

## JAIB IE & IFS Practice Questions(Set-1)

**Q1. Which of the following statements correctly describe the characteristics and operational mechanisms of Real Estate Investment Trusts (REITs)?**

- i. REITs are required to distribute at least 90% of their taxable income to shareholders in the form of dividends to qualify for special tax treatment, such as avoiding corporate income taxes.**
- ii. REITs are primarily involved in the direct management of real estate properties, including maintenance and leasing activities, which often results in higher operational costs compared to traditional real estate investments.**
- iii. REITs can be publicly traded on major stock exchanges, providing investors with liquidity and the ability to buy and sell shares like other publicly traded stocks.**

- (a) i and ii**
- (b) ii and iii**
- (c) i and iii**
- (d) i, ii, and iii**

**Q2. In the context of a perfectly competitive market structure, which of the following statements accurately describe the characteristics of such markets?**

- i. Firms have the ability to influence the price of their product by altering their individual output levels since they face a downward-sloping demand curve specific to their firm.**
- ii. Products sold by different firms are differentiated based on branding, quality, and unique features, allowing consumers to exhibit preferences between similar goods from various suppliers.**
- iii. The market consists of numerous buyers and sellers, each with a relatively small market share, resulting in no single firm or consumer being able to impact the prevailing market price significantly.**
- iv. Barriers to entry, such as high startup costs, government regulations, and complex technology, make it difficult for new firms to enter the market, allowing existing firms to maintain long-term profitability without the threat of new competition.**

- (a) i and ii**
- (b) ii and iv**
- (c) iii and iv**
- (d) i and iv**

**Q3. Which of the following statements accurately describe the characteristics and significance of the sunrise sectors in the economy?**

- 1. Sunrise sectors are characterized by their focus on emerging technologies and innovations that have the potential to revolutionize industries and create new market opportunities. These sectors often include areas such as artificial intelligence, biotechnology, renewable energy, and advanced manufacturing, which are expected to drive future economic growth and technological advancement.**
- 2. Sunrise sectors typically exhibit high growth potential due to their early-stage development and the increasing demand for cutting-edge solutions. They are attractive to investors and venture capitalists seeking high returns, as these sectors offer opportunities for substantial capital gains and can attract significant funding to support their expansion and innovation.**

**3. The development of sunrise sectors has a substantial socio-economic impact by generating employment opportunities, driving regional development, and fostering skill development. These sectors often create high-value jobs and contribute to improving the overall standard of living by addressing key societal challenges and promoting sustainable development.**

- (a) 2 only
- (b) 3 only
- (c) 1 only
- (d) All of the above

**Q4. Which of the following statements accurately describe the roles and functions of NITI Aayog in India's economic planning and development?**

- 1. Policy Formulation and Implementation:** NITI Aayog plays a pivotal role in formulating and implementing national policies and programs, focusing on achieving sustainable and inclusive economic growth. Unlike its predecessor, the Planning Commission, NITI Aayog emphasizes a more decentralized approach by involving states and union territories in the policy-making process and encouraging cooperative federalism.
- 2. Monitoring and Evaluation:** NITI Aayog is tasked with monitoring and evaluating the progress of various developmental schemes and projects across states. It assesses the effectiveness of these programs and provides recommendations to improve their performance, ensuring that they meet their intended objectives and contribute effectively to national development goals.
- 3. Knowledge Hub and Data Analytics:** The organization serves as a knowledge hub by conducting research and providing data-driven insights on economic and social issues. It uses data analytics to guide policy decisions and foster innovation, aiming to build a knowledge base that supports evidence-based planning and policy-making across different sectors.

- (a) 1, and 2 only
- (b) 2, and 3 only
- (c) 1, and 3 only
- (d) All of the above

**Q5. Which of the following statements accurately describe the objectives and impact of the Stand Up India initiative?**

- 1. The Stand Up India initiative aims to promote entrepreneurship among marginalized and underrepresented groups, particularly women and Scheduled Castes (SCs) and Scheduled Tribes (STs). It provides financial support through bank loans to set up greenfield enterprises, which are newly established businesses in manufacturing, services, or trading sectors.**
- 2. The initiative is designed not only to foster new business ventures but also to create job opportunities and enhance skill development. By encouraging start-ups and small enterprises, it seeks to contribute to job creation in local communities and support the development of entrepreneurial skills among beneficiaries.**
- 3. Stand Up India offers a combination of financial and non-financial support mechanisms. This includes providing loans with a credit facility of up to ₹1 crore per borrower, along with support services such as business planning, mentorship, and market linkages to help entrepreneurs successfully establish and grow their businesses.**

- (a) 1 and 2 only
- (b) 2, and 3 only
- (c) 1, and 3 only
- (d) All of the above

**Q6. Which of the following statements accurately reflect key aspects of economic development?**

- 1. Economic development is characterized by a fundamental shift from an agrarian-based economy to a more industrialized and service-oriented economy, which typically includes a decline in the share of agriculture in GDP, urbanization, and a significant reallocation of labor toward higher-productivity sectors such as manufacturing and services.**
  - 2. True economic development requires not only an increase in national income or GDP but also equitable distribution of wealth, reducing income inequality, improving access to essential services like healthcare, education, and social security, and ensuring that marginalized groups benefit from economic progress. Simply achieving high GDP growth rates without addressing these inequalities cannot be considered genuine development.**
  - 3. Economic development is strongly tied to the establishment of robust institutions that create a conducive environment for long-term growth. These include legal systems that protect property rights, enforce contracts, and reduce corruption, as well as regulatory frameworks that ensure market competition and government policies that foster innovation, human capital development, and efficient resource allocation.**
- (a) 1 and 2 only  
(b) 1 and 3 only  
(c) 2 and 3 only  
(d) All of the above

**Q7. Which of the following statements accurately describe the potential economic consequences of protectionist policies?**

- 1. Protectionist measures, such as tariffs and quotas, can lead to higher prices for consumers by reducing access to cheaper imported goods and insulating inefficient domestic industries from competition.**
  - 2. Countries subjected to protectionist policies may respond with reciprocal tariffs or trade restrictions, potentially escalating into a trade war that disrupts global supply chains and reduces international trade volumes.**
  - 3. By sheltering nascent industries from global competition, protectionist policies can encourage a more diverse industrial base, enabling long-term domestic economic growth and self-sufficiency.**
  - 4. Excessive protectionism can undermine investor confidence by creating uncertainty about future trade relations and market access, potentially leading to significant capital outflows from the domestic economy.**
- (a) 1, 2, and 3  
(b) 1, 2, and 4  
(c) 2, 3, and 4  
(d) 1, 3, and 4



**Q8. Which of the following statements is incorrect regarding competition reforms in the Indian banking sector?**

- A) The government extended operational autonomy to Public Sector Banks (PSBs) and allowed them to raise capital from the stock market up to 49% of their paid-up capital.**
- B) Only Indian private banks are allowed to operate in India, with no provision for foreign or joint-venture banks.**
- C) Reforms included the introduction of transparent norms for the entry of private, foreign, and joint-venture banks, and insurance companies.**
- D) Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) were permitted in the financial sector to promote competition and diversification.**

- (a) A only
- (b) C only
- (c) D only
- (d) B only

**Q9. Which of the following statements is incorrect regarding Foreign Direct Investment (FDI)?**

- 1. FDI occurs when a company or individual from one country makes an investment in a business located in another country.**
- 2. FDI is typically more long-term in nature compared to Foreign Portfolio Investment (FPI), which involves short-term investments in financial assets.**
- 3. FDI only refers to investments in equity and does not include reinvested earnings or intra-company loans.**
- 4. FDI can contribute to economic growth by bringing in capital, technology, and expertise to the host country.**

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

**Q10. Which of the following statements is/are correct regarding Free Trade Agreements (FTAs)?**

- 1. FTAs primarily aim to reduce or eliminate tariffs, quotas, and trade barriers between the participating countries.**
- 2. FTAs are only limited to the trade of goods and do not cover services or investments.**
- 3. FTAs can lead to increased competition and access to larger markets for businesses in the participating countries.**
- 4. FTAs may sometimes include clauses related to intellectual property rights, government procurement, and environmental standards.**

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

**Q11. Which of the following statements is/are correct regarding Corporate Social Responsibility (CSR) activities?**

- 1. CSR activities are mandatory for all companies, regardless of their size or profit margins.**
- 2. CSR activities can include initiatives related to environmental sustainability, education, health, and poverty alleviation.**
- 3. Companies in India are required to spend at least 2% of their average net profits from the last three financial years on CSR activities, under the Companies Act, 2013.**
- 4. CSR activities are solely focused on charitable donations and cannot be linked to the company's business strategy or operations.**

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

**Q12. Which of the following statements is/are true regarding the factors contributing to unemployment and the solutions to jobless growth?**

- 1. The shift towards the knowledge-intensive services sector has limited job creation compared to the labour-intensive industrial sector.**
- 2. Infrastructure bottlenecks have prevented the formation of backward and forward linkages between the agricultural, industrial, and service sectors, leading to fewer job opportunities.**
- 3. Reforming labour laws can encourage businesses to adopt more labour-intensive production methods in a country with abundant labour.**
- 4. Promoting industries such as textiles and food processing, and encouraging entrepreneurship through programmes like Start-up India, can help address the issue of jobless growth.**

- (a) 1, 2, and 3 only
- (b) 2, 3, and 4 only
- (c) 1, 3, and 4 only
- (d) All of the above

**Q13. Which of the following statements about macroeconomics is incorrect?**

- 1. GDP measures the total value of all goods and services produced within a country over a specific period, providing an indicator of economic performance.**
- 2. A high unemployment rate indicates that the economy is performing well, as more people are actively seeking jobs.**
- 3. Inflation refers to the general increase in price levels of goods and services in an economy, which can erode purchasing power.**
- 4. Central banks use tools like interest rates and open market operations to influence the money supply and stabilize the economy.**

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

**Q14. Which of the following statements accurately describe the forces behind the supply curve?**

- 1. A decrease in the prices of production inputs, such as labor or raw materials, will shift the supply curve to the right, indicating an increase in supply.**
- 2. Advances in technology can improve production efficiency, leading to an increase in supply and a rightward shift of the supply curve.**
- 3. Taxes and regulations can affect production costs. An increase in taxes or stricter regulations will typically shift the supply curve to the right.**
- 4. An increase in the number of sellers in the market usually leads to a rightward shift in the supply curve due to the higher overall production.**

- (a) Only statements 1, 2, and 4 are correct.
- (b) Only statements 1, 2, and 3 are correct.
- (c) Only statements 2, 3, and 4 are correct.
- (d) All statements are correct

**Q15. Which of the following statements accurately describe cost-push inflation?**

- 1. Cost-push inflation occurs when rising production costs lead to an increase in the overall price level of goods and services.**
- 2. An increase in wages, raw material prices, or energy costs can be key drivers of cost-push inflation.**
- 3. Cost-push inflation occurs when aggregate demand in the economy exceeds aggregate supply, leading to higher prices.**
- 4. A supply shock, such as a sudden increase in oil prices, is an example of a factor that can trigger cost-push inflation.**

- (a) Only statements 1, 2, and 4 are correct.
- (b) Only statements 1 and 3 are correct.
- (c) Only statements 2 and 3 are correct.
- (d) All statements are correct.

**Q16. Which of the following statements accurately describe Keynes' criticism of the Classical Theory of Interest?**

- 1. According to Keynes, interest is not a reward for saving but a reward for parting with liquidity or cash balances.**
- 2. Keynes argued that investment is more dependent on the marginal efficiency of capital and future expectations rather than the rate of interest, especially during economic slowdowns.**
- 3. Keynes believed that both savings and investment are highly interest elastic, as people adjust their savings based on interest rate changes.**

- (a) Only statements 1 and 2 are correct.
- (b) Only statements 2. and 3 are correct
- (c) Only statements 1 and 3 are correct
- (d) None of the above

**Q17. Which of the following statements accurately describe characteristics of the boom phase of a business cycle?**

- i) The boom phase is characterized by high levels of consumer and business confidence, leading to increased investment and spending.**
  - ii) During the boom phase, unemployment rates are generally low, and wages tend to rise as businesses expand and hire more workers.**
  - iii) Inflationary pressures are typically absent during the boom phase due to balanced supply and demand conditions in the economy.**
- (a) Only statement i is correct.
  - (b) Only statements i and ii are correct.
  - (c) Only statements ii and iii are correct.
  - (d) All statements are correct

**Q18. Which of the following statements accurately describe the tools of monetary policy used by central banks like the Reserve Bank of India (RBI)?**

- 1. Open Market Operations (OMO): The central bank buys or sells government securities in the open market to control the supply of money.**
  - 2. Cash Reserve Ratio (CRR): This is the percentage of a bank's total deposits that must be held in reserve as cash with the central bank, which helps control liquidity in the economy.**
  - 3. Statutory Liquidity Ratio (SLR): It mandates the minimum percentage of a bank's deposits that must be maintained in the form of liquid assets like gold and government bonds.**
  - 4. Fiscal Deficit Financing: The central bank controls inflation and liquidity through fiscal policies like adjusting government spending and taxation.**
- (a) Only statements 1 and 2 are correct.
  - (b) Only statements 2 and 4 are correct.
  - (c) Only statements 1, 2, and 3 are correct.
  - (d) All statements are correct

**Q19. Which of the following statements accurately describe the utility of Gross Domestic Product (GDP) as an economic indicator?**

- i) GDP measures the total monetary value of all goods and services produced within a country's borders over a specific period, providing a snapshot of a nation's economic performance.**
  - ii) GDP is used to compare the economic performance of different countries and assess the standard of living by looking at GDP per capita.**
  - iii) A rising GDP always reflects an improvement in the well-being of a country's citizens, as it directly correlates with better quality of life and income distribution.**
- (a) Only statement i is correct.
  - (b) Only statements i and ii are correct.
  - (c) Only statement iii is correct.
  - (d) All statements are correct

**Q20. Which of the following statements accurately describe the concept and implications of fiscal deficit?**

- 1. Fiscal deficit occurs when the government's total expenditure exceeds its total receipts, excluding borrowings.**
  - 2. A high fiscal deficit can lead to inflation if it is financed by borrowing from the central bank, which increases the money supply in the economy.**
  - 3. A lower fiscal deficit is always a positive indicator of a country's economic health, as it signifies reduced government spending.**
  - 4. A fiscal deficit is often financed through market borrowings, external loans, and the sale of government assets.**
- (a) Only statements 1 and 2 are correct.  
(b) Only statements 1, 2, and 4 are correct.  
(c) Only statements 3 and 4 are correct.  
(d) All statements are correct

**Q21. Which of the following statements accurately describe the recommendations of the Narasimham Committee – II (1998)?**

- 1. The Committee recommended the merger of strong banks to enhance their ability to handle domestic liquidity and exchange rate management in light of Current Account Convertibility.**
  - 2. The Committee introduced the concept of 'Narrow Banking' to rehabilitate weak banks by restricting their investments to short-term and risk-free assets due to high non-performing assets (NPAs).**
  - 3. It suggested raising the Capital Adequacy Ratio (CAR) to 9% to improve the banking system's capacity to absorb losses and strengthen their financial stability.**
  - 4. The Committee recommended that government control over banks should be increased to ensure stricter management and ownership policies for better governance.**
- (a) Only statements 1, 2, and 3 are correct.  
(b) Only statements 1 and 3 are correct.  
(c) Only statement 4 is correct.  
(d) All statements are correct.

**Q22. According to Section 19 of the RBI Act, which of the following types of business transactions are prohibited for the Reserve Bank of India (RBI)?**

- A) RBI is prohibited from engaging in trade or having a direct interest in any commercial, industrial, or other undertaking.**
- B) RBI is allowed to purchase the shares of any banking company or any other company, and grant loans upon the security of such shares.**
- C) RBI is not permitted to advance money on the mortgage of immovable property or become the owner of immovable property, except when necessary for its business premises and residences for its officers and employees.**
- (a) Only statement A is correct.  
(b) Only statements A and C are correct.  
(c) Only statement B is correct.  
(d) All statements are correct.

**Q23. Which of the following statements accurately describe the financial and advisory activities of IFCI?**

- A) Project financing is the core business of IFCI, which provides medium or long-term credit for new projects, expansions, modernisation, and balancing schemes, including rupee and foreign currency loans.**
- B) IFCI offers both fund-based and fee-based financial services, including equipment finance, working capital loans, leasing, guarantees, and letters of credit.**
- C) IFCI's corporate advisory services include areas such as project finance, corporate restructuring, disinvestment, and facilitating foreign direct investment (FDI).**
- D) IFCI exclusively focuses on providing loans and does not engage in advisory or consultancy services for infrastructure sectors like electricity, telecom, and insurance.**

- (a) A, and B are correct
- (b) B, C, and D are correct
- (c) A, B, and D are correct
- (d) A, B, and C are correct

**Q24. Based on the definitions of Asset Finance Companies (AFC) and Loan Companies (LC), which of the following statements accurately describe these types of financial institutions?**

- 1. An Asset Finance Company (AFC) primarily finances physical assets like automobiles, tractors, and machinery, with at least 60% of its total assets and income derived from such activities.**
- 2. A Loan Company (LC) is involved in providing finance through loans or advances for any activity, excluding financing physical assets.**
- 3. Asset Finance Companies and Loan Companies are classified based on their principal business activities and income from their financial operations.**
- 4. An AFC can include providing finance for activities other than physical assets as long as it maintains the principal business criteria.**

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

**Q25. The Reserve Bank of India (RBI) has several critical objectives aimed at maintaining economic stability and ensuring the efficient functioning of the financial system. Which of the following statements accurately describe these objectives?**

- 1. To maintain monetary stability such that the business and economic life of the country can deliver the welfare gains of a mixed economy.**
- 2. To maintain financial stability and ensure sound financial institutions so that economic units can conduct their business with confidence.**
- 3. To maintain stable payment systems so that financial transactions can be safely and efficiently executed.**

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

**Q26. In June 2022, the Indian government launched EASE 5.0, the latest initiative under the EASENext program, aimed at transforming Public Sector Banks (PSBs). This initiative emphasizes enhancing digital customer experiences and fostering inclusive banking, particularly for small businesses and agriculture. PSBs are also required to develop individual strategic roadmaps addressing business growth, profitability, risk management, customer service, and operational improvements.**

**Which of the following statements best encapsulates the objectives and focus areas of the EASE 5.0 initiative launched for PSBs in June 2022?**

- (a) EASE 5.0 is primarily focused on restructuring the financial capital of PSBs, with the key emphasis on investment in long-term government securities and minimizing exposure to digital banking to avoid over-reliance on technological advances.
- (b) The EASE 5.0 program centers on common reform initiatives, enhancing digital customer experiences, and driving inclusive banking, particularly for small businesses and agriculture, while requiring PSBs to develop a unique 3-year strategic roadmap for growth and operations.
- (c) Under EASE 5.0, PSBs are expected to minimize investment in emerging digital capabilities to focus solely on traditional banking models, emphasizing conservative financial growth and risk management strategies as a core component of their 3-year strategic roadmaps.
- (d) The central goal of EASE 5.0 is to unify all PSBs under a singular operational framework, eradicating the need for bank-specific strategies, while eliminating the focus on customer-centric services to ensure risk-averse banking practices.

**Q27. A commodity market experiences fluctuating supply and demand. When demand exceeds supply, prices rise as buyers are willing to pay more for limited availability. Conversely, if supply exceeds demand, prices fall, favoring buyers due to abundant availability. In cases where supply and demand are balanced, the market achieves price equilibrium, ensuring fairness for both buyers and sellers. Traders rely on price discovery mechanisms to assess market dominance and establish fair market prices in such dynamic environments.**

**Which of the following statements best describes the relationship between supply, demand, and price discovery in a commodity market?**

- (a) When supply exceeds demand in a commodity market, prices typically rise because buyers are willing to pay a premium for easily available assets, as they want to secure future gains before supply diminishes.
- (b) Price discovery mechanisms enable traders to determine a commodity's price by analyzing whether buyers or sellers are more dominant in the market at any given time, thus influencing the equilibrium state.
- (c) In a market where supply and demand are perfectly balanced, price equilibrium occurs, ensuring prices remain stable and unaffected by external factors such as scarcity or market speculation, which could otherwise disrupt fair trade.
- (d) When demand exceeds supply, prices fall because buyers lose interest in bidding up the value of scarce assets, preferring to wait until supply catches up, thus creating a surplus that drives prices down.

**Q28. Demutualisation refers to the transformation of a stock exchange from a mutually owned association to a shareholder-owned corporation. In a mutual exchange, brokers serve as owners, traders, and managers. Post-demutualisation, these roles are segregated, with ownership, management, and trading handled independently. This separation aims to enhance governance and reduce conflicts of interest. Indian exchanges like the BSE, NSE, and OTCEI have undergone this process, corporatising and demutualising their operations to better align with global standards.**

**Which of the following is NOT a characteristic of a demutualised stock exchange as explained in the demutualisation process?**

- (a) A demutualised exchange ensures that ownership, management, and trading functions are separated into distinct entities, reducing conflicts of interest and providing a more transparent governance structure for the exchange.
- (b) In a mutual exchange, the ownership, management, and trading functions are concentrated within a single group, where broker members serve as both owners and traders, also taking on management responsibilities.
- (c) Demutualisation allows broker members to retain their roles as owners and traders while delegating management responsibilities to independent third parties, ensuring that trading practices remain under the control of those most experienced in the field.
- (d) Exchanges like BSE, NSE, and OTCEI, which have undergone demutualisation, now function as corporatised entities with separate ownership and trading rights, aligning with international standards for stock exchange governance.

**Q29. The Foreign Exchange Dealers' Association of India (FEDAI), established in 1958, is crucial in the Indian forex market. It regulates foreign exchange operations, sets rules, and assists member banks with advisory services, training, and accreditation of foreign exchange brokers. FEDAI includes public, private, foreign, and co-operative banks. As a self-regulating organization, it works with RBI and FIMMDA to stabilize markets. In March 2018, FEDAI, alongside FBIL, FIMMDA, and IBA, collaborated to establish benchmarks for Indian Rupee interest rates and foreign exchange.**

**Which of the following statements about the Foreign Exchange Dealers' Association of India (FEDAI) is incorrect?**

- (a) FEDAI, established in 1958, regulates forex operations and sets rules for the foreign exchange market in India, assisting member banks with advisory services and training.
- (b) FEDAI's role includes accrediting foreign exchange brokers and stabilizing the forex market through its collaboration with the Reserve Bank of India (RBI) and Fixed Income Money Market and Derivatives Association of India (FIMMDA).
- (c) In March 2018, FEDAI collaborated with Financial Benchmarks India Ltd (FBIL), FIMMDA, and the Indian Banks' Association (IBA) to set benchmarks for Indian Rupee interest rates and foreign exchange.
- (d) FEDAI exclusively comprises foreign banks and financial institutions and does not include public sector or private sector banks among its members.

**Q30. A large public company issued shares worth ₹600 crores, exceeding the SEBI threshold of ₹500 crores. As per SEBI guidelines, the company appointed a financial institution as a Monitoring Agency. The agency's role was to ensure that the proceeds were used for the stated project, monitor project costs, track any revisions, and report any delays or deviations to SEBI. The company also ensured compliance with statutory approvals. The Monitoring Agency submitted half-yearly reports to SEBI, detailing fund utilization and any surplus management. Which of the following is NOT a responsibility of a Monitoring Agency as per SEBI guidelines when the issue size exceeds ₹500 crores?**

- (a) Submitting half-yearly reports on fund utilization to SEBI, including surplus fund management, even if the project is completed ahead of schedule and under budget.
- (b) Ensuring the company has obtained all relevant government/statutory approvals related to the project, as outlined in the offer document, and immediately reporting any failure to comply.
- (c) Monitoring any deviation in the use of funds compared to the purpose outlined in the offer document, and submitting a revised report directly to the shareholders before reporting to SEBI.
- (d) Ensuring that any revisions in the project cost are financed through pre-approved sources and reporting any deviations from the cost as mentioned in the original offer document to SEBI.

**Q31. XYZ Electronics, a small MSME, supplies electronic components to large corporations, including government departments and public sector undertakings (PSUs). Due to delayed payments from these large buyers, XYZ faces difficulties in managing its working capital. To resolve this, the company signs up for TReDS, a platform that facilitates the financing of trade receivables for MSMEs. After submitting its invoices on the TReDS platform, XYZ receives funds from financiers by discounting its receivables, improving its liquidity. The financing is without recourse. This new approach significantly improves XYZ's cash flow and business operations. Which of the following best describes the nature of TReDS transactions and their benefits for MSMEs like XYZ Electronics?**

- (a) MSMEs receive direct payments from their buyers without using any intermediaries.
- (b) The financing on TReDS is with recourse to the MSMEs, protecting the financier from buyer default risks.
- (c) MSMEs can discount their trade receivables without recourse, meaning they are not responsible if buyers fail to pay.
- (d) TReDS supports only the discounting of invoices, excluding bills of exchange from the financing process.

**Q32. ABC Investments, a financial firm, participates in both exchange-traded and OTC derivative markets. To hedge its exposure to interest rate fluctuations, the firm opts for exchange-traded derivatives due to the transparency and standardization of contracts, such as fixed expiration dates and contract amounts. ABC is assured of efficient clearing and settlement, backed by the clearinghouse, which guarantees transactions through margin requirements. While the firm benefits from liquidity and reduced risk, it also faces less flexibility compared to OTC markets, where non-standardized products are available for tailored strategies.**

**What is a primary advantage of exchange-traded derivative markets for firms like ABC Investments?**

- (a) The ability to negotiate contract terms directly with counterparties, providing flexibility in structuring deals.
- (b) Greater privacy of transactions, where contract details are only disclosed to the parties involved and not to regulatory bodies.
- (c) Full transparency, along with efficient clearing and settlement, backed by a credit guarantee from the clearinghouse through margin deposits.
- (d) The absence of margin requirements, allowing firms to operate with lower upfront capital commitments compared to OTC markets.

**Q33. The Planning Commission's five-year planning model faced challenges in aligning with India's evolving development strategy. Initially crucial for channeling limited resources into infrastructure post-independence, the framework struggled to adapt after the 1991 economic reforms. Budget constraints and shifting political dynamics, especially the rise of coalition governments, further undermined centralized planning. This misalignment between federal resource allocation and state developmental roles questioned the Commission's relevance in a changing economic landscape. Which of the following best describes the challenges posed by the Planning Commission's traditional five-year planning model in the context of India's post-1991 economic reforms?**

(a) The Planning Commission's rigid adherence to a centralized resource allocation model led to inefficiencies in addressing regional disparities. This was particularly evident as states with strong regional parties began demanding more autonomy, causing delays in infrastructure projects and widening economic inequalities between states.

(b) The Planning Commission's failure to integrate market mechanisms into its planning process post-1991 resulted in a mismatch between the allocation of resources and the actual needs of the economy. This caused an over-reliance on public sector investments, leaving the private sector underutilized, which hampered economic growth.

(c) The conflict between centralized planning and the federal structure of governance led to a dilution of the states' developmental roles. This, combined with the fiscal constraints imposed by coalition governments, reduced the effectiveness of national economic strategies and increased the dependency on foreign direct investment (FDI) for infrastructure development.

(d) The persistence of a planning framework designed for a closed economy in a liberalized market environment resulted in resource misallocation. The Planning Commission's inability to adapt to the political decentralization caused by coalition governments led to reduced investment in key sectors, which stunted long-term economic growth.

**Q34. The \_\_\_\_\_ of a good or service refers to the quantity that consumers are willing and able to buy at various prices during a given period. The \_\_\_\_\_ curve generally slopes downward from left to right, indicating that as the price decreases, the quantity demanded \_\_\_\_\_ and vice versa. The concept of \_\_\_\_\_ describes the change in quantity demanded in response to a change in price.**

**Fill in the blanks:**

- (a) Demand; Supply; Decreases; Elasticity
- (b) Supply; Demand; Increases; Substitution
- (c) Supply; Supply; Decreases; Substitution
- (d) Demand; Demand; Increases; Elasticity

**Q35. i. A government increases its expenditure on infrastructure projects to stimulate economic growth, while simultaneously raising taxes to balance the budget.**

**ii. The economy experiences inflation, leading to higher nominal incomes that push taxpayers into higher income tax brackets, increasing the government's revenue without altering tax rates.**

**iii. A central bank cuts interest rates to lower borrowing costs for businesses and consumers, aiming to boost investment and consumption.**

**iv. A government implements a temporary tax cut to provide immediate relief to households during a recession, with the intention to restore the original tax rates once the economy recovers.**

**Which of the following scenarios best illustrates the concept of "fiscal drag" in a fiscal policy context?**

- (a) ii only
- (b) iii only
- (c) iv only
- (d) i, ii, and iii

**Q36. Which of the following statements accurately describes the difference between American and European options?**

- (a) An American option can be exercised only on the expiration date, while a European option can be exercised anytime between the day of purchase and the expiration date.
- (b) An American option can be exercised anytime between the day of purchase and the expiration date, while a European option can only be exercised on the expiration date.
- (c) Both American and European options can be exercised at any time before the expiration date.
- (d) None of the above

**Q37. The nation of Agraria experienced a severe economic depression that lasted for three years. During this period, unemployment rates soared, consumer spending plummeted, and many businesses shut down. However, signs of recovery began to emerge as the government implemented various stimulus measures to revive the economy. Idle workers, who had been unemployed for a long time, were now willing to work at lower wages. Consumers, having postponed their purchases during the depression, started to spend again as prices reached their lowest levels. Banks, with accumulated cash reserves, began to offer loans at lower interest rates and easier terms. This increased availability of credit encouraged businesses to invest in new projects and expand their operations. Which of the following factors is most likely to initiate and sustain the recovery phase in Agraria's business cycle?**

- (a) Continued consumer pessimism and low spending.
- (b) Banks maintaining high interest rates and strict loan terms.
- (c) Increased consumer spending and demand, leading to higher production.
- (d) Businesses reducing investment due to fear of another economic downturn.

**Q38. GreenFuture Bank, a prominent bank in India, has recently taken significant steps to integrate ESG (Environmental, Social, and Governance) principles into its operations. The bank has introduced several initiatives, including reducing its carbon footprint by transitioning to renewable energy sources, implementing strict human rights policies, promoting LGBT equality in the workplace, and enhancing corporate governance practices. As part of its ESG strategy, GreenFuture Bank plans to launch a new line of green financial products aimed at supporting environmentally friendly projects and businesses. The bank believes that this will attract a new segment of eco-conscious customers and further solidify its reputation as a leader in sustainable banking. Which of the following best represents a potential challenge GreenFuture Bank might face in fully integrating ESG principles into its operations?**

- (a) The bank may struggle to attract socially responsible investors due to its ESG initiatives.
- (b) Traditional investors might be concerned about the potential impact of ESG initiatives on short-term profits.
- (c) The bank's commitment to reducing its carbon footprint may lead to a decrease in customer satisfaction.
- (d) Implementing human rights policies may reduce the bank's ability to comply with regulatory requirements.

**Q39. Which of the following statements is true regarding the issuance of Commercial Papers (CPs) by a company?**

- (a) The aggregate amount of CP issued by a company is solely determined by the Credit Rating Agency.
- (b) A company can issue CPs without any limit as long as they have board approval.
- (c) The aggregate amount of CPs issued must be within the limit approved by the company's Board of Directors or the limit indicated by the Credit Rating Agency, whichever is lower.
- (d) Financial Institutions (FIs) can issue CPs without any restrictions, regardless of RBI guidelines.

**Q40.** Bright Future Technologies, a startup specializing in renewable energy solutions, decides to raise funds for its expansion plans. The company plans to issue new shares in the financial market to attract investors. The initial public offering (IPO) is highly anticipated due to the company's innovative approach and potential for growth. As the shares are listed on the stock exchange, the financial market starts its price determination function. The prices of the shares are set by the market forces of demand and supply, reflecting investor sentiment and market conditions. Investors are drawn to BrightFuture Technologies due to the potential high returns, determined by the required rate of return for their investments. As trading begins, investors who initially bought the shares can sell them at any time during market hours, providing liquidity. This liquidity ensures that investors can convert their shares to cash without having to wait for the company to buy them back or for other specific conditions to arise.

**Which of the following functions of the financial market is most directly demonstrated by the ability of investors to sell BrightFuture Technologies' shares at any time during market hours?**

- (a) Price determination
- (b) Funds mobilization
- (c) Liquidity
- (d) Risk sharing

**Q41.** In 2023, Country X experienced robust economic growth, with its GDP showing a significant increase. The government attributed this growth to an uptick in both production and consumption of goods and services. However, there were concerns about rising inflation, which could potentially undermine economic stability.

To assess the inflationary pressures, the National Statistics Office (NSO) of Country X released the quarterly GDP deflator data. The GDP deflator indicated a 6% increase in prices of domestically produced goods and services over the past year. In contrast, the Consumer Price Index (CPI) showed a 4% increase, and the Wholesale Price Index (WPI) indicated a 5% rise in prices.

**Given the scenario, which of the following best explains why the GDP deflator might show a higher inflation rate compared to the CPI and WPI?**

- (a) The GDP deflator includes the prices of all domestically produced goods and services, while CPI and WPI cover only specific baskets of goods and services.
- (b) The GDP deflator measures only consumer goods, whereas CPI and WPI include both consumer and wholesale goods.
- (c) The GDP deflator is updated monthly, whereas CPI and WPI are updated quarterly.
- (d) The GDP deflator excludes changes in consumption and investment patterns, whereas CPI and WPI include these changes.

**Q42. 1. Coupon bonds pay interest at pre-determined intervals, usually twice a year.**

**2. Zero-coupon bonds pay periodic interest at fixed intervals.**

**3. Convertible bonds allow the investor to convert the bond into equity at a fixed conversion price.**

**Which of the following statements is true regarding different types of bonds?**

- (a) Statements 1 and 3 are true.
- (b) Only statement 1 is true.
- (c) Only statement 2 is true.
- (d) Statements 1, 2, and 3 are true.

**Q43. Imagine a group of countries in Asia facing severe foreign exchange shortages and high transfer costs for intra-regional trade. These countries are struggling with settlement difficulties due to resource constraints and the complexity of bilateral trade and payments agreements. To address these issues, they consider forming a payment arrangement that allows them to settle payments for intra-regional transactions on a net multilateral basis.**

**Which of the following best describes the solution these countries are considering, and how does it help address their foreign exchange constraints and settlement difficulties?**

- (a) The countries are considering forming a bilateral trade agreement to directly exchange goods and services without using foreign currency, thereby eliminating the need for foreign exchange reserves.
- (b) The countries are considering establishing a multilateral payments arrangement, such as the Asian Clearing Union (ACU), which allows them to offset debits and credits periodically, reducing the need for foreign exchange reserves and minimizing transfer costs.
- (c) The countries are considering adopting a single common currency for all transactions, thereby completely removing the need for foreign exchange and simplifying trade.
- (d) The countries are considering increasing their foreign exchange reserves through international loans to cover their intra-regional trade settlements and reduce transfer costs.

**Q44. According to SEBI guidelines, which of the following statements about the role and requirements of a Monitoring Agency is correct?**

- (a) A Monitoring Agency is mandatory for all public issues regardless of the issue size and is responsible for ensuring compliance with all regulatory requirements.
- (b) The role of the Monitoring Agency is optional and primarily focused on auditing the financial statements of the company, with no specific reporting requirements to SEBI.
- (c) Monitoring Agencies are only appointed for issues less than Rs. 500 crores and are responsible for monitoring project implementation and reporting to SEBI.
- (d) The issuer is required to appoint a Monitoring Agency if the issue size exceeds Rs. 500 crores, and the agency must monitor the timely implementation of the project and submit half-yearly returns to SEBI.

**Q45. i) Exporter negotiates a tentative contract with the importer, specifying details such as the nature of goods and price.**

**ii) Exporter approaches Exim Bank to obtain an indicative quote for forfaiting transactions.**

**iii) Exim Bank directly provides a firm quote to the exporter without contacting the international forfaiter.**

**iv) The forfaiter provides an indicative quote to Exim Bank, which is then passed on to the exporter.**

**Which of the following is NOT a step involved in a typical forfaiting transaction handled through Exim Bank in India?**

- (a) i only
- (b) ii only
- (c) iii only
- (d) iv only

**Q46. Which of the following statements is true regarding the legal implications of lease financing and hire purchase agreements in India?**

**ABC Manufacturing Ltd. decides to enter into a lease agreement for the new machinery. They sign a lease contract with XYZ Leasing Co., which allows them to use the machinery for five years. The lease agreement specifies that XYZ Leasing Co. will remain the owner of the machinery throughout the lease term. ABC Manufacturing Ltd. is responsible for maintaining the machinery and ensuring it is returned in good condition at the end of the lease period.**

Meanwhile, XYZ Trading Co., another business enterprise, opts for a hire purchase agreement to acquire a similar type of machinery. Under the hire purchase agreement with DEF Finance Co., XYZ Trading Co. will make monthly payments over three years. At the end of the hire purchase term, XYZ Trading Co. will own the machinery after making the final payment.

- (a) Lease agreements in India are governed by the Hire Purchase Act, 1972.
- (b) Lease financing agreements are governed by the Indian Contract Act and considered contracts of bailment.
- (c) Hire purchase agreements are akin to contracts of bailment and are governed by the Indian Contract Act.
- (d) Both lease financing and hire purchase agreements are governed by a specific statute in India.

**Q47. i) Credit scoring is a statistical analysis used by lenders to determine the creditworthiness of an individual and is applicable to home loans, auto loans, credit cards, and personal loans.**

**ii) Credit scores are used exclusively for evaluating corporations and governments, whereas credit ratings are used for individuals.**

**iii) In India, Credit Information Companies (CICs) evaluate and monitor credit scores, and the concept of credit bureaus originated in the USA.**

**Which of the following statements about credit scoring is NOT correct?**

- (a) i only
- (b) ii only
- (c) iii only
- (d) i and iii only

**Q48. Interval funds are listed as closed-end funds that allow purchase and redemption during specified transaction periods. The transaction period has to be for a minimum of \_\_\_\_\_ days and there should be at least a \_\_\_\_\_-day gap between two transaction periods. These funds have the features of both open-ended and closed-end funds, as they are opened for repurchase of shares at different intervals during the fund tenure. The fund management company offers to repurchase units from existing unit holders during these intervals.**

**Fill in the blanks:**

- (a) two; 10
- (b) two; 15
- (c) three; 15
- (d) three; 10

**Q49. Which of the following statements is incorrect regarding the All-Citizens Model of the National Pension System (NPS)?**

- (a) The All-Citizens Model allows all Indian citizens, including non-residents, aged between 18-70 years, to join NPS on a voluntary basis.
- (b) NPS is designed on a Defined Contribution basis, meaning the benefit at exit is pre-determined and guaranteed by the government.
- (c) Both individual contributions and potential employer co-contributions are part of the NPS framework for social security and welfare.
- (d) The accumulated wealth in an NPS account depends on contributions, investment income, the duration of accumulation, and the charges deducted.

**Q50.** Rajesh is an economic planner working for the Indian government. He is tasked with developing a new five-year plan that focuses on the primary goals of planning in India. To achieve this, he must consider various objectives such as economic growth, poverty alleviation, employment generation, social justice, reducing inequalities, achieving a self-reliant economy, and modernizing the economy. Rajesh understands that each goal is crucial for India's overall development.

While formulating the plan, Rajesh faces a scenario where he needs to prioritize certain objectives due to limited resources. He decides to focus on sectors that can simultaneously address multiple goals. However, he encounters a dilemma when addressing social justice and reducing inequalities. Rajesh realizes that achieving social justice requires significant investment in education and healthcare, which could strain the available resources. To balance this, he plans to implement targeted programs that focus on the most vulnerable sections of society.

**Which of the following sectors should Rajesh prioritize to address the goals of economic growth, poverty alleviation, and employment generation simultaneously?**

- (a) Information Technology
- (b) Agriculture
- (c) Financial Services
- (d) Real Estate

**Q51. 1.** The construction sector is the second largest employment sector in the country, only after agriculture.

**2.** The Indian construction sector's expansion is primarily driven by rural development and agricultural growth.

**Consider the following statements regarding the construction sector in India. Which of the below statements is/are correct?**

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

**Q52.** Which of the following components was NOT included in the "Home Charges" during the British colonial rule in India from 1858 to 1947?

- (a) Dividends to East India Company shareholders
- (b) Interest on loans raised by the Government of India in England
- (c) Expenditure on British army stationed in India
- (d) Revenue from taxes collected within India

**Q53.** Due to 10 percent fall in the price of X, its demand rises from 100 units to 120 units. How much percentage will its demand fall due to 10 percent rise in its price?

- (a) 20%
- (b) 30%
- (c) 15%
- (d) 25%

**Q54. Calculate the LRR if the initial deposit of rupees 500 crore leads to the establishment of the total deposit of rupees 4,000 crore.**

- (a) 0.155
- (b) 0.1
- (c) 0.125
- (d) 0.2

**Q55. Calculate the value of the money multiplier and the total deposit created if the initial amount is rupees 700 crore and the LRR is 10%.**

- (a) 6500 crores
- (b) 7000 crores
- (c) 6200 crores
- (d) 7100 crores



**Q56.**

Transfer Payments	\$54
Interest Income (i)	\$150
Depreciation	\$36
Wages (W)	\$67
Gross Private Investment	\$124
Business Profits (PR)	\$200
Indirect Business Taxes	\$74
Rental Income (R)	\$75
Net Exports	\$18
Net Foreign Factor Income	\$12
Government Purchases	\$156
Household Consumption	\$304

**Calculate GDP.**

- (a) 602
- (b) 698
- (c) 765
- (d) 876

**Q57. In 2023, GlobalTraders Ltd., an export-oriented company based in India, faced significant challenges due to fluctuating foreign exchange rates. To better manage its foreign exchange transactions and mitigate risks, the company decided to consult with its bank, which is a member of the Foreign Exchange Dealers' Association of India (FEDAI). With the bank's guidance, supported by FEDAI's regulations and benchmarks, GlobalTraders Ltd. was able to navigate the volatile forex market more efficiently. The company adopted better hedging strategies to protect against adverse currency movements, thereby stabilizing its revenue and reducing financial risks. This collaboration also enhanced the company's confidence in dealing with international clients and expanding its global footprint. Which of the following is a key role of the Foreign Exchange Dealers' Association of India (FEDAI) in the forex market?**

- (a) Setting rules and charges for the foreign exchange business, and assisting member banks with training and accreditation.
- (b) Managing the foreign exchange reserves of India.
- (c) Conducting foreign exchange transactions on behalf of the government.
- (d) Providing direct loans to exporters and importers.

**Q58. Which of the following regulations is NOT specified for Exempted Funds that substitute the Employees' Provident Fund Organisation (EPFO) according to the guidelines?**

- (a) 25% of assets must be invested in central government bonds.
- (b) 15% of assets must be invested in state government bonds or bonds of public sector enterprises guaranteed by central or state governments.
- (c) 30% of assets must be invested in equities of private sector companies.
- (d) 30% of assets are required to be invested in bonds of public financial institutions or public sector enterprises.

**Q59. What is the minimum percentage of total assets that a Mid Cap Fund must invest in equity and equity-related instruments of mid cap companies?**

- (a) 50%
- (b) 55%
- (c) 60%
- (d) 65%

**Q60.**

Particulars	Rs. in crores
(i) NDP at MP	80,000
(ii) Net Factor income from abroad-200	
(iii) Depreciation	4,950
(iv) Subsidies	1,770
(v) Indirect Tax	10,600

**Calculate GNP at FC:**

- (a) 75920
- (b) 76289
- (c) 74321
- (d) 76549

**Q61. As a result of a 10% fall in the price of a good, its demand rises from 100 units to 120 units. Find out the price elasticity of demand.**

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

**Q62.** In a bailment arrangement, the \_\_\_\_\_ transfers possession of an item to the \_\_\_\_\_ for a specific purpose, with the expectation that the item will be returned once the purpose is fulfilled.

**Fill in the blanks:**

- (a) bailor; bailee
- (b) bailee; bailor
- (c) owner; recipient
- (d) borrower; lender

**Q63. i.** Venture capital investments are low-risk and aimed at modest profits.

**ii.** Venture capital investments are typically made in start-ups with growth potential.

**iii.** Venture capitalists generally invest by buying equity shares in the start-up company.

**iv.** Venture capital investments are usually short-term with quick returns.

**Which of the following statements accurately describe features of venture capital investments?**

- (a) i and ii
- (b) ii and iii
- (c) i and iv
- (d) iii and iv

**Q64. Which of the following statements about State Development Loans (SDLs) is incorrect?**

- (a) State Development Loans are securities issued by State Governments to finance their expenditures.
- (b) SDLs are issued through an auction process conducted by the Reserve Bank of India.
- (c) SDLs pay interest semi-annually at the coupon rate.
- (d) SDLs pay interest annually at the coupon rate.

**Q65. Statement I:** DFIs primarily focus on financing infrastructure projects of national importance that may not meet commercial return standards and provide long-term credit for capital-intensive investments.

**Statement II:** DFIs operate similarly to commercial banks, including mobilizing short- to medium-term deposits and avoiding maturity mismatches.

**Statement III:** DFIs offer loans at low and stable interest rates to support investments with substantial social benefits, such as urban infrastructure and irrigation systems.

**Which of the following statements about Development Finance Institutions (DFIs) is/are correct?**

- (a) Only Statement I is correct.
- (b) Statements I and II are correct, but Statement III is incorrect.
- (c) All Statements I, II, and III are correct.
- (d) Statements I and III are correct, but Statement II is incorrect.

**Q66. Statement 1:** The Insurance Act, 1938 was enacted to protect the interests of the insuring public and to provide detailed and effective control over insurers' activities.

**Statement 2:** The Insurance Act, 1938 established an insurance wing that was initially attached to the Ministry of Commerce and later to the Ministry of Finance.

**Statement 3:** The actuarial and operational matters related to insurance were overseen by the Insurance Regulatory and Development Authority (IRDAI).

**Which of the following statements about the Insurance Act, 1938 is/are correct?**

- (a) Statements 1 and 2 are correct, but Statement 3 is incorrect.
- (b) Statements 1 and 3 are correct, but Statement 2 is incorrect.
- (c) Only Statement 1 is correct.
- (d) All Statements 1, 2, and 3 are correct.

**Q67. Statement 1: Micro-finance institutions (MFIs), primarily consisting of NBFCs, are instrumental in catering to the financial needs of the unbanked masses in rural and semi-urban areas, creating livelihood sources, and serving this segment effectively.**

**Statement 2: NBFCs are primarily focused on retail financing and have minimal impact on stimulating financial inclusion or contributing to economic development.**

**Which of the following options is correct regarding the role of Micro Finance Institutions (MFIs) and Non-Banking Financial Companies (NBFCs) in financial inclusion?**

- (a) Both Statement 1 and Statement 2 are correct.
- (b) Both Statement 1 and Statement 2 are incorrect.
- (c) Statement 1 is correct, but Statement 2 is incorrect.
- (d) Statement 1 is incorrect, but Statement 2 is correct.

**Q68. i. To serve as an agent of development in various sectors, such as industry, agriculture, and international trade.**

**ii. To maintain a high level of liquidity in the financial system.**

**iii. To foster rapid industrialization, particularly in the private sector, to provide employment opportunities as well as higher production.**

**iv. To develop entrepreneurial skills.**

**Which of the following is not an objective of development banks?**

- (a) iii only
- (b) i only
- (c) iv only
- (d) ii only

**Q69. Based on Section 24 of the RBI Act, which of the following actions are permissible for the Central Government in relation to the Rs 2,000 currency notes?**

**The Central Government of India, acting on the recommendation of the Central Board of the Reserve Bank of India (RBI), decided to introduce new currency notes of the denomination Rs 2,000 to address the need for higher value notes. However, after a few years, it was observed that the high denomination notes were being used extensively for illegal activities.**

- (a) The Central Government can introduce Rs 2,000 currency notes without any recommendation from the Central Board of RBI.
- (b) The Central Government can introduce and later discontinue the Rs 2,000 currency notes based on the recommendation of the Central Board of RBI.
- (c) The Central Government can introduce Rs 2,000 currency notes but cannot discontinue them once they are in circulation.
- (d) The Central Government can introduce and discontinue Rs 2,000 currency notes without any involvement from the Central Board of RBI.

- Q70.** i. Internal benchmarks have not effectively transmitted monetary policy.  
ii. External benchmarks include RBI policy repo rate and Government of India Treasury Bill yields.  
iii. The transition to external benchmarks was recommended for all types of loans, including corporate loans.

Based on the recommendations of the Internal Study Group (ISG) led by Dr. Janak Raj, why did the Reserve Bank of India (RBI) advocate for a transition from internal benchmarks like Base Rate/MCLR to external benchmarks for floating rate loans, and what are the approved benchmarks for such loans effective from October 1, 2019?

- (a) i and ii  
(b) ii and iii  
(c) i and iii  
(d) i, ii, and iii

- Q71.** i. The bank rate is the rate at which the RBI is ready to buy or rediscount bills of exchange or other commercial papers without pledging any securities.  
ii. The MSF rate is aligned with the bank rate, but MSF loans require banks to furnish securities/collaterals.  
iii. Changes in the bank rate do not influence the money supply in the country.

Which of the following statements are correct regarding the bank rate and the Marginal Standing Facility (MSF) rate?

- (a) i and ii only  
(b) i and iii only  
(c) ii and iii only  
(d) i, ii, and iii

**Q72.** Calculate the most appropriate measure of RBI's money supply that could be possible.

Notes in circulation Rs. 53050 crores

Cash Reserves of Banks with RBI Rs 133830 crores

Circulation of small coins Rs. 680 crores

Demand deposits of banks Rs. 39170 crores

Other deposits with RBI Rs. 670 crores

Cash on hands with bank Rs. 2230 crores

Circulation of rupee coins Rs 940 crores

Circulation of coins greater than rupee coins Rs 1970 crores

- (a) Rs. 14,670 crores  
(b) Rs. 67,560 crores  
(c) Rs. 87,870 cores  
(d) Rs. 96,480 crores

- Q73.** 1. Equilibrium occurs where quantity demanded equals quantity supplied at a specific price level.  
2. A surplus occurs when quantity demanded exceeds quantity supplied at a given price.  
3. An increase in demand, with no change in supply, will always lead to an increase in equilibrium price.  
Consider the following statements regarding the equilibrium of demand and supply. Which of the following is correct?

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

**Q74. 1. Consumer preferences and tastes can shift the demand curve for a product.**

**2. Increasing consumer income always shifts the demand curve for inferior goods to the right.**

**3. The prices of related goods, such as substitutes and complements, can influence the demand for a product.**

**Consider the following statements regarding the forces behind the demand curve. Which of the following statements is correct?**

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

**Q75. I. Climate change is expected to increase the frequency and intensity of extreme environmental events, which may drive migration flows, particularly in middle-income economies like India.**

**II. The migration of people from rural to urban areas is on the rise, driven by aspirations for better living standards and economic opportunities.**

**III. Promoting agriculture and agri-businesses can help mitigate migration pressures by creating non-farm sector jobs closer to rural communities.**

**Consider the following statements about migration and climate change impacts. Which of the following statements is correct?**

- (a) I only
- (b) I and II only
- (c) II and III only
- (d) All of the above

**Q76. I. IBRD is the largest development bank in the world, providing financial solutions primarily to low-income nations.**

**II. IBRD offers loans, guarantees, risk management solutions, and consulting services to middle-income and creditworthy low-income nations.**

**III. IBRD collaborates closely with only public sectors in developing countries to eliminate poverty and achieve shared prosperity.**

**Consider the following statements regarding the International Bank for Reconstruction and Development (IBRD). Which of the statements is/are correct?**

- (a) I only
- (b) II only
- (c) I and II only
- (d) II and III only

**Q77. i. The IMF conducts surveillance over members' economic policies to ensure they are consistent with the IMF's goals and has the authority to review the economic situations of nearly every country regularly.**  
**ii. The IMF provides loans to member countries during a temporary balance of payments crisis to help them implement corrective measures and mobilize external funding.**  
**iii. The IMF offers concessional loans to low-income countries to support their efforts to reduce poverty, often in collaboration with the World Bank and other international economic institutions.**  
**Which of the following statements accurately describes the functions of the International Monetary Fund (IMF)?**

- (a) i and ii only
- (b) ii and iii only
- (c) i and iii only
- (d) i, ii, and iii

**Q78. 1. Economic growth focuses on the production of goods and services, while economic development focuses on the \_\_\_\_\_ of resources.**  
**2. Economic growth is single-dimensional as it only focuses on the \_\_\_\_\_ of the people, while economic development is multi-dimensional as it focuses on both income and the improvement of the living standards of the people.**  
**3. Economic growth is the precursor and prerequisite for economic development. It is the \_\_\_\_\_ of economic development.**

**Fill in the blanks to correctly complete the following statements about the differences between Economic Growth and Economic Development:**

- (a) distribution, income, subset
- (b) allocation, wealth, component
- (c) distribution, wealth, aspect
- (d) allocation, income, part

**Q79. Which of the following statements accurately differentiates between Greenfield FDI and Brownfield FDI?**

- (a) Greenfield FDI is a type of foreign investment where the parent company establishes new operations in the host country, while Brownfield FDI involves purchasing or leasing existing facilities.
- (b) Greenfield FDI involves the acquisition of existing facilities in the host country, while Brownfield FDI involves building new facilities from scratch.
- (c) Greenfield FDI is primarily focused on financial investments such as stocks and bonds, while Brownfield FDI focuses on physical assets like factories and machinery.
- (d) Greenfield FDI is when a company partners with a local firm to start a joint venture, while Brownfield FDI is when a company invests through franchising or licensing agreements.

**Q80. i. Acceptance of Family Welfare services is voluntary.**  
**ii. The programme provides integrated Maternal and Child Health (MCH) and family planning services.**  
**iii. Effective Information Education & Communication (IEC) is provided to improve awareness.**  
**iv. Family Welfare services are available at a nominal cost.**

**Which of the following statements are fundamental premises of the Family Welfare Programme in India?**

- (a) i and ii
- (b) i, ii, and iii
- (c) ii and iv
- (d) i, iii, and iv

**Q81. i. NEP 2022 replaces the National Education Policy 1986.**

**ii. The new framework under NEP 2022 includes a 5+3+3+4 structure, incorporating 12 years of education.**

**iii. The pillars of NEP 2022 are accessibility, equity, quality, and accountability.**

**Which statements accurately describe the National Education Policy 2022 (NEP 2022)?**

- (a) i only
- (b) i and ii
- (c) ii and iii
- (d) i, ii, and iii

**Q82. 1. Prime Minister Employment Generation Programme (PMEGP) provides credit-linked subsidies to promote entrepreneurship.**

**2. The scheme of the Fund for Regeneration of Traditional Industries (SFURTI) focuses on organizing traditional industries into clusters to enhance their marketability.**

**3. A Scheme for the Promotion of Innovation, Rural Industries & Entrepreneurship (ASPIRE) aims to create new jobs and reduce unemployment through innovative business solutions.**

**Which statements correctly describe the following schemes under the Ministry of MSME?**

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

**Q83. 1. Individual Micro and Small Enterprises can apply for collateral-free loans up to Rs. 1 crore.**

**2. The scheme is administered by the Ministry of Finance and the Reserve Bank of India.**

**3. CGTMSE was instrumental in supporting the MSME sector during the COVID-19 pandemic.**

**Which statements accurately describe the Credit Guarantee Scheme (CGS) under CGTMSE?**

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

**Q84. Statement 1: NITI Aayog was established on January 1, 2015, by a resolution of the Union Cabinet to replace the Planning Commission.**

**Statement 2: NITI Aayog serves as the Government of India's top policy "Think Tank," offering both directional and policy suggestions.**

**Statement 3: The creation of NITI Aayog focuses on two hubs: Team India and the Knowledge and Innovation Hub.**

**Choose the correct option in the context of the following statements.**

- (a) Statements 1 and 2 are true, but statement 3 is false.
- (b) Statements 1 and 3 are true, but statement 2 is false.
- (c) Statements 2 and 3 are true, but statement 1 is false.
- (d) All statements 1, 2, and 3 are true.

**Q85. Which of the following statements about NABARD's supervisory functions is NOT true?**

- (a) NABARD conducts statutory inspections of commercial banks operating in urban areas to assess their compliance with the Banking Regulation Act, 1949.
- (b) NABARD's inspections are aimed at providing financial support and focus on regulatory compliance or operational efficiency of rural financial institutions.
- (c) NABARD undertakes voluntary inspections of SCARDBs in the LTCCS, Apex Level Cooperative Societies, and Federations to ensure their operational and regulatory efficiency.
- (d) The findings from NABARD's inspections are used to provide feedback to the RBI about the financial health and compliance of rural financial institutions.

**Q86. Fill in the blanks:**

\_\_\_\_\_ does not persist forever. It inherently possesses \_\_\_\_\_ which leads to recovery. During this phase, \_\_\_\_\_ seeks employment even at reduced wages due to the lower cost of living. Meanwhile, \_\_\_\_\_ who had delayed purchases in anticipation of further price drops begin to increase their consumption. Concurrently, \_\_\_\_\_ with surplus liquidity starts offering credit under more favorable conditions and at lower interest rates, which, in turn, stimulates \_\_\_\_\_. As consumption rises, the previously ample \_\_\_\_\_ starts to dwindle.

- (a) Economic growth, obstacles, consumers, investors, central banks, deflation, investment opportunities
- (b) Depression phase, the seeds of recovery, idle workers, consumers, banks, demand, stocks of goods
- (c) Recession, recovery mechanisms, entrepreneurs, savers, financial institutions, inflation, market stability
- (d) Boom phase, reasons for decline, skilled workers, speculators, investment funds, supply, resource availability

**Q87. Arrange the historic moments of banking history in chronological order**

1. Formation of GIC
2. Formation of NABARD
3. Formation of IRDAI
4. Formation of RRBs

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

**Q88. What does a 3 × 6 FRA (Forward Rate Agreement) mean?**

- (a) The agreement is for a 3-month borrowing or lending commitment starting 3 months from now and ending 6 months from now.
- (b) The agreement is for a 6-month borrowing or lending commitment starting 3 months from now and ending 6 months from now.
- (c) The agreement is for a 3-month borrowing or lending commitment starting 6 months from now and ending 9 months from now.
- (d) The agreement is for a 6-month borrowing or lending commitment starting 6 months from now and ending 9 months from now.

**Q89. If the price is \$45, what is the quantity demanded in the market?**

Price	Quantity Demanded	Quantity Supplied
\$10	100	20
\$20	80	40
\$30	60	60
\$40	40	80
\$50	20	100

- (a) 20 units
- (b) 30 units
- (c) 40 units
- (d) 50 units

**Q90. Consider the table of CPI data for a country. If the cost of a basket of goods was \$100 in 2018, what would be the cost of the same basket in 2020?**

**Consider the following table of consumer price index (CPI) data for a country:**

Year	CPI
2018	100
2019	105
2020	110

(Take 2018 as base year)

- (a) \$115
- (b) \$110
- (c) \$106
- (d) \$121

**Q91. Digital transformation in insurance companies refers to the process of integrating digital technologies, data analytics, automation, and innovative strategies to reshape the way insurance products and services are developed, delivered, and experienced. Consider the following key aspects of digital transformation in Insurance companies.**

- 1. Digital technologies enable insurers to provide a seamless and user-friendly experience to policyholders. Online portals, mobile apps, and self-service options empower customers to manage policies, make claims, and access information easily.**
- 2. Advanced data analytics and artificial intelligence (AI) are used to assess risks more accurately during underwriting. Insurers analyze vast amounts of data to make informed decisions about policy pricing and coverage.**
- 3. Insurers use customer data to tailor insurance products to individual needs. Personalized offers, discounts, and coverage options enhance customer satisfaction and retention.**
- 4. AI-powered chatbots provide instant customer support and assistance, improving response times and enhancing customer interactions.**
- 5. Blockchain is being explored for secure and transparent record-keeping in insurance. It can facilitate fraud prevention, improve data sharing among stakeholders, and streamline processes like policy issuance and claims settlement.**

Which of the above is/are correct?

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

**Q92. Match the following in context to the Monetary Policy:**

Terms	Description
1. Policy Repo Rate	A. rate at which the RBI lends funds to banks against certain approved securities
2. Reverse Repo Rate	B. rate at which banks can borrow overnight funds from the RBI against approved government securities.
3. Bank Rate	C. By changing this rate, the RBI influences the cost of borrowing for banks, which in turn affects lending rates for consumers and businesses.
4. Marginal Standing Facility	D. Changes in this rate impact the returns banks receive on their surplus funds, affecting their lending decisions.

- (a) 1-D, 2-C, 3-A, 4-B
- (b) 1-C, 2-D, 3-B, 4-A
- (c) 1-C, 2-D, 3-A, 4-B
- (d) 1-D, 2-C, 3-B, 4-A

**Q93. Consider the following statement in context to the OMO performed by the RBI.**

1. Open Market Operations (OMOs) are a monetary policy tool used by central banks, including the Reserve Bank of India (RBI), to influence the money supply and interest rates in an economy.
2. OMOs involve the buying or selling of government securities (such as bonds) in the open market.
3. The goal of OMOs is to manage liquidity in the banking system, stabilize short-term interest rates, and achieve the central bank's monetary policy objectives.
4. Open Market Sale (OMO Sale) is an operation, in which the central bank buys government securities from commercial banks and financial institutions. The payment for the securities increases the reserves of the banks, leading to an increase in the money supply in the economy. As a result, banks have more funds available to lend, which can lead to lower interest rates and increased borrowing and spending by consumers and businesses.
5. Open Market Purchase (OMO Purchase) is an operation, in which the central bank sells government securities to commercial banks and financial institutions. The payment for the securities reduces the reserves of the banks, leading to a decrease in the money supply. This can result in higher interest rates as banks have fewer funds available for lending, which can help curb inflationary pressures.

6. When the central bank buys government securities through OMOs, it injects money into the banking system, increasing the liquidity available to banks. As banks receive the payment for the securities, their reserves increase, allowing them to lend more money to businesses and individuals. The increased lending capacity of banks can lead to lower interest rates, making borrowing more attractive and stimulating economic activity.

Which of the above statement is/are incorrect?

- (a) 1,4
- (b) 2,6
- (c) 4,5
- (d) 3,6

Q94. Match the functions of Asset Reconstruction Companies (Column A) with their corresponding descriptions (Column B) by drawing a line.

Column A	Column B
1. Acquiring Non-Performing Assets (NPAs)	A. ARCs work towards resolving stressed assets by formulating and implementing turnaround strategies for companies facing financial difficulties.
2. Resolving Stressed Assets	B. ARCs help enhance liquidity in the financial system by converting illiquid NPAs into liquid assets, thereby facilitating the flow of funds.
3. Maximizing Recovery	C. ARCs purchase NPAs from banks and financial institutions, relieving them of the burden of managing and recovering these distressed assets.
4. Enhancing Liquidity	D. ARCs engage in debt restructuring to help distressed borrowers manage their financial obligations and improve their repayment capacity.
5. Restructuring Debt	E. ARCs focus on maximizing recovery from acquired distressed assets, which involves efforts to recover as much value as possible from the assets.

- (a) 1-E, 2-B, 3-C, 4-A, 5-D
- (b) 1-A, 2-C, 3-B, 4-D, 5-E
- (c) 1-A, 2-B, 3-C, 4-D, 5-E
- (d) 1-C, 2-A, 3-E, 4-B, 5-D

Q95. "Increasing quantity of money in the hands of the people increases the aggregate demand for goods and services, and if aggregate supply does not follow suit, prices rise".

The above example relates to the:

- 1. Demand-Pull Inflation
- 2. Cost Push Inflation

### 3. Demand side Inflation

### 4. Supply Side Inflation

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

**Q96. Choose the correct option for the following to match the column**

Term	
(I). $GDP_{FC}$	1. $GDP_{MP} + NFIA$ (Net Factor Income from Abroad)
(II). $NDP_{MP}$	2. $NDP_{MP} - \text{Net Product Taxes} - \text{Net Production Taxes}$
(III). $NDP_{FC}$	3. $GNP_{MP} - \text{Net Product Taxes} - \text{Net Production taxes}$
(IV). $GNP_{MP}$	4. $GDP_{MP} - \text{Dep}$
(V). $GNP_{FC}$	5. $GDP_{MP} - NIT$

- (a) I-3, II-4, III-5, IV-2, V-1
- (b) I-4, II-3, III-5, IV-1, V-2
- (c) I-5, II-1, III-2, IV-4, V-3
- (d) I-5, II-4, III-2, IV-1, V-3

**Q97. Consider the following statement in context to the loans provided to the SHGs/JLGs by UCB.**

1. Lending to SHGs / JLGs would be considered a normal business activity of the bank. UCBs will be required to frame, with the approval of their Board, a comprehensive policy on lending to SHGs / JLGs. This policy, including the maximum amount of loan, interest rate chargeable on loans, etc. should form part of the overall credit policy of the bank.
2. SHGs are small groups, formal/informal, of individuals promoting savings habits among members. These savings are then lent by the group to the members for income-generating purposes. On the other hand, JLG is an informal group of individuals coming together for the purpose of availing of bank loans either singly or through the group mechanism against mutual guarantee in order to engage in similar types of economic activities.
3. The SHG would normally consist of 10 to 20 members whereas a JLG would normally have between 4 and 10 members. Membership matters are governed by the bylaws adopted by the bank and provisions of respective State Co-operative Societies Acts or the Multi-State Co-operative Societies Act, 2003.
4. The maximum amount of loan to SHGs should not exceed four times the savings of the group. The limit may be exceeded in the case of well-managed SHGs subject to a ceiling of ten times of savings of the group. The groups may be rated on the basis of certain objective parameters such as proven track record, savings pattern, recovery rate, housekeeping, etc. JLGs are not obliged to keep deposits with the bank and hence the amount of loan granted to JLGs would be based on the credit needs of the JLG and the bank's assessment of the credit requirement.

Which of the above statements is/are incorrect?

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

**Q98. Consider the following Act in the context of the regulation of Insurance Companies in India.**

**1. Insurance Regulatory and Development Authority Act, 1999 (IRDA Act):** This act established the Insurance Regulatory and Development Authority of India (IRDAI) as the regulatory body for the insurance sector. The IRDAI is responsible for regulating and promoting the insurance industry's growth while safeguarding the interests of policyholders.

**2. Insurance Act, 1937:** This is one of the foundational acts for regulating insurance in India. It provides the legal framework for the functioning of insurance companies and outlines the rules for conducting insurance business, including provisions related to licensing, solvency, investments, and claims.

**3. Foreign Exchange Management Act, 1999 (FEMA):** FEMA regulates foreign exchange transactions, including those related to insurance companies. It governs foreign investment in the insurance sector and outlines the rules for repatriation of funds.

**4. Insurance Regulatory and Development Authority of India (IRDAI) (Registration of Indian Insurance Companies) Regulations, 2002:** These regulations provide guidelines for the registration, licensing, and operation of Indian insurance companies. They outline the criteria for obtaining a license, capital requirements, and other operational aspects.

Which of the above is/are incorrect?

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



**Q99. Consider the following table and identify which among the following pair is correctly matched-**

Expenditure	Type
1. Coverage of operations of local bodies and autonomous institutions has been improved, with around 60% of grants/transfers paid to these organizations covered.	A. Revenue expenditure
2. Loans to Public Enterprises	B. Capital expenditure
3. Subsidies (fertilizer/food/petroleum)	C. Capital expenditure
4. Loans to Foreign Governments	D. Revenue expenditure
5. Defence	E. Capital expenditure

- (a) 1-A, 2-B, 3-C, 4-D, 5-E
- (b) 1-A, 2-B, 3-C, 5-E
- (c) 2-B, 3-C, 4-D, 5-E
- (d) 1-A, 2-B, 5-E

**Q100. Which of the following statements incorrectly describe the characteristics and functions of merchant banking?**

- i. Merchant banks primarily provide services related to corporate finance, such as underwriting, advisory services on mergers and acquisitions, and arranging syndicates for large-scale financing.**
- ii. Merchant banks are mainly involved in retail banking activities, including providing savings accounts, personal loans, and mortgages to individual customers.**
- iii. Merchant banks often assist companies in issuing securities in the capital markets and may also offer customized financial solutions for high-net-worth individuals and corporations.**

- (a) iii only
- (b) ii only
- (c) All statements are incorrect
- (d) None of the statements is incorrect

## Solutions

**S1. Ans.(c)**

**Sol.** Real Estate Investment Trusts (REITs) have specific characteristics and operational practices:

- **i. REITs' tax treatment:** To benefit from tax exemptions at the corporate level, REITs must distribute at least 90% of their taxable income to shareholders as dividends. This requirement helps avoid corporate income taxes, allowing REITs to focus on real estate investments and returns to shareholders.
- **iii. Public trading and liquidity:** Many REITs are publicly traded on stock exchanges, which provides liquidity and the ability for investors to buy and sell shares easily. This feature is a significant advantage, as it allows for easier investment and divestment compared to direct real estate ownership.

**S2. Ans.(c)**

**Sol.** In a perfectly competitive market, certain key characteristics define its structure:

- **iii. Numerous buyers and sellers:** The market has a vast number of participants on both the demand and supply sides. Each individual buyer and seller holds a small portion of the market, meaning they are price takers—none can influence the market price on their own. The market price is determined by the overall interaction of supply and demand across the market as a whole.
- **iv. No significant barriers to entry:** In a perfectly competitive market, new firms can enter or exit the market without facing prohibitive obstacles such as high capital requirements or strict government regulations. This feature ensures that firms can only make normal profits in the long run, as new firms will enter the market if supernormal profits are being earned, driving profits down.

**S3. Ans.(d)**

**Sol.**

1. **Emerging Technologies and Innovations:** Sunrise sectors are distinguished by their focus on advanced technologies and innovative solutions that promise to transform industries. This includes fields like AI, biotech, and renewable energy, which are seen as crucial for future economic growth and technological progress.
2. **High Growth Potential and Investment Attractiveness:** These sectors are known for their potential for rapid growth and high returns on investment. Due to their novel nature and expanding market needs, they attract substantial investment from venture capitalists and other investors seeking significant capital appreciation.

3. **Socio-Economic Impact:** Sunrise sectors contribute significantly to socio-economic development by creating new job opportunities, supporting regional growth, and enhancing skill development. They address important societal needs and promote sustainable practices, thereby improving living standards and contributing to overall economic well-being.

**S4. Ans.(d)**

**Sol.**

1. **Policy Formulation and Implementation:** NITI Aayog focuses on developing and executing national policies while promoting cooperative federalism. It encourages states to participate actively in policy-making, in contrast to the centralized approach of the former Planning Commission.
2. **Monitoring and Evaluation:** The organization monitors the progress of development programs and evaluates their effectiveness. By assessing various schemes, NITI Aayog provides actionable recommendations to enhance program performance and ensure alignment with national development goals.
3. **Knowledge Hub and Data Analytics:** NITI Aayog acts as a knowledge hub, leveraging data analytics to inform policy decisions and drive innovation. It conducts research and generates insights to support evidence-based planning and policy formulation.

**S5. Ans.(d)**

**Sol.**

1. **Promotion of Entrepreneurship:** The Stand Up India initiative specifically targets marginalized groups, including women and SC/ST individuals, by providing financial support to start new enterprises. This initiative is intended to foster entrepreneurship and economic inclusion through the provision of loans.
2. **Employment Generation and Skill Development:** In addition to promoting new businesses, the initiative aims to create employment opportunities and support skill development. By encouraging start-ups, the initiative contributes to local job creation and the enhancement of entrepreneurial skills.
3. **Access to Financial and Non-Financial Support:** The initiative provides a comprehensive support package that includes both financial assistance (loans up to ₹1 crore) and non-financial services such as business planning, mentorship, and market access. This holistic approach helps entrepreneurs overcome challenges and achieve sustainable business growth.

All three statements reflect different facets of the Stand Up India initiative, highlighting its multifaceted approach to fostering entrepreneurship and supporting economic development.

**S6. Ans.(d)**

**Sol.**

1. **Structural Transformation:** A key feature of economic development is the transformation from a predominantly agrarian economy to one dominated by industry and services. This process involves urbanization and labor shifts to higher-productivity sectors, contributing to sustained economic growth and improved living standards.
2. **Inclusive Growth:** Economic development is incomplete without addressing inequality and ensuring that growth is inclusive. Redistribution of wealth, access to public services, and opportunities for all segments of society are essential for long-term sustainable development. High GDP growth without inclusivity may lead to social instability and limit true development.

3. **Institutional Framework:** Robust institutions play a critical role in economic development by ensuring the rule of law, protecting property rights, and creating an environment where businesses can thrive. Well-functioning institutions reduce uncertainty, encourage investment, and foster innovation, all of which are crucial for sustained development.

**S7. Ans.(b)**

**Sol.** Protectionist policies often lead to **domestic price inflation** by limiting cheaper imports and raising prices for local goods. They may trigger **retaliatory trade actions**, where affected countries impose their own tariffs, reducing trade and escalating tensions. **Capital flight** can occur as investors withdraw due to uncertainty in market access and potential long-term growth. However, **industrial diversification** is less guaranteed, as protectionism often shields inefficient industries rather than fostering innovation and competitiveness.

**S8. Ans.(d)**

**Sol.**

1. **Statement A** is correct: The government extended autonomy to PSBs and allowed them to raise capital from the stock market up to 49% of their paid-up capital.
2. **Statement B** is incorrect: Private, foreign, and joint-venture banks are all allowed to operate in India to increase competition and consumer choice.
3. **Statement C** is correct: Transparent norms were introduced to allow entry for Indian private sector banks, foreign banks, and joint-venture institutions.
4. **Statement D** is correct: FDI and FPI were permitted in the financial sector to diversify products and promote competition.

**S9. Ans.(c)**

**Sol.**

1. Statement 1 is correct: FDI involves a company or individual investing directly in a business in another country, typically with significant ownership and control.
2. Statement 2 is correct: FDI is considered a long-term investment and is associated with physical assets and businesses, whereas FPI involves short-term investments in financial markets.
3. Statement 3 is incorrect: FDI includes not only equity investment but also reinvested earnings and intra-company loans. It covers a broader range of investment forms.
4. Statement 4 is correct: FDI can bring benefits like capital, technology, and managerial expertise to the host country, contributing to its economic growth.

**S10. Ans.(c)**

**Sol.**

1. Statement 1 is correct: FTAs are agreements between countries to reduce or eliminate tariffs and trade barriers to encourage free trade.
2. Statement 2 is incorrect: FTAs are not limited to goods; they often cover services, investments, and other areas like intellectual property rights.
3. Statement 3 is correct: FTAs provide businesses with access to larger markets, leading to increased competition and potential growth opportunities.
4. Statement 4 is correct: Modern FTAs often include provisions beyond trade in goods, such as intellectual property rights, environmental protection, and government procurement.

S11. Ans.(b)

Sol.

1. Statement 1 is incorrect: CSR obligations apply to companies meeting specific criteria, such as a net worth of ₹500 crore or more, turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more.
2. Statement 2 is correct: CSR activities can cover a wide range of initiatives, including environmental, educational, health, and social welfare projects.
3. Statement 3 is correct: The Companies Act, 2013 mandates that eligible companies must spend at least 2% of their average net profits over the last three financial years on CSR activities.
4. Statement 4 is incorrect: CSR can be integrated into a company's core business strategy, focusing on sustainable development and creating long-term value for the community and the business.

S12. Ans.(d)

Sol.

1. Statement 1 is correct: The shift from labour-intensive industrial sectors to knowledge-intensive services is cited as a factor contributing to limited job creation.
2. Statement 2 is correct: Infrastructure bottlenecks hinder linkages between sectors, affecting job creation.
3. Statement 3 is correct: Reforming rigid labour laws can push businesses towards labour-intensive methods, important in a labour-abundant country.
4. Statement 4 is correct: Solutions like promoting entrepreneurship through Start-up India and industries such as textiles can mitigate jobless growth.

S13. Ans.(b)

Sol.

1. **Statement 1** is correct. GDP is indeed a measure of the total value of goods and services produced within a country and is used to gauge economic performance.
2. **Statement 2** is incorrect. A high unemployment rate typically indicates economic distress, not performance. High unemployment suggests that fewer people are finding jobs, which is usually a sign of economic weakness.
3. **Statement 3** is correct. Inflation represents the general increase in the price levels of goods and services, which can reduce purchasing power if wages do not keep pace.
4. **Statement 4** is correct. Central banks use monetary policy tools such as adjusting interest rates and conducting open market operations to influence the money supply and stabilize the economy.

S14. Ans.(a)

Sol.

1. **Statement 1** is correct. A decrease in input prices lowers production costs, leading to an increase in supply, which shifts the supply curve to the right.
2. **Statement 2** is correct. Technological advancements increase production efficiency, allowing more goods to be produced at lower costs, which shifts the supply curve to the right.
3. **Statement 3** is incorrect. **Government policies** such as higher taxes or stricter regulations typically increase production costs, leading to a leftward shift in the supply curve, not a rightward shift.
4. **Statement 4** is correct. An increase in the number of sellers in the market increases the overall supply of goods, causing a rightward shift in the supply curve.

S15. Ans.(a)

Sol.

1. **Statement 1** is correct. **Cost-push inflation** occurs when rising costs of production (like wages and raw materials) lead to higher prices for goods and services, regardless of demand.
2. **Statement 2** is correct. Key drivers of cost-push inflation include rising wages, higher raw material costs, and increased energy costs.
3. **Statement 3** is incorrect. This statement describes **demand-pull inflation**, which happens when demand exceeds supply, pushing prices up. Cost-push inflation is driven by rising costs rather than excess demand.
4. **Statement 4** is correct. A supply shock, such as a sudden increase in oil prices, can trigger cost-push inflation by increasing production costs across various sectors.

S16. Ans.(a)

Sol.

1. **Statement 1** is correct. Keynes argued that interest is a reward for parting with liquidity (i.e., holding cash balances) rather than being a reward for saving, as proposed by the Classical Theory.
2. **Statement 2** is correct. Keynes claimed that investment decisions depend more on the **marginal efficiency of capital** and future economic expectations, rather than solely on interest rates, especially in periods of economic downturn.
3. **Statement 3** is incorrect. Contrary to the Classical Theory, Keynes believed that savings are **not highly interest elastic**. He argued that savings are more influenced by the **level of income** than changes in interest rates, meaning people may save regardless of the interest rate.

S17. Ans.(b)

Sol.

1. **Statement i** is correct. The boom phase is marked by strong consumer and business confidence, which leads to higher levels of investment, spending, and economic activity.
2. **Statement ii** is correct. In the boom phase, unemployment is typically low, and wages increase as businesses seek to expand and meet the growing demand for goods and services.
3. **Statement iii** is incorrect. Inflationary pressures are often present during the boom phase because the demand for goods and services can outstrip supply, driving up prices.

S18. Ans.(c)

Sol.

1. **Statement 1** is correct. **Open Market Operations (OMO)** involve the buying and selling of government securities by the central bank (like RBI) to either inject or absorb liquidity from the market. For example, when inflation is high, RBI might sell government securities to reduce the money supply.
2. **Statement 2** is correct. The **Cash Reserve Ratio (CRR)** is a key monetary tool, where banks are required to hold a portion of their deposits as reserves with the central bank. This reduces or increases the money available for lending, helping control liquidity.
3. **Statement 3** is correct. **Statutory Liquidity Ratio (SLR)** ensures that banks maintain a portion of their deposits in safe and liquid assets like government securities, which helps in managing both liquidity and the solvency of the banking system.
4. **Statement 4** is incorrect. **Fiscal Deficit Financing** is not a tool of monetary policy but part of **fiscal policy**. It deals with government spending and revenue, not the central bank's direct control over the money supply or banking liquidity.

S19. Ans.(b)

Sol.

1. **Statement i** is correct because GDP measures the total value of goods and services produced in a country over a given period, helping assess economic performance.
2. **Statement ii** is correct, as GDP per capita (GDP divided by population) is commonly used to compare economic performance across countries and assess living standards.
3. **Statement iii** is incorrect. While a rising GDP indicates economic growth, it does not always reflect improvements in citizens' well-being. It may not account for income inequality, environmental degradation, or distribution of wealth, meaning quality of life might not improve in proportion to GDP growth.

S20. Ans.(b)

Sol.

1. **Statement 1** is correct because a fiscal deficit arises when the government's total expenditure exceeds its total revenue, excluding borrowings.
2. **Statement 2** is correct as a high fiscal deficit can contribute to inflation, particularly if the deficit is financed by borrowing from the central bank, leading to an increase in the money supply.
3. **Statement 3** is incorrect. While a lower fiscal deficit can indicate fiscal prudence, it is not always a sign of positive economic health, as it could also indicate reduced spending on essential development projects or social programs.
4. **Statement 4** is correct because fiscal deficits are typically financed through market borrowings, external loans, or by selling government assets (disinvestment).

S21. Ans.(a)

Sol.

1. **Statement 1** is correct because the Narasimham Committee – II recommended the merger of strong banks to handle liquidity and exchange rate management effectively, particularly in the context of Current Account Convertibility.
2. **Statement 2** is correct as the Committee introduced the 'Narrow Banking Concept,' suggesting that weak banks with high NPAs should invest only in short-term, risk-free assets to minimize risk and support their rehabilitation.
3. **Statement 3** is correct because the Committee recommended raising the Capital Adequacy Ratio (CAR) to 9% to improve the loss absorption capacity of banks, strengthening the banking system.
4. **Statement 4** is incorrect. The Committee recommended reducing government control over banks to increase autonomy and professionalism in management, not increasing government control.

S22. Ans.(b)

Sol.

1. **Statement A** is correct as the RBI is explicitly prohibited from engaging in trade or holding direct interests in commercial, industrial, or other undertakings.
2. **Statement B** is incorrect because the RBI is not allowed to purchase shares of any banking company or any other company, nor can it grant loans against the security of such shares.
3. **Statement C** is correct because the RBI cannot advance money on the mortgage of immovable property or become the owner of such property, except as necessary for its own business premises and the accommodation of its officers and employees.

S23. Ans.(d)

Sol.

1. **Statement A** is correct as IFCI's core business is project financing, providing long-term credit for new projects and modernization through rupee and foreign currency loans.
2. **Statement B** is correct because IFCI provides fund-based services such as equipment finance, working capital loans, and fee-based services like guarantees and letters of credit.
3. **Statement C** is correct as IFCI offers advisory services in various areas like corporate restructuring, investment banking, and facilitating FDIs, along with policy-related consultancy for infrastructure sectors.
4. **Statement D** is incorrect because, contrary to this, IFCI provides a wide range of consultancy services in sectors such as electricity, telecom, oil and gas, and insurance.

S24. Ans.(a)

Sol.

1. **Asset Finance Company (AFC):** An AFC focuses on financing physical assets supporting economic activities. For classification as an AFC, it must have at least 60% of its total assets and income derived from such financing activities.
2. **Loan Company (LC):** A Loan Company provides finance through loans or advances for various activities, excluding the specific focus on physical assets that AFCs have. LCs do not include asset financing within their principal business operations.
3. **Classification Based on Business Activities:** Both AFCs and LCs are classified based on their principal business activities and income, but statement 3 is more about classification criteria and less specific about AFCs and LCs in comparison to statements 1 and 2.
4. **Scope of AFC Financing:** An AFC cannot include financing for activities other than physical assets and still maintain its classification as an AFC. The principal business criteria for AFCs are specifically focused on physical asset financing.

S25. Ans.(c)

Sol. The Reserve Bank of India's (RBI) main objectives include:

1. **Monetary Stability:** Ensuring that monetary conditions are conducive to economic welfare, allowing for the effective functioning of the mixed economy.
2. **Financial Stability:** Maintaining the stability of the financial system and ensuring that financial institutions are sound, which fosters confidence among economic units.
3. **Stable Payment Systems:** Ensuring that payment systems are reliable and efficient, facilitating safe execution of financial transactions.

S26. Ans.(b)

Sol. Option (b) accurately captures the essence of EASE 5.0 by highlighting its dual focus on common reform initiatives and enhancing digital customer experiences. It emphasizes the initiative's commitment to inclusive banking, especially for small businesses and agriculture, while mandating that each Public Sector Bank (PSB) develop a tailored 3-year strategic roadmap for various aspects of their operations and growth.

S27. Ans.(b)

Sol. Option (b) correctly explains that price discovery mechanisms help traders determine whether buyers or sellers dominate, thereby affecting the commodity's price. Option (a) is incorrect because prices typically fall, not rise, when supply exceeds demand. Option (c) misinterprets price equilibrium by ignoring external factors, while option (d) contradicts basic supply-demand principles, where demand exceeding supply increases prices, not decreases.

**S28. Ans.(c)**

**Sol.** Option (c) is incorrect because demutualisation involves the complete segregation of ownership, management, and trading functions. Broker members do not retain control over both ownership and trading; instead, these roles are separated to ensure transparency and prevent conflicts of interest. In contrast, option (c) suggests a partial separation, which contradicts the core purpose of demutualisation.

**S29. Ans.(d)**

**Sol.** Option (d) is incorrect because FEDAI's membership includes public sector, private sector, foreign, and co-operative banks, as well as financial institutions like IFCI and SIDBI. The association is not limited to foreign banks and financial institutions only. The other options accurately describe FEDAI's role and collaborations.

**S30. Ans.(c)**

**Sol.** Option (c) is incorrect because the Monitoring Agency is required to report deviations in the use of funds to SEBI, not directly to shareholders. Reporting to shareholders is not part of the Monitoring Agency's responsibilities. The agency's primary role is to report to SEBI and ensure compliance with the offer document and statutory regulations.

**S31. Ans.(c)**

**Sol.** TReDS allows MSMEs to discount their trade receivables without recourse, meaning that once the invoices are discounted, the MSME is not liable for any default by the buyer. This helps MSMEs like XYZ Electronics manage their working capital without taking on additional risk. Options A, B, D are incorrect because TReDS involves financiers, transactions are without recourse, and the buyers, not the MSMEs, initiate reverse factoring.

**S32. Ans.(c)**

**Sol.** In exchange-traded markets, all transactions follow standardized contracts with predefined terms, ensuring consistency and transparency. These transactions are cleared through a central clearinghouse, which guarantees the performance of both parties by requiring margin deposits as collateral. This process minimizes counterparty risk, ensuring that each transaction is efficiently settled, even if one party defaults, enhancing overall market stability and liquidity.

**S33. Ans.(d)**

**Sol.** Option D accurately captures the challenges faced by the Planning Commission in the context of India's post-1991 economic reforms. The five-year planning model, which was originally designed for a closed, centrally planned economy, struggled to adjust to a liberalized market environment. The rise of coalition governments and political decentralization further complicated centralized planning, leading to misallocation of resources and reduced investment in critical sectors, ultimately hindering long-term economic growth.

**S34. Ans.(d)**

**Sol.** The **demand** of a good or service refers to the quantity that consumers are willing and able to buy at various prices during a given period. The **demand** curve generally slopes downward from left to right, indicating that as the price decreases, the quantity demanded **increases** and vice versa. The concept of **elasticity** describes the change in quantity demanded in response to a change in price.

**S35. Ans.(a)**

**Sol. Fiscal Drag** occurs when inflation or rising incomes push taxpayers into higher income tax brackets, thereby increasing the government's revenue without any change in the tax rates themselves. This phenomenon effectively reduces the real disposable income of taxpayers and can lead to higher tax burdens even if nominal tax rates have not changed.

**S36. Ans.(b)**

**Sol.**

1. **American Option:** This type of option provides the holder with the flexibility to exercise the option at any time between the purchase date and the expiration date. This feature allows the option holder to potentially take advantage of favorable movements in the underlying asset's price at any point before expiration.
2. **European Option:** In contrast, this type of option can only be exercised on the expiration date itself. The holder does not have the flexibility to exercise the option before the expiration date, regardless of how favorable the conditions may be.

**S37. Ans.(c)**

**Sol.** Increased consumer spending and demand lead to higher production, crucial for initiating and sustaining the recovery phase. As demand rises, businesses ramp up production, resulting in more employment and higher incomes. This, in turn, boosts consumer spending and demand further, creating a positive feedback loop that accelerates economic growth, stabilizes the economy, and fosters continued recovery.

**S38. Ans.(b)**

**Sol.** Traditional investors might be concerned about the potential impact of ESG initiatives on short-term profits. These initiatives often require substantial upfront investment in areas like renewable energy and community projects, which may not yield immediate financial returns. This can lead to concerns among investors who prioritize short-term gains over long-term sustainability, potentially causing tension between different investor groups.

**S39. Ans.(c)**

**Sol.** According to the guidelines, the total amount of CP that a company can issue must adhere to the lower of two limits: the limit set by the company's Board of Directors or the limit indicated by the Credit Rating Agency for the specified rating. This ensures that the issuance of CPs is controlled and does not exceed the company's approved financial boundaries.

**S40. Ans.(c)**

**Sol.** Liquidity is demonstrated by the ability of investors to sell their shares at any time during market hours, readily converting them into cash. This feature of financial markets ensures that investors are not forced to hold onto their securities until maturity or favorable conditions arise, thereby providing flexibility and ease in managing their investment portfolios.

**S41. Ans.(a)**

**Sol.** The GDP deflator is more comprehensive as it measures the price level of all domestically produced goods and services, reflecting changes in consumption and investment patterns. This broad coverage can capture price changes that CPI and WPI might miss, as they are based on fixed baskets of specific goods and services.

**S42. Ans.(a)**

**Sol.** Statement 1 is true because coupon bonds pay interest at pre-determined intervals, typically twice a year. Statement 2 is false because zero-coupon bonds do not pay periodic interest; instead, they are issued at a discount and repay the face value at maturity, with the return represented by the difference between the issue price and the redemption price. Statement 3 is true because convertible bonds give the investor the option to convert the bond into equity at a fixed conversion price.

**S43. Ans.(b)**

**Sol.** The scenario describes a situation where countries are dealing with foreign exchange shortages and settlement difficulties due to the complexity of bilateral agreements. The correct solution, as described in option B, involves forming a multilateral payment arrangement like the Asian Clearing Union (ACU). This arrangement allows the countries to settle payments for intra-regional transactions on a net multilateral basis. By periodically offsetting debits and credits, the ACU reduces the need for foreign exchange reserves and minimizes transfer costs. This arrangement also promotes trade and banking relations among the participating countries, addressing the issues highlighted in the scenario effectively.

**S44. Ans.(d)**

**Sol.** According to SEBI guidelines, a Monitoring Agency is mandatory for public issues exceeding Rs. 500 crores. The primary responsibility of the Monitoring Agency is to monitor the timely implementation of the project and ensure that the proceeds of the issue are used as specified. Additionally, the Monitoring Agency must submit half-yearly returns to SEBI in the specified format. This ensures transparency and accountability in the use of funds raised through public issues.

**S45. Ans.(c)**

**Sol.** In a typical forfaiting transaction handled through Exim Bank, the process includes:

1. **Negotiating the Tentative Contract:** The exporter negotiates the contract details with the importer.
2. **Approaching Exim Bank for Indicative Quote:** The exporter then seeks an indicative quote from Exim Bank.
3. **Exim Bank Contacts the Forfeiter:** Exim Bank contacts the international forfaiter to request an indicative quote, which is then provided to the exporter.

**S46. Ans.(b)**

**Sol.** Lease financing agreements in India are not governed by a specific statute but are considered contracts of bailment and thus fall under the provisions of the Indian Contract Act. In these agreements, the lessor (bailor) allows the lessee (bailee) to use the asset while retaining ownership. On the other hand, hire purchase agreements are not contracts of sale but contracts of bailment where the hirer (bailee) has the option to purchase the asset after fulfilling the terms of the agreement. The Hire Purchase Act, 1972 governs hire purchase agreements in India.

**S47. Ans.(b)**

**Sol.** Credit scoring is indeed a statistical analysis used by lenders to determine the creditworthiness of individuals, and it impacts various financial transactions, including home loans, auto loans, credit cards, and personal loans. Credit ratings apply to corporations and governments, whereas credit scoring specifically applies to individuals, making statement ii incorrect. In India, Credit Information Companies (CICs) evaluate and monitor credit scores, and the concept of credit bureaus originated in the USA, where consumer credit has been established for a long time.

**S48. Ans.(b)**

**Sol.** Interval funds are listed as closed-end funds that allow purchase and redemption during specified transaction periods. The transaction period has to be for a minimum of **two** days and there should be at least a **15 -day** gap between two transaction periods. These funds have the features of both open-ended and closed-end funds, as they are opened for repurchase of shares at different intervals during the fund tenure. The fund management company offers to repurchase units from existing unit holders during these intervals.

**S49. Ans.(b)**

**Sol.** While the National Pension System (NPS) operates on a Defined Contribution basis, the exit benefit is not pre-determined or guaranteed by the government. Instead, the final pension amount depends on the total contributions made by the subscriber, the returns generated from investments, and the duration for which the fund accumulates. Therefore, the accumulated wealth reflects these variables.

**S50. Ans.(b)**

**Sol.** The agriculture sector is fundamental to achieving multiple goals of Indian planning. Modernizing agriculture can lead to increased economic growth by boosting output levels. It also creates significant employment opportunities, thereby addressing unemployment and contributing to poverty alleviation. Modern farming techniques can improve productivity and income for farmers, reducing poverty. Additionally, the agriculture sector's development has a ripple effect on various other sectors, promoting overall economic growth. In contrast, while sectors like IT, financial services, and real estate are important, they do not directly address the interconnected goals of economic growth, poverty alleviation, and employment generation to the same extent as agriculture.

**S51. Ans.(a)**

**Sol.** Statement 1 is correct: The construction sector in India is indeed the second largest employment sector, following agriculture. This highlights its significant role in providing employment opportunities and its importance to the Indian economy.  
Statement 2 is incorrect: While rural development and agricultural growth are important, the primary drivers of expansion in the Indian construction sector are industrialization, urbanization, economic development, and people's aspirations for higher living standards.

**S52. Ans.(d)**

**Sol.** The "Home Charges" were official transfers of monies from India to the United Kingdom, including dividends to East India Company shareholders, interest on loans raised by the Government of India in England, expenditure on the British army stationed in India and bringing them to India, pensions and annuities of retired British officers, payment of guaranteed interest to railway companies, and salaries of the secretary of state for India and his staff. However, revenue from taxes collected within India was not a component of the "Home Charges" but rather part of the internal financial administration of British India.

**S53. Ans.(a)**

**Sol.** Given, percentage change in price= $(-)$ 10%

$Q=100$ units; $Q_1=120$ units; $\Delta Q=Q_1-Q=(120-100)$ units= $20$ units

Percentage change in quantity demanded= $\Delta Q/Q \times 100 = 20/100 \times 100 = 20\%$ .

Elasticity of demand ( $E_d$ )= $\text{Percentage change in quantity demanded} / \text{percentage change in price}$   
 $= (-)20\% / (-)10\% = 2$

When price rises by 10%:

$E_d = 2$

Elasticity of demand ( $E_d$ ) = Percentage change in quantity demanded / percentage change in price

$2 = (-) \text{Percentage change in quantity demanded} / 10\%$

Percentage change in quantity demanded =  $(-)20\%$

Elasticity of demand = 2.

Percentage fall in demand = 20%.

**S54. Ans.(c)**

**Sol.** Money multiplier = Total deposits / Initial deposits

$= 4,000 / 500 = 8$

Thus, money multiplier =  $1 / \text{LRR}$

$8 = 1 / \text{LRR}$

$\text{LRR} = 0.125$

**S55. Ans.(b)**

**Sol.** Value of the money multiplier =  $1 / \text{LRR}$ , which is equal to  $1 / 0.1 = 10$

Initial deposit was Rs. 700 crore

Thus, the total deposit will be:

Initial deposit  $\times$  Money multiplier

$= 700 \times 10$

$= 7,000$  crores

**S56. Ans.(a)**

**Sol.**  $\text{NI} = \$67 + \$75 + \$150 + \$200$

$\text{NI} = \$492$

$\text{GDP} = \text{NI} + \text{Indirect Business Taxes} + \text{Depreciation}$

$\text{GDP} = \$492 + \$74 + \$36$

$\text{GDP} = \$602$

**S57. Ans.(a)**

**Sol.** FEDAI plays a crucial role in the forex market by setting rules and charges related to the foreign exchange business. It assists member banks, which include public sector, private sector, foreign, and cooperative banks, as well as financial institutions like IFCI and SIDBI. FEDAI provides advisory services and training to bank personnel, helping them manage forex transactions effectively. It also collaborates with other organizations to set benchmarks for Indian Rupee interest rates and foreign exchange, thereby stabilizing the market. This scenario demonstrates how FEDAI's guidance can help companies like GlobalTraders Ltd. navigate the complexities of the forex market.



**S58. Ans.(c)**

**Sol.** The regulations for Exempted Funds require that 25% of assets be invested in central government bonds, 15% in state government bonds or bonds of public sector enterprises guaranteed by the central or state governments, and 30% in bonds of public financial institutions or public sector enterprises. There is no requirement for investment in equities of private sector companies; in fact, such investments would be inconsistent with the specified regulatory guidelines, which emphasize investments in government and public sector bonds.

**S59. Ans.(d)**

**Sol.** A Mid Cap Fund is an open-ended equity scheme that predominantly invests in mid cap stocks. The minimum investment requirement in equity and equity-related instruments of mid cap companies is 65% of the total assets. This ensures that the fund maintains its focus on mid cap companies.

**S60. Ans.(a)**

**Sol.** GNP at FC= NDP at MP + Depreciation + Net Factor income from abroad - Indirect Tax + Subsidies  
 $= 80000 + 4950 - 200 - 10600 + 1770$   
 $= 75920$ .

**S61. Ans.(b)**

**Sol.**

Percentage change in price =  $(-)$ 10%

$$\text{Percentage change in quantity demanded} = \frac{\Delta Q}{Q} \times 100 = \frac{120 - 100}{100} \times 100$$

$$= \frac{20}{100} \times 100 = 20\%$$

$$\text{Price elasticity of demand (E}_d\text{)} = (-) \frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in price}}$$

$$= (-) \frac{20\%}{-10\%} = 2$$

**S62. Ans.(a)**

**Sol.** In a bailment arrangement, the **bailor** is the person who transfers possession of the item, while the **bailee** is the person who receives the item for a specific purpose. The item is expected to be returned to the bailor once the purpose of the bailment is fulfilled.

**S63. Ans.(b)**

**Sol.** Statements ii and iii correctly describe features of venture capital investments. Venture capital investments are typically made in start-ups that have the potential to grow (ii), and the investment is generally done by buying equity shares in the start-up company (iii). Statements i and iv are incorrect because venture capital investments are high risk and aim for high profits (not low risk with modest profits), and they are based on long-term goals rather than seeking quick returns.

**S64. Ans.(d)**

**Sol.** State Development Loans (SDLs) pay interest semi-annually, meaning that interest payments are made twice a year. This schedule helps to provide regular income to investors and aligns with the standard practice for many government securities, ensuring consistent returns over the life of the loan.

**S65. Ans.(d)**

**Sol. Statement I** is correct. DFIs finance infrastructure projects that are of national importance and often provide long-term credit for capital-intensive investments, which may not conform to commercial return standards.

**Statement II** is incorrect. DFIs are different from commercial banks because they do not primarily mobilize short- to medium-term deposits or avoid maturity mismatches in the same way commercial banks do. Instead, DFIs focus on long-term investments and provide credit with extended repayment periods.

**Statement III** is correct. DFIs typically offer loans at low and stable interest rates to promote long-term investments with considerable social benefits, such as those in urban infrastructure and irrigation systems.

**S66. Ans.(a)**

**Sol. Statement 1** is correct. The Insurance Act, 1938 was indeed enacted to protect the interests of the insuring public and to provide comprehensive control over insurers' activities.

**Statement 2** is correct. The act led to the establishment of an insurance wing that was initially attached to the Ministry of Commerce and later moved to the Ministry of Finance.

**Statement 3** is incorrect because the actuarial and operational matters related to insurance were overseen by the Controller of Insurance, not the Insurance Regulatory and Development Authority (IRDAI). The IRDAI was established much later, in 1999, to regulate and develop the insurance sector in India.

**S67. Ans.(b)**

**Sol. Statement 1** is incorrect because it overstates the role of MFIs and NBFCs. While MFIs and NBFCs do play a significant role in reaching unbanked and under-served areas, it is not solely through their presence that they create livelihood sources. They complement the banking system but do not solely drive financial inclusion. Additionally, their role extends beyond rural and semi-urban areas to include various sectors.

**Statement 2** is incorrect because NBFCs are involved in a broad range of financial services, including infrastructure and retail financing, and play a significant role in stimulating financial inclusion and contributing to economic development. NBFCs do have an impact on financial inclusion by reaching under-served regions and enhancing competition in the financial sector.

**S68. Ans.(d)**

**Sol.** The objectives of development banks typically include:

- i. To serve as an agent of development in various sectors, such as industry, agriculture, and international trade.
- iii. To foster rapid industrialization, particularly in the private sector, to provide employment opportunities as well as higher production.
- iv. To develop entrepreneurial skills.

**S69. Ans.(b)**

**Sol.** Section 24 of the RBI Act allows the Central Government to specify the denomination of currency notes, up to a maximum of Rs 10,000, based on the recommendation of the Central Board of the RBI. It also permits the Central Government to direct the non-issue or discontinuance of currency notes of certain denominations, again on the recommendation of the Central Board. Therefore, the Central Government's actions to introduce and later discontinue the Rs 2,000 currency notes, based on the recommendations from the Central Board of RBI, are consistent with the provisions of Section 24 of the RBI Act.

**S70. Ans.(a)**

**Sol.** The RBI advocated for a transition to external benchmarks for floating rate loans because internal benchmarks such as the Base Rate and MCLR did not effectively transmit monetary policy changes to borrowers. This ineffectiveness was identified by the Internal Study Group (ISG) led by Dr. Janak Raj. Consequently, the RBI recommended that all new floating rate personal or retail loans (including housing and vehicle loans) and floating rate loans to Micro and Small Enterprises be benchmarked to one of the following external benchmarks starting from October 1, 2019:

- The Reserve Bank of India policy repo rate.
- The Government of India 3-Month Treasury Bill yield, published by the Financial Benchmarks India Private Ltd (FBIL).
- The Government of India 6-Month Treasury Bill yield, published by the FBIL.
- Any other benchmark market interest rate, published by the FBIL.

**S71. Ans.(a)**

**Sol.**

1. **Statement i** is correct. The bank rate is indeed the rate at which the RBI is ready to buy or rediscount bills of exchange or other commercial papers without any securities being pledged.
2. **Statement ii** is correct. The MSF rate is aligned with the bank rate, but the MSF loans require banks to furnish securities/collaterals.
3. **Statement iii** is incorrect. Changes in the bank rate do influence the money supply in the country as they are used by central banks to control the money supply.

**S72. Ans.(d)**

**Sol.**  $M1 = (\text{Circulation of small coins} + \text{Circulation of rupee coins} + \text{Notes in Circulation} + \text{Circulation of coins greater than rupee coins}) + \text{Notes in circulation} + \text{Demand deposits of banks} + \text{other deposits with RBI}$   
 $= \text{Rs. 680 crores} + \text{Rs 940 crores} + \text{Rs 1970 crores} + \text{Rs. 53050 crores} + \text{Rs. 39170 crores} + \text{Rs. 670 crores}$   
 $= \text{Rs. 96,480 crores}$

**S73. Ans.(b)**

**Sol.**

1. **Equilibrium occurs where quantity demanded equals quantity supplied at a specific price level.**
  - **True.** This is the basic definition of market equilibrium in economics. At this price level, the market clears, meaning there is no surplus or shortage.
2. **A surplus occurs when quantity demanded exceeds quantity supplied at a given price.**
  - **False.** A surplus occurs when quantity supplied exceeds quantity demanded at a given price. This typically happens when the price is set above the equilibrium price.

3. **An increase in demand, with no change in supply, will always lead to an increase in equilibrium price.**
- **True.** When demand increases and supply remains constant, the demand curve shifts to the right, leading to a higher equilibrium price and quantity. This is a fundamental concept of supply and demand dynamics.

**S74. Ans.(b)**

**Sol.**

1. **Statement 1:** Correct. Consumer preferences and tastes can indeed shift the demand curve. If a product becomes more popular, the demand curve shifts to the right; if it falls out of favor, the demand curve shifts to the left.
2. **Statement 2:** Incorrect. An increase in consumer income does not always shift the demand curve for inferior goods to the right. For inferior goods, an increase in income typically shifts the demand curve to the left, as consumers buy less of these goods and opt for higher-quality alternatives.
3. **Statement 3:** Correct. The prices of related goods affect demand. For example, if the price of a substitute (like tea for coffee) rises, the demand for the product (coffee) may increase. Conversely, if the price of a complement (like sugar for coffee) rises, the demand for the product may decrease.

**S75. Ans.(d)**

**Sol.**

1. **Statement I is correct:** Climate change is expected to exacerbate extreme environmental events like droughts, sea level rise, flooding, and cyclones, leading to increased migration flows, especially in middle-income countries such as India.
2. **Statement II is correct:** Migration from rural to urban areas is increasing as people seek better living standards and economic opportunities in cities.
3. **Statement III is correct:** Promoting agriculture and agri-businesses can help alleviate migration pressures by creating non-farm sector jobs closer to rural communities, reducing the need for rural residents to migrate to urban areas.

**S76. Ans.(b)**

**Sol.**

1. **Statement I is incorrect:** IBRD primarily provides financial solutions to middle-income and creditworthy low-income nations, not exclusively low-income nations.
2. **Statement II is correct:** IBRD offers loans, guarantees, risk management solutions, and consulting services to middle-income and creditworthy low-income nations.
3. **Statement III is incorrect:** IBRD collaborates closely with both public and private sectors in developing countries, not only with the public sector.

**S77. Ans.(d)**

**Sol.** All three statements accurately describe the functions of the International Monetary Fund (IMF):

- **Statement i** is correct. The IMF conducts surveillance over its members' economic policies to ensure they align with the organization's goals. This involves reviewing the economic situations of nearly every country on a regular basis, providing guidance and oversight to promote financial stability and sound economic policies.

- **Statement ii** is correct. The IMF provides financial assistance to member countries facing a temporary balance of payments crisis. These loans help countries implement necessary corrective measures in an orderly manner, preventing disruptive adjustments and mobilizing additional external funding.
- **Statement iii** is correct. The IMF offers concessional loans to low-income countries to support their poverty reduction efforts. This function is often carried out in collaboration with the World Bank and other international economic institutions, aiming to promote sustainable economic development and reduce poverty.

**S78. Ans.(a)**

**Sol.** 1. Economic growth focuses on the production of goods and services, while economic development focuses on the **distribution** of resources.

2. Economic growth is single-dimensional as it only focuses on the **income** of the people, while economic development is multi-dimensional as it focuses on both income and the improvement of the living standards of the people.

3. Economic growth is the precursor and prerequisite for economic development. It is the **subset** of economic development.

**S79. Ans.(a)**

**Sol.** The key difference between Greenfield FDI and Brownfield FDI lies in the nature of the investment:

- **Greenfield FDI** refers to a scenario where a parent corporation builds its operations in the host country from the ground up. This involves constructing new facilities, establishing new offices, or setting up new factories. Examples include McDonald's, Hyundai India, and Pepsi India, where these companies started new operations in India.
- **Brownfield FDI** involves the acquisition of existing facilities in the host country. Instead of building new operations, the investing company purchases or leases existing infrastructure. An example is the acquisition of Ranbaxy India by Daiichi Sankyo of Japan.

**S80. Ans.(b)**

**Sol.** Statement i: True. One of the fundamental premises of the Family Welfare Programme is that acceptance of its services is voluntary.

Statement ii: True. The programme integrates Maternal and Child Health (MCH) services with family planning services.

Statement iii: True. Effective Information Education & Communication (IEC) is provided under the Family Welfare Programme to enhance awareness.

Statement iv: False. Family Welfare services in India are generally provided free of cost, not at a nominal cost.

**S81. Ans.(d)**

**Sol.** Statement i: True. The National Education Policy 2022 replaces the National Education Policy 1986, marking a significant overhaul in India's educational framework.

Statement ii: True. NEP 2022 introduces a 5+3+3+4 structure, which includes 12 years of education and integrates early childhood education (Anganwadi/pre-school) into the formal education system.

Statement iii: True. The pillars of NEP 2022 are accessibility, equity, quality, and accountability, highlighting its focus on improving various aspects of education across the country.

**S82. Ans.(d)**

**Sol.** Statement 1: True. The Prime Minister Employment Generation Programme (PMEGP) is indeed a credit-linked subsidy programme aimed at promoting entrepreneurship by providing financial assistance for setting up micro-enterprises.

Statement 2: True. The Scheme of Fund for Regeneration of Traditional Industries (SFURTI) organizes traditional industries and artisans into clusters to improve their marketability and equip them with enhanced skills.

Statement 3: True. A Scheme for Promotion of Innovation, Rural Industries & Entrepreneurship (ASPIRE) focuses on promoting entrepreneurship culture, creating new jobs, and facilitating innovative business solutions to reduce unemployment.

**S83. Ans.(b)**

**Sol.** Statement 1: True. The Credit Guarantee Scheme (CGS) allows individual Micro and Small Enterprises to apply for collateral-free loans up to Rs. 1 crore from participating banks.

Statement 2: False. The scheme is administered by the Ministry of MSME (not the Ministry of Finance) and the Small Industries Development Bank of India (SIDBI), not the Reserve Bank of India.

Statement 3: True. CGTMSE played a significant role in supporting the MSME sector during the COVID-19 pandemic by providing credit support and ensuring liquidity.

**S84. Ans.(d)**

**Sol.** Statement 1: NITI Aayog was indeed established on January 1, 2015, by a resolution of the Union Cabinet to replace the Planning Commission, which was established in 1950.

Statement 2: NITI Aayog functions as the Government of India's premier policy "Think Tank," providing directional and policy suggestions to both the Centre and States.

Statement 3: The creation of NITI Aayog is structured around two key hubs: Team India and the Knowledge and Innovation Hub, aimed at fostering cooperative federalism and promoting knowledge and innovation in governance.

**S85. Ans.(a)**

**Sol.** The statement about NABARD conducting statutory inspections of commercial banks operating in urban areas is NOT true. NABARD's supervisory functions are focused on rural financial institutions such as State Cooperative Banks (StCBs), District Central Cooperative Banks (DCCBs), and Regional Rural Banks (RRBs), as well as voluntary inspections of SCARDBs in the LTCCS, Apex Level Cooperative Societies, and Federations. These inspections aim to assess compliance with the Banking Regulation Act, 1949, improve operational efficiency, and ensure the financial health of these institutions. NABARD's role is primarily targeted towards the supervision of rural financial sectors rather than urban commercial banks, which falls under the purview of the Reserve Bank of India (RBI).

**S86. Ans.(b)**

**Sol.** **Depression phase** does not persist forever. It inherently possesses **the seeds of recovery** which leads to recovery. During this phase, **idle workers** seek employment even at reduced wages due to the lower cost of living. Meanwhile, **consumers** who had delayed purchases in anticipation of further price drops begin to increase their consumption. Concurrently, **banks** with surplus liquidity start offering credit under more favorable conditions and at lower interest rates, which, in turn, stimulates **demand**. As consumption rises, the previously ample **stocks of goods** start to dwindle.

**S87. Ans.(c)**

**Sol.** GIC :1972

NABARD: 1982

RRB : 1975

IRDAI : 1999

**S88. Ans.(a)**

**Sol.** The agreement is for a 3-month borrowing or lending commitment starting 3 months from now and ending 6 months from now.

A 3 × 6 FRA means that the corporate has to borrow or lend for a period of 3 months, beginning three months from now and ending six months from now.

**S89. Ans.(b)**

**Sol.** 30 units

At a price of \$40, the quantity demanded is 40

At a price of \$50, the quantity demanded is 20

Using the formula for the equation of a straight line ( $y - y_1 = m(x - x_1)$ ), we can solve for the quantity demanded at \$45:

$y_1 = 40$  (quantity demanded at \$40)

$x_1 = 40$  (price at \$40)

$y_2 = 20$  (quantity demanded at \$50)

$x_2 = 50$  (price at \$50)

$x = 45$  (price we want to find the quantity demanded for)

$m = (y_2 - y_1) / (x_2 - x_1) = (20 - 40) / (50 - 40) = -2$  (slope of the line)

Substituting the values into the equation and solving for  $y$  (the quantity demanded):

$y - 40 = -2(x - 40)$

$y - 40 = -2(45 - 40)$

$y - 40 = -10$

$y = 30$  units Ans.

**S90. Ans.(b)**

**Sol.** We can use the formula for calculating the cost of a basket of goods in a given year: Cost of basket =  $(\text{CPI} / 100) \times \text{Base year cost}$ . Plugging in the numbers for 2020, we get Cost of basket =  $(110 / 100) \times \$100 = \$110$ .

**S91. Ans.(d)**

**Sol.** 1. Digital technologies enable insurers to provide a seamless and user-friendly experience to policyholders. Online portals, mobile apps, and self-service options empower customers to manage policies, make claims, and access information easily.

2. Advanced data analytics and artificial intelligence (AI) are used to assess risks more accurately during underwriting. Insurers analyze vast amounts of data to make informed decisions about policy pricing and coverage.

3. Insurers use customer data to tailor insurance products to individual needs. Personalized offers, discounts, and coverage options enhance customer satisfaction and retention.

4. AI-powered chatbots provide instant customer support and assistance, improving response times and enhancing customer interactions.
5. Blockchain is being explored for secure and transparent record-keeping in insurance. It can facilitate fraud prevention, improve data sharing among stakeholders, and streamline processes like policy issuance and claims settlement.

**S92. Ans.(c)**

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

**Policy rate** - by changing this rate RBI influences the cost of borrowing for banks.

**Reverse Repo rate** - changes in this rate impact the return banks receive on their surplus funds.

**Bank Rate** - A rate at which RBI lends funds to banks against some securities

**Marginal Standing facility** - rate at which banks can borrow funds overnight from RBI against approved securities

**S93. Ans.(c)**

**Sol. 1.** Open Market Operations (OMOs) are a monetary policy tool used by central banks, including the Reserve Bank of India (RBI), to influence the money supply and interest rates in an economy.

2. OMOs involve the buying or selling of government securities (such as bonds) in the open market.

3. The goal of OMOs is to manage liquidity in the banking system, stabilize short-term interest rates, and achieve the central bank's monetary policy objectives.

4. **Open Market Sale (OMO Purchase)** is an operation, in which the central bank buys government securities from commercial banks and financial institutions. The payment for the securities increases the reserves of the banks, leading to an increase in the money supply in the economy. As a result, banks have more funds available to lend, which can lead to lower interest rates and increased borrowing and spending by consumers and businesses.

5. **Open Market Purchase (OMO Sale)** is an operation, in which the central bank sells government securities to commercial banks and financial institutions. The payment for the securities reduces the reserves of the banks, leading to a decrease in the money supply. This can result in higher interest rates as banks have fewer funds available for lending, which can help curb inflationary pressures.

6. When the central bank buys government securities through OMOs, it injects money into the banking system, increasing the liquidity available to banks. As banks receive the payment for the securities, their reserves increase, allowing them to lend more money to businesses and individuals. The increased lending capacity of banks can lead to lower interest rates, making borrowing more attractive and stimulating economic activity.

**S94. Ans.(d)**

**Sol.**

1. **NPAs:** Non-Performing Assets are loans where the borrower has stopped making interest or principal repayments for 90 days.
2. **Resolving Stressed Assets:** Strategies to address financially distressed loans, including restructuring, recovery through insolvency proceedings, or selling to asset reconstruction companies.
3. **Maximizing Recovery:** Efforts to recover the maximum possible amount from defaulted loans through legal actions, settlements, or asset sales.
4. **Enhancing Liquidity:** Improving the availability of cash or liquid assets in a financial system to ensure smooth operations and meet obligations.
5. **Restructuring Debts:** Modifying the terms of a loan agreement, such as extending repayment periods or reducing interest rates, to aid borrower repayment.

**S95. Ans.(d)**

**Sol. Demand-Pull Inflation**

It is a rise in general prices caused by increasing aggregate demand for goods and services.

Increasing the quantity of money in the hands of the people increases the aggregate demand for goods and services; if aggregate supply does not follow suit, prices rise.

**S96. Ans.(d)**

**Sol. I-5, II-4, III-2, IV-1, V-3**

(I). $GDP_{FC}$	1. $GDP_{MP} - NIT$
(II). $NDP_{MP}$	2. $GDP_{MP} - Dep$
(III). $NDP_{FC}$	3. $NDP_{MP} - \text{Net Product Taxes} - \text{Net Production Taxes}$
(IV). $GNP_{MP}$	4. $GDP_{MP} + NFIA$ (Net Factor Income from Abroad)
(V). $GNP_{FC}$	5. $GNP_{MP} - \text{Net Product Taxes} - \text{Net Production taxes}$

**S97. Ans.(b)**

**Sol.** 1. Lending to SHGs / JLGs would be considered a normal business activity of the bank. UCBs will be required to frame, with the approval of their Board, a comprehensive policy on lending to SHGs / JLGs. This policy, including the maximum amount of loan, interest rate chargeable on loans, etc. should form part of the overall credit policy of the bank.

2. SHGs are small groups, formal/informal, of individuals promoting savings habits among members. These savings are then lent by the group to the members for income-generating purposes. On the other hand, JLG is an informal group of individuals coming together for the purpose of availing of bank loans either singly or through the group mechanism against mutual guarantee in order to engage in similar types of economic activities.

3. The SHG would normally consist of 10 to 20 members whereas a JLG would normally have between 4 and 10 members. Membership matters are governed by the bylaws adopted by the bank and provisions of respective State Co-operative Societies Acts or the **Multi-State Co-operative Societies Act, 2002**.

4. The maximum amount of loan to SHGs should not exceed four times the savings of the group. The limit may be exceeded in the case of well-managed SHGs subject to a ceiling of ten times of savings of the group. The groups may be rated on the basis of certain objective parameters such as proven track record, savings pattern, recovery rate, housekeeping, etc. JLGs are not obliged to keep deposits with the bank and hence the amount of loan granted to JLGs would be based on the credit needs of the JLG and the bank's assessment of the credit requirement.

**S98. Ans.(b)**

**Sol.** 1. Insurance Regulatory and Development Authority Act, 1999 (IRDA Act): This act established the Insurance Regulatory and Development Authority of India (IRDAI) as the regulatory body for the insurance sector. The IRDAI is responsible for regulating and promoting the insurance industry's growth while safeguarding the interests of policyholders.

2. **Insurance Act, 1938:** This is one of the foundational acts for regulating insurance in India. It provides the legal framework for the functioning of insurance companies and outlines the rules for conducting insurance business, including provisions related to licensing, solvency, investments, and claims.
3. **Foreign Exchange Management Act, 1999 (FEMA):** FEMA regulates foreign exchange transactions, including those related to insurance companies. It governs foreign investment in the insurance sector and outlines the rules for repatriation of funds.
4. **Insurance Regulatory and Development Authority of India (IRDAI) (Registration of Indian Insurance Companies) Regulations, 2002:** These regulations provide guidelines for the registration, licensing, and operation of Indian insurance companies. They outline the criteria for obtaining a license, capital requirements, and other operational aspects.
5. **Insurance Regulatory and Development Authority of India (Outsourcing of Activities by Indian Insurers) Regulations, 2017:** These regulations govern the outsourcing of various activities by insurance companies, ensuring that outsourced functions adhere to regulatory standards and do not compromise policyholder interests.
6. **The Payment of Gratuity Act, 1975:** While not specific to insurance companies, this act mandates employers, including insurance companies, to provide gratuity benefits to their employees after a certain period of service.

**S99. Ans.(d)**

**Sol. 1-A, 2-B, and 5-E are correctly given.**

**Revenue Expenditure**

1. Interest Payments and Prepayment Premium
2. Defence
3. **Subsidies (fertilizer/food/petroleum)**
4. Grants to State and U.T. Governments
5. Pensions
6. Police
7. Assistance to States from National Calamity Contingency Fund
8. Economic Services (Agriculture, Industry, Power, Transport, Communications, Science & Technology, etc.)
9. Other General Services (Organs of State, Tax Collection, External Affairs, etc.)
10. Social Services (Education, Health, Broadcasting, etc.)
11. Postal Deficit
12. Expenditure of Union Territories without Legislature
13. Amount met from National Calamity Contingency Fund
14. Grants to Foreign Governments

**Capital Expenditure**

1. Defence
2. Other Non-plan Capital Outlay
3. Loans to Public Enterprises
4. Loans to State and U.T. Governments

**5. Loans to Foreign Governments**

6. Others Non-plan Expenditure: Revenue Non-Plan Expenditure + Capital Non-Plan Expenditure.

S100. Ans.(b)

Sol. The incorrect statement:

- **ii. Retail banking activities:** Merchant banks do not engage in typical retail banking services such as savings accounts, personal loans, or mortgages. These services are typically provided by commercial banks or retail banks, not merchant banks.

Thus, **ii** is the incorrect statement about merchant banking

