C**

**Explanation:** The Service Area Approach (SAA) introduced in April 1989 (7<sup>th</sup> five year plan) for planned and orderly development of rural and semi-urban areas was applicable to all scheduled commercial banks including Regional Rural Banks.

- Under SAA, each bank branch in rural and semi-urban area was designated to serve an area of 15 to 25 villages and the branch was responsible for meeting the needs of bank credit of its service area.
- The primary objective of SAA was to increase productive lending and forge effective linkages between bank credit, production, productivity and increase in income levels.
- The SAA scheme was reviewed from time to time and appropriate changes were made in the scheme to make it more effective.

Source: TMH Ramesh Singh

**Q.4)** Consider the following statements regarding the “Effective Tax Rate”:

1. It is applicable to both individuals and corporations.
2. The effective tax rate is a more accurate representation of a person's or corporations overall tax liability than their marginal tax rate, and it is typically lower.

Which of the statements given above is/are correct?

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

**ANS: C**

**Explanation:** The effective tax rate is the average tax rate paid by an individual or a corporation.

- The effective tax rate for individuals is the average rate at which their earned income, such as wages, and unearned income, such as stock dividends, is taxed.
- The effective tax rate for a corporation is the average rate at which its pre-tax profits are taxed, while the statutory tax rate is the legal percentage established by law.
- The effective tax rate is a more accurate representation of a person's or corporations overall tax liability than their marginal tax rate, and it is typically lower.
- When considering a marginal versus an effective tax rate, bear in mind that the marginal tax rate refers to the highest tax bracket into which their income falls.

Source: Sriram's IAS

**Q.5)** Which of the following plan is associated with Harrod Domar?

- a) First five year plan
- b) Second five year plan
- c) Sixth five year plan
- d) Ninth five year plan

**ANS: A**

**Explanation:** The First Five-year Plan was launched in 1951 which mainly focused in the development of the primary sector.

The First Five-Year Plan was based on the Harrod–Domar model with few modifications.

Source: TMH Ramesh Singh

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

**Q.6)** The Gadgil Strategy is associated with which of the following plan?

- a) Second five year plan
- b) Third five year plan
- c) Fourth five year plan
- d) Eighth five year plan

**ANS: C**

**Explanation:** The fourth five year Plan period was 1969–74.

- The Plan was based on the Gadgil strategy with special focus to the ideas of growth with stability and progress towards self-reliance.
- Droughts and the Indo-Pak War of 1971–72 led the economy to capital diversions creating financial crunch for the Plan.

Source: TMH Ramesh Singh

**Q.7)** With reference to the rolling plan, which of the following statements is/are correct?

1. It was introduced by P V Narasimha Rao.
2. The rolling plan rejected the eighth five year Plan of the preceding Janata government.

Select the correct answer using the codes given below:

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

**ANS: D**

**Explanation:** The rolling plan was introduced by the Janata party which formed a government led by Morarji Desai.

- The rolling plan rejected the Fifth five year Plan of the preceding Congress government and then launched the rolling plan that could be revised as per the needs of the economy due to the inherent flexibility in the plan.
- Frequent revision of targets reduced accountability and also adversely affected the stability in the economy.

Source: TMH Ramesh Singh

**Q.8)** “Washington Consensus” is related to which of the following?

- a) Economic reforms
- b) Bilateral trade
- c) Balance of payments measures
- d) Fiscal Federalism

**ANS: A**

**Explanation:** Washington Consensus is a collective term used for 10 economic policy prescriptions (economic reforms) as a part of a “standard” reform package promoted for crisis-wracked developing countries.

Washington Consensus was advocated by Washington, D.C.-based institutions viz. International Monetary Fund (IMF), World Bank, and the US Treasury Department.

Source: TMH Ramesh Singh

**Q.9)** Consider the following statements regarding Extended Fund Facility (EFF):

1. It is lending facility of the IMF.
2. It was established to help countries to overcome poverty restraints.

Which of statements given above is/are correct?

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

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

**ANS: A**

**Explanation:** The Extended Fund Facility is lending facility of the Fund of the IMF and it was established in 1974 to help countries address medium- and longer-term balance of payments problems.

- The EFF is prescribed for a country who is suffering from balance of payment problem caused by structural weaknesses and who need fundamental economic reforms.
- The use of the facility has increased substantially in the recent crisis period.

Source: TMH Ramesh Singh

**Q.10)** Which of the following methods is/are comes under privatization?

1. Sale of public enterprises to private sector.
2. Disinvestment of public enterprise equity.
3. Participation of private sector in management in public sector enterprises.

Select the correct answer using the codes given below:

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

**ANS: D**

**Explanation:** Privatization is the process of transferring an enterprise or industry from the public sector to the private sector.

- The public sector is the part of the economic system that is run by government agencies.
- Privatization may involve either sale of government-held assets or removal of restrictions preventing private individuals and businesses from participating in a given industry.
- Privatization is an ongoing trend in many parts of the developed and developing world. Proponents of privatization maintain that the competition in the private sector fosters more efficient practices, which eventually yield better service and products, lower prices and less corruption.

Source: TMH Ramesh Singh

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## Agriculture

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**Q.1)** Which of the following is/are covered under Operation Greens?

1. Tomatoes
2. Onions
3. Potatoes
4. Fruits

Select the correct answer using the codes given below:

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

**ANS: D**

**Explanation:** “Operation Greens” run by Ministry of Food Processing Industries (MOFPI) to be extended from tomatoes, onion and potatoes to ALL fruit and vegetables.

Source: Economic Survey 2020 – 2021

**Q.2)** Which of the following is/are constraint/constraints for development of integrated value chain system of Agriculture sector?

1. Low public and private investments in agriculture since the early 1990s.
2. Inability of sub – market yards to provide opportunities for open auction.
3. Poor maintenance of rural roads.

Select the correct answer using the code given below:

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

**ANS: D**

**Explanation:** constraint/constraints for development of integrated value chain system of Agriculture sector.

- Public and private investments in agriculture have remained low since the early 90s. Bottlenecks in implementation and a high degree of uncertainty have further reduced investor appetite for agricultural investments.
- Inability to acquire land for setting up of market yards, resulting from the restrictions on land leasing and land acquisition, is another major constraint.
- Even the existing marketing infrastructure suffers because of a lack of finances, manpower and proper facilities.
- Sub-market yards largely function as a location for government procurement and do not provide opportunities for open auction.
- Further, they are irregular in their operations and handle less than five per cent of the volume handled in principal yards.
- Poor maintenance of rural roads is a major constraint as well. Linkages with local and feeder roads remain sub-optimal.
- In the electricity sector, separate feeders for supply of power to agriculture and domestic electrification have not been carried out in many states.

Source: TMH Ramesh Singh

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

**Q.3)** Consider the following statements:

1. Share of GVA of Agriculture & Allied Sector is continuously decreasing from 2014 – 15.
2. Share of livestock is continuously increasing from 2014 – 15.

Which of the statements given above is/are correct?

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

**ANS: B**

**Explanation:**

**Table 1: Share of Agriculture and Allied Sectors in Total GVA at current prices**

Items	Year					
	2014-15	2015-16	2016-17*	2017-18#	2018-19@	2019-20**
Share of GVA of Agriculture & Allied Sector in GVA of Total Economy (per cent)	18.2	17.7	18.0	18.0	17.1	17.8
Share of Crops	11.2	10.6	10.6	10.4	9.4	NA
Share of Livestock	4.4	4.6	4.8	5.1	5.1	NA
Share of Forestry & logging	1.5	1.5	1.5	1.4	1.3	NA
Share of Fishing & aquaculture	1.0	1.1	1.1	1.2	1.2	NA

Source: Economic Survey

**Q.4)** Which of the following statements is/are correct about “Micro-irrigation Development in India”?

1. Area covered under micro-irrigation gradually increased from 2014 – 15.
2. A Micro Irrigation Fund (MIF) created with NABARD with an initial corpus of Rs.500crore.

Select the correct answer using the code given below:

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

**ANS: A**

**Explanation:** Area covered under micro-irrigation from 2010-11 to 2014-15 was declining and gradually increased from 2015-16 to 2018-19.

A dedicated Micro Irrigation Fund (MIF) created with NABARD has been approved with an initial corpus of Rs. 5000 crore facilitating the States in mobilizing the resources for expanding coverage of Micro Irrigation envisaged under PMKSY-PDMC and also in bringing additional coverage through special and innovative initiatives by State Governments.

Source: Economic Survey

**Q.5)** “EKTA portal” is often seen in news is related to which of the following?

- a) Promotion Federalism through web portal
- b) Intellectual Property Rights Education portal
- c) Agricultural Education portal
- d) Traditional and Indigenous products portal

**ANS: C**

**Explanation:** New Digital Apps have been developed for making Indian agriculture in line with Digital India theme.

The DARE (Department of Agricultural Research & Education) launched the Agricultural Education Portal EKTA (Ekikrit Krishi Shiksha Takniki Ayaam) for integrated online management information system.

Source: The Hindu

**Q.6)** Consider the following statements:

1. From 2015 – 16 onwards, there is a continuous increase in production of rice.
2. The regional distribution of the agricultural credit has been favor of the Southern Region.

Which of the statements given above is/are correct?

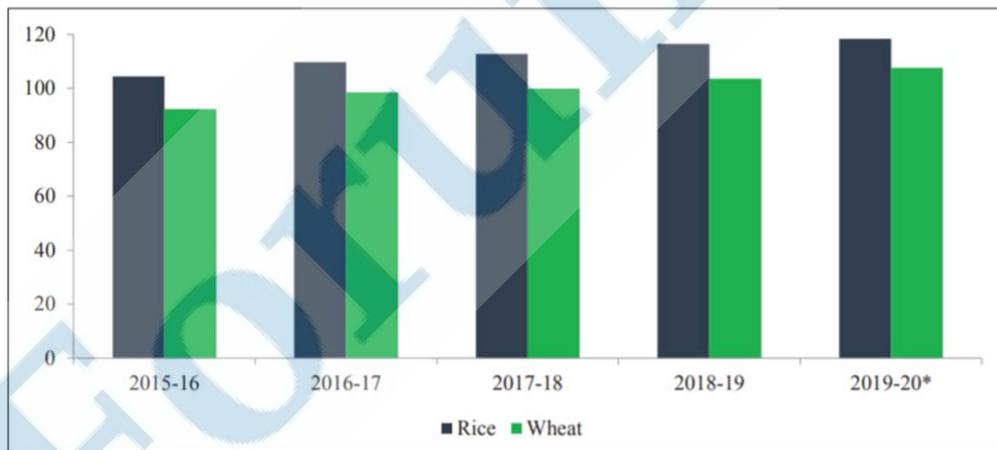
- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**ANS: C**

**Explanation:** Given the large proportion of resource constrained small and marginal farmers in India, timely availability of adequate credit is fundamental for the success of farming activities.

- The agricultural credit flow target for the year 2019-20 was fixed at ₹ 13,50,000crores and against this target the achievement was ₹ 13,92,469.81crores.
- The regional distribution of the agricultural credit has, however, been skewed in favour of the Southern Region.

**Figure 4: Trend in Production of Rice and Wheat Crops (Quantity in Million Tonnes)**



Source: Created from the data of the 1st Adv. Estimate released dated 22.09.2020

\*4th Advanced Estimates.

Source: Economic Survey

**Q.7)** Consider the following statements regarding the agriculture credit in India:

1. Central government fixes agriculture credit disbursement targets for the banking sector every year.
2. Domestic Scheduled Commercial Banks are required to lend 18% of the Adjusted Net Bank Credit (ANBC) to agriculture.
3. Regional Rural Banks are required to lend 50% of their total outstanding advances towards agriculture.

## PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021

Which of the statements given above is/are correct?

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

**ANS: B**

**Explanation:** Government fixes agriculture credit disbursement targets for the banking sector every year.

- As per RBI directions, Domestic Scheduled Commercial Banks are required to lend 18% of the Adjusted Net Bank Credit (ANBC) or Credit Equivalent to Off-Balance Sheet Exposure (CEOBE), whichever is higher, towards agriculture.
- A sub-target of 8% is also prescribed for lending to small and marginal farmers including landless agricultural labourers, tenant farmers, oral lessees and share croppers.
- Similarly, in the case of Regional Rural Banks 18% of their total outstanding advances is required to be towards agriculture and a sub-target of 8% has been set for lending to small and marginal farmers.

Source: Ramesh Singh

**Q.8)** Consider the following statements regarding the production of Milk in India:

1. From 2014 – 15 onwards, continuous increase in the production of milk in India.
2. The per capita availability of milk in India is more than 400grams/day.

Which of the statements given above is/are correct?

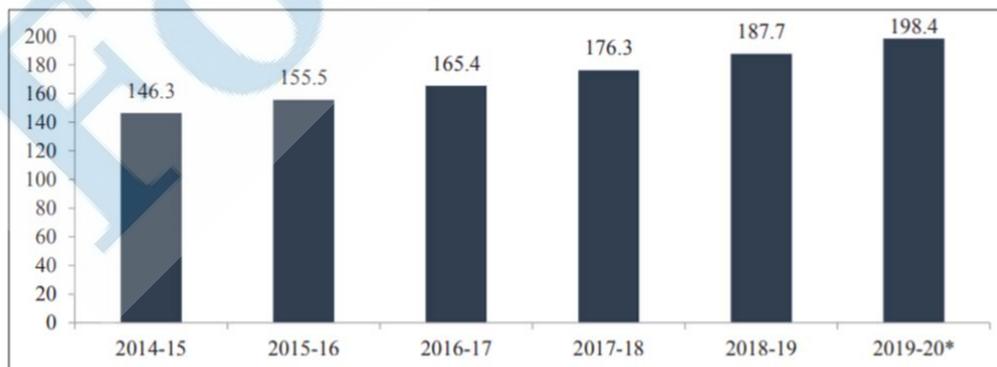
- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**ANS: C**

**Explanation:** India continues to be the largest producer of milk in the world.

- Several measures have been initiated by the Government to increase the productivity of livestock, which has resulted in increasing the milk production significantly.
- The per capita availability of milk was 407 grams per day in (2019-20).

**Figure 10: Trend of Milk Production in India (Million Tonnes)**



Source: Based on data taken from the National Dairy Development Board and DAHD.

Source: Economic Survey

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

**Q.9)** Which of the following is/are consists of the Economic Cost of food-grains to Food Corporation of India (FCI)?

1. Pooled cost of grains
2. Procurement incidentals
3. Cost of distribution

Select the correct answer using the code given below:

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

**ANS: D**

**Explanation:** The Economic Cost of food-grains consists of three components, namely, pooled cost of grains, procurement incidentals and the cost of distribution.

The pooled cost of food grains is the weighted MSP of the stock of food-grains available with FCI at the time of calculating the economic cost.

Source: Economic Survey

**Q.10)** Consider the following statements regarding the Essential Commodities Act (ECA), 1955:

1. It was enacted to control the production, supply and distribution of, and trade and commerce in, certain goods considered as essential commodities.
2. Food and civil supply authorities in States execute the provisions of the Act.

Which of the statements given above is/are correct?

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

**ANS: C**

**Explanation:** Essential Commodities Act (ECA), 1955 was enacted to control the production, supply and distribution of, and trade and commerce in, certain goods considered as essential commodities.

- The Act itself does not lay out Rules and Regulations but allows the States to issue Control Orders related to dealer licensing, regulate stock limits, and restrict movement of goods and requirements of compulsory purchases under the system of levy.
- The Act also provides for action to confiscate the stock seized; to suspend/ cancel licenses, if any and impose punishments like imprisonment.
- The Act also gives the power to fix price limits, and selling the particular commodities above the limit will attract penalties.
- Most of the powers under the Act have been delegated by the Central Government to the State Governments with the direction that they shall exercise these powers.
- Food and civil supply authorities in States execute the provisions of the Act.

Source: The Hindu

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## *Industry*

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**Q.1)** Consider the following statements regarding the “steel sector in India”:

1. India is the 2<sup>nd</sup> largest producer of crude steel in the world after United States of America.
2. India is the second largest consumer of steel in the world.

Which of the statements given above is/are correct?

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

**ANS: B**

**Explanation:** India is the second-largest producer of crude steel only after China. India is also the second largest consumer of steel.

- However, its per capita total finished steel consumption was around 74.7 kg during FY20 as against the global average of 229 kg.
- Further, the capacity utilization in crude steel plants continues to be low.

Source: Economic Survey 2020 – 2021

**Q.2)** The term “Harmonized System (HS)” often seen in news is related to which of the following?

- a) Industrial Sector
- b) International product nomenclature
- c) International Financial Services
- d) Global Infrastructure Investment

**ANS: B**

**Explanation:** The Harmonized System, or simply ‘HS’, is a six-digit identification code developed by the World Customs Organization (WCO).

- Called the “universal economic language” for goods, it is a multipurpose international product nomenclature.
- Over 200 countries use the system as a basis for their customs tariffs, gathering international trade statistics, making trade policies, and for monitoring goods.
- The system helps in harmonizing of customs and trade procedures, thus reducing costs in international trade.

Source: The Hindu

**Q.3)** SIPP scheme often seen in news is related to which of the following?

- a) Small and medium enterprise development
- b) Start ups promotion
- c) Space programmes
- d) Smart city programme

**ANS: B**

**Explanation:** Startups Intellectual Property Protection (SIPP) scheme enables a start-up to seek assistance from any empanelled facilitator to file and prosecute their application.

## PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021

The facilitator can claim payment for the services given to the start up from the Office of the Controller General of Patents, Designs and Trademarks (O/o CGPDTM) on submission of certificate in prescribed format.

Source: Economic Survey 2020 – 2021

**Q.4)** With reference to central government aim to combine 44 central laws into four codes, which of the following are the four codes?

1. Code on Wages.
2. Code on Industrial Relations.
3. Code on Social security and Welfare.
4. Code on Trade Unions.

Select the correct answer using the code given below:

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

**ANS: A**

**Explanation:** Central government will aim to combine 44 central laws into four codes wages, industrial relations, social security and welfare, and the fourth - occupational safety, health and working conditions.

Source: The Hindu

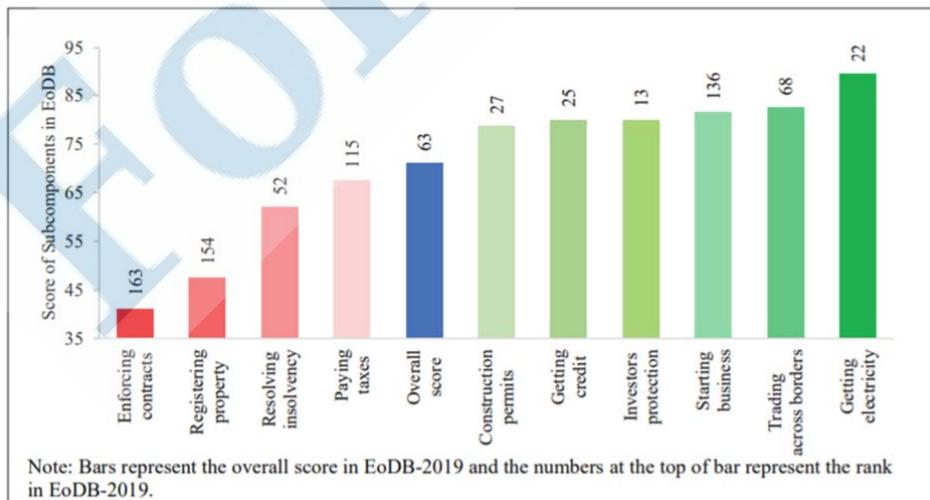
**Q.5)** Which of the following Indicator of the Ease of Doing Business – 2019 has the least performed?

- a) Getting electricity
- b) Starting Business
- c) Registering Property
- d) Enforcing Contracts

**ANS: D**

**Explanation:**

Figure 15: Leads and Laggards in Ease of Doing Business in overall ranking and score (EoDB 2019)



Source: Survey calculations based on EoDB data.

Source: Economic Survey 2020 – 2021

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

**Q.6)** Which of the following enterprises is/are funded mostly under Venture Capital funds?

1. Start-ups.
2. Small enterprises.
3. Medium enterprises.

Select the correct answer using the code given below:

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

**ANS: D**

**Explanation:** Venture capital funds are investment funds that manage the money of investors who seek private equity stakes in startup and small- to medium-sized enterprises with strong growth potential.

- These investments are generally characterized as high-risk/high-return opportunities.
- In the past, venture capital investments were only accessible to professional venture capitalists, although now accredited investors have a greater ability to take part in venture capital investments.

Source: TMH Ramesh Singh

**Q.7)** Consider the following statements:

1. The share of Gross Capital Formation of the industrial sector had continuously declined from last ten years.
2. The eight-core industries have a total weight of nearly 50 percent in the Index of Industrial Production.

Which of the statements given above is/are correct?

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

**ANS: D**

**Explanation:** The eight-core industries that support infrastructure, such as coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity have a total weight of nearly 40 percent in the IIP.

- The rate of growth of Gross Capital Formation (GCF) in industry registered a sharp rise from 1.2 per cent in FY18 to 17.5 per cent in FY19, showing a substantive improvement in GCF in the sector.
- Mining & Quarrying, Manufacturing, 'Electricity, Gas, Water Supply & Other Utility Services' and Construction had registered a growth rate of 14.9 per cent, 15.9 per cent, 15.3 per cent, and 24.4 per cent respectively in FY19.
- However, the share of GCF of the industrial sector had declined from 38.2 per cent in FY12 to 30.2 per cent of GDP in FY18 before an uptick (31.9 per cent) was recorded in FY19.

Source: Economic Survey 2020 – 2021

**Q.8)** The Economic Freedom of the World report is released by which of the following?

- a) Fraser Institute
- b) World Bank
- c) World Economic Forum

d) The Heritage Foundation

**ANS: A**

**Explanation:** The Fraser Institute produces the annual Economic Freedom of the World report in cooperation with the Economic Freedom Network, a group of independent research and educational institutes in nearly 100 countries and territories.

It's the world's premier measurement of economic freedom, measuring and ranking countries in five areas:

- size of the government,
- legal structure and security of property rights,
- access to sound money,
- freedom to trade internationally and regulation of credit,
- labour and business.

Source: The Hindu

**Q.9)** Consider the following statements:

1. Coal accounts for 55 per cent of the country's energy needs.
2. There is a continuous increase in the production of coal from 2016 to 2020.

Which of the statements given above is/are correct?

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

**ANS: C**

**Explanation:** Coal is the one of the most important and abundant fossil fuel in India. It accounts for 55 per cent of the country's energy needs.

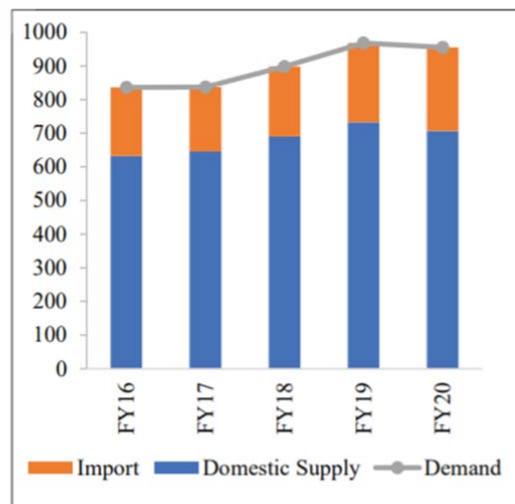
Coal is not only the primary source of energy in the country but is also used as an intermediary by many industries such as steel, sponge iron, cement, paper, brick-kilns, etc.

**Figure 21a: Coal Production in India (MnT)**



Source: Survey calculations based on Ministry of Coal's data.

**Figure 21b: Demand and Supply of Coal (MnT)**



Source: Economic Survey

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

**Q.10)** Consider the following statements regarding the Annual Survey of Industries (ASI):

1. Annual Survey of Industries (ASI) is conducted by National Sample Survey Office.
2. It covers both formal and informal industries.

Which of the statements given above is/are correct?

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

**ANS: A**

**Explanation:** Annual Survey of Industries (ASI) is conducted by National Sample Survey Office (NSSO). ASI is principal source of industrial statistics in India. It does not cover unorganized or unregistered or informal sector enterprises.

- ASI, an annual event, not only facilitates suitable data collection based on appropriate sampling techniques but also ensures timely dissemination of statistical information to assess and evaluates the dynamics in composition, growth and structure of organized manufacturing sector.
- The structure and function of the industrial sector is an important perspective of Indian Economy. It is imperative for industries to grow both qualitatively and quantitatively to boost the economy.
- The well-being of the industries depends truly on the formulation and promotion of industrial policies framed by the policy makers.
- To frame suitable industrial policies the policy makers need to be aware about the quantified aspect of the existing scenarios in the industries in the country.
- This is where the Annual Survey of Industries (ASI) is conducted by National Sample Survey Office, Government of India.

Source: Sriram's IAS

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## Revision

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**Q.1)** Consider the following statements regarding International Centre for Settlement of Investment Disputes (ICSID):

1. It was set up in 1966 is an investment dispute settlement body whose decisions are binding on the parties.
2. India is not a member of ICSID.

Which of the statements given above is/are correct?

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

**ANS: C**

**Explanation:** The International Centre for Settlement of Investment Disputes (ICSID), set up in 1966 is an investment dispute settlement body whose decisions are binding on the parties.

- It was established under the 1966 Convention on the Settlement of Investment Disputes between States and Nationals of Other States.
- Though recourse to the centre is voluntary, but once the parties have agreed to arbitration, they cannot withdraw their consent unilaterally.
- It settles the investment disputes arising between the investing foreign companies and the host countries where the investments have been done.
- India is not its member (that is why the Enron issue was out of its preview).
- It is believed that being signatory to it encourages the foreign investment flows into an economy, but risks independent sovereign decisions, too.

Source: Sriram's IAS

**Q.2)** Consider the following statements regarding Intensive Agriculture District Programme (IADP):

1. It is also known as package programme which is launched throughout India in 1960.
2. The major objective of the programme is to increase agriculture production.

Which of the statements given above is/are correct?

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

**ANS: B**

**Explanation:** The Intensive Agriculture District Programme (IADP) was launched as the first major experiment in intensive agriculture development in the year 1960.

- The IADP popularly known as package programme was launched in three districts in 1960 - 61 and four districts in 1962 - 63.
- The major objectives of the programme were to demonstrate the most effective ways of achieving rapid and significant increase in agriculture production through adoption of a package of improved practices and to suggest successful and adoptable innovations, approaches and procedures which could be adopted in similar areas of the country.

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

Source: TMH Ramesh Singh

**Q.3)** “Uruguay Round” negotiations are related to which of the following institution?

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

**ANS: A**

**Explanation:** The Uruguay Round was the 8th round of Multilateral Trade Negotiations (MTN) conducted within the framework of the General Agreement on Tariffs and Trade (GATT), spanning from 1986 to 1994 and embracing 123 countries as "contracting parties".

- The negotiations and process ended with the signing of the Final Act of the Marrakesh Agreement in April 1994 at Marrakesh, Morocco.
- The round led to the creation of the World Trade Organization (WTO), with GATT remaining as an integral part of the WTO agreements.

Source: TMH Ramesh Singh

**Q.4)** Which of the following is/are the initiatives of Industrial policy resolution 1980?

1. Liberal attitude followed towards the expansion of private industries.
2. The 'MRTP Limit' was revised upward to Rs. 50crore to promote setting of bigger companies

Select the correct answer using the codes given below:

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

**ANS: C**

**Explanation:** The year 1980 saw the return of the same political party at the Centre. The new government revised the Industrial Policy of 1977 with few exceptions in the Industrial Policy Resolution, 1980. The major initiatives of the policy were as given below:

- Foreign investment via the technology transfer route was allowed again (similar to the provisions of the IPS, 1973).
- The 'MRTP Limit' was revised upward to Rs. 50 crore to promote setting of bigger companies.
- The DICs were continued with.
- Industrial licensing was simplified.
- Overall liberal attitude followed towards the expansion of private industries.

Source: TMH Ramesh Singh

**Q.5)** Which of the following parameter is NOT part of Ease of Doing Business of World Bank?

- a) Energy Efficiency
- b) Getting Electricity
- c) Trading across borders
- d) Paying taxes

**ANS: A**

**Explanation:** Doing Business report, an annual publication (since 2004) of the World Bank Group ranks the countries of the world on the basis of their 'regulations that enhance business activity and those that constrain it'. Popularly known as the 'ease of doing business report', it measures regulations affecting 11 areas of the life of a business:

- Starting a business,
- Dealing with construction permits,
- Getting electricity,
- Registering property,
- Getting credit,
- Protecting minority investors,
- Paying taxes,
- Trading across borders,
- Enforcing contracts,
- Resolving insolvency, and
- Labour market regulation.

Source: The Hindu

**Q.6)** Consider the following statements regarding Indian Food processing sector:

1. India enjoys a 'competitive advantage' in food processing sector.
2. National Mission on Food Processing (NMFP) was launched as a centrally sponsored scheme

to tap the potential food processing sector.

Which of the statements given above is/are correct?

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

**ANS: C**

**Explanation:** India enjoys a 'competitive advantage' in food processing sector given its huge production base of a number of agricultural, dairy, fishing and horticultural items.

- To ensure that this sector gets the stimulus it deserves, the MoFPI has been implementing a number of schemes for infrastructure development, technology up-gradation and modernisation, human resources development and R&D in this sector.
- In the context of the 12th Plan, it is felt that there is a need to decentralise the implementation of schemes through involvement of the states/UTs for better outreach, supervision, monitoring and ensuring job creation.
- Accordingly, National Mission on Food Processing (NMFP) was launched as a centrally sponsored scheme in 2012.
- The NMFP contemplates establishment of a National Mission as well as corresponding Missions at the state and district levels.

Source: TMH Ramesh Singh

**Q.7)** Consider the following statements regarding Twenty Point Programme (TPP):

1. It is a central plan launched during Jawaharlal Nehru period.
2. The basic objective of the plan is to improving the quality of life of the people those living below the poverty line.

Which of the statements given above is/are correct?

- a) 1 only

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

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

**ANS: B**

**Explanation:** The Twenty Point Programme (TPP) is the second Central Plan which was launched in July 1975.

- The programme was conceived for coordinated and intensive monitoring of a number of schemes implemented by the Central and the state governments.
- The basic objective was of improving the quality of life of the people, especially of those living below the poverty line.
- Under this, a thrust was given to schemes relating to poverty alleviation, employment generation in rural areas, housing, education, family welfare and health, protection of environment and many other schemes having a bearing on the quality of life in rural areas.

Source: TMH Ramesh Singh

**Q.8)** Which of the following International Institution releases the International Debt Statistics?

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

**ANS: D**

**Explanation:** International Debt Statistics (IDS) is the World Bank's database on the external debt and financial flows (debt and equity) of 128 countries in the World Bank's debtor reporting system. More than 200 indicators are available.

Data is from 1970 to 2019. The database combines observations from 'Quarterly External Debt Statistics' and 'Quarterly Public Sector Debt' published by the World Bank. (IDS were formerly known as 'Global Development Finance'.)

Source: World Bank

**Q.9)** Which of the following subsidies is/are NOT covered under Amber Box of WTO?

1. Minimum support price.
2. Direct help to production related activities.

Select the correct answer using the codes given below:

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

**ANS: D**

**Explanation:** All subsidies which are supposed to distort production and trade fall into the amber box, i.e., all agricultural subsidies except those which fall into the blue and green boxes.

These include government policies of minimum support prices (as MSP in India) for agricultural products or any help directly related to production quantities (as power, fertilizers, pesticides, irrigation, etc).

Source: TMH Ramesh Singh

**PRELIMS MARATHON COMPILATION FOR THE MONTH OF JULY (FOURTH WEEK), 2021**

**Q.10)** “BASEL ACCORDS” is frequently in news is related to which of the following?

- a) Health Infrastructure
- b) Environmental Conservation
- c) Global Commons
- d) Banking Provisions

**ANS: D**

**Explanation:** The Basel Accords (i.e., Basel I, II and now III) are a set of agreements set by the Basel Committee on Bank Supervision (BCBS), which provides recommendations on banking regulations in regards to capital risk, market risk and operational risk.

The purpose of the accords is to ensure that financial institutions have enough capital on account to meet obligations and absorb unexpected losses.

They are of paramount importance to the banking world and are presently implemented by over 100 countries across the world.

Source: The Hindu

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