



JAIIB Exam

(Practice Questions)

**Indian Economy and Indian
Financial System**

Physicswallah



- Q1** Which of the following acts as the central banking institution in India?
(A) Banking Regulation Act, 1949
(B) Reserve Bank of India (RBI) Act, 1934
(C) Companies Act, 2013
(D) Negotiable Instruments Act, 1881
- Q2** The RBI Act, 1934 provides the RBI with the power to issue and manage currency in India. Which section of the RBI Act, 1934 deals with this power?
(A) Section 17 (B) Section 22
(C) Section 12 (D) Section 7
- Q3** As per the provisions of the Banking Regulation Act, 1949, what is the maximum penalty that can be imposed by the RBI for violation of its directions?
(A) Rs. 1 lakh (B) Rs. 10 lakh
(C) Rs. 1 crore (D) Rs. 10 crore
- Q4** What is a characteristic of business cycles?
(A) Indefinite periods of depression or eternal boom are possible.
(B) The upward and downward movements in the business cycle are not symmetrical.
(C) Business cycles do not have recurring patterns.
(D) Business cycles have minimal effects on the overall economy.
- Q5** Which of the following statements about business cycles is true?
(A) Business cycles can exhibit indefinite periods of depression or eternal boom.
(B) Business cycles are characterized by random fluctuations in economic activity.
(C) The phases of boom and depression in business cycles do not repeat.
(D) Business cycles have pervasive effects on the economy.
- Q6** Which phase of the business cycle is characterized by the repetition of various phases, where a boom is followed by depression and depression is followed by boom?
(A) Expansion (B) Contraction
(C) Trough (D) Peak
- Q7** What was the score of Kerala, which was at the top of rankings in the third edition of the SDG index of NITI Aayog?
(A) 70 (B) 100
(C) 85 (D) 75
- Q8** The India Plastic Challenge-Hackathon 2021 was launched by which of the following ministries?
(A) Ministry of Environment, Forest and Climate Change
(B) Ministry of External Affairs
(C) Ministry of Home Affairs
(D) Ministry of Finance
- Q9** The Sustainable Development Goals consists of 17 goals and _____ targets.
(A) 170 (B) 169
(C) 168 (D) 167
- Q10** Considering credit rating agencies, which of the following statements is TRUE?
(A) Credit rating companies ensure debt repayment
(B) Credit rating companies base all of their evaluations completely on available data
(C) Credit rating companies offer arbitrary assessments of creditworthiness
(D) Governmental organizations generally own credit rating agencies

- Q11** For various kinds of debt instruments, credit rating firms utilize various rating scales. On which rating system are long-term corporate bonds often issued?
- (A) A scale (such as 1, 2, or 3)
 - (B) A scale with letters such as A, B, and C
 - (C) An alphabetic scale, such as AAA, AA, or A
 - (D) A scale of Roman numerals, such as I, II, and III
- Q12** Ratings are given by credit rating organizations to:
- (A) only assets and securities
 - (B) only liabilities and debts
 - (C) Only businesses and people
 - (D) Assets, securities, and liabilities, including debts
- Q13** Credit rating agencies may face conflicts of interest if:
- (A) They have financial relationships with the entities they rate
 - (B) They rely solely on public information for their assessments
 - (C) They provide subjective opinions on creditworthiness
 - (D) They are regulated by multiple authorities
- Q14** Which of the following is the primary objective of an organization for credit risk management?
- (A) Enhancing profitability
 - (B) Ensuring consistency in risk and business policies
 - (C) Expanding market share
 - (D) Promoting innovation in product development
- Q15** Which entity within a bank is primarily responsible for articulating credit risk management policies, procedures, aggregate risk limits, review mechanisms, and reporting and auditing systems?
- (A) The Risk Management Committee
 - (B) The Credit Policy Committee (CPC)
 - (C) The Credit Risk Management Department
 - (D) The Board of Directors
- Q16** Which of the following was the first Development Financial Institution established in India?
- (A) Industrial Finance Corporation of India (IFCI)
 - (B) Industrial Development Bank of India (IDBI)
 - (C) Export-Import Bank of India (EXIM Bank)
 - (D) National Bank for Agriculture and Rural Development (NABARD)
- Q17** Which Development Financial Institution is responsible for providing long-term finance to the Indian power sector?
- (A) Small Industries Development Bank of India (SIDBI)
 - (B) National Bank for Agriculture and Rural Development (NABARD)
 - (C) Power Finance Corporation (PFC)
 - (D) Export-Import Bank of India (EXIM Bank)
- Q18** Which Development Financial Institution is specialized in providing financial assistance to micro, small, and medium enterprises (MSMEs)?
- (A) Small Industries Development Bank of India (SIDBI)
 - (B) National Bank for Agriculture and Rural Development (NABARD)
 - (C) Export-Import Bank of India (EXIM Bank)
 - (D) Industrial Development Bank of India (IDBI)
- Q19** Which of the following factors contributed to India launching a process of economic reforms in 1991?
- (A) Rise in Prices
 - (B) Rise in Fiscal Deficit
 - (C) Increase in Adverse Balance of Payments
 - (D) Dismal Performance of PSUs
 - (E) Fall in Foreign Exchange Reserves
- (A) Only A and B
 - (B) Only B and C
 - (C) Only D and E
 - (D) All of the above
- Q20** Which of the following statements is true regarding the effects of the Balance of Payment Crisis in India in 1991?
- (A) Imports were increased to stimulate the economy.

- (B) The price of fuels was lowered to reduce inflation.
- (C) Bank rates were decreased to encourage borrowing.
- (D) Government spending was expanded to boost economic growth.
- (E) India secured an emergency loan from the International Monetary Fund by pledging gold as collateral.

- (A) Only A (B) Only B
(C) Only C and D (D) Only E

Q21 How did the Balance of Payment Crisis affect bank rates?

- (A) They remained unchanged
(B) They decreased significantly
(C) They were lowered to attract investors
(D) They were raised

Q22 Which of the following were objectives of the New Economic Policy (NEP) introduced in India in 1991?

- (A) Increase government control over the economy.
(B) Restrict the flow of goods and services across international borders.
(C) Stabilize the economy and remove unnecessary restrictions.
(D) Decrease the growth rate of the economy to address imbalances.
(E) Reduce the reserved sectors for government intervention.

- (A) Only A and B (B) Only C and E
(C) Only B and E (D) Only A and D

Q23 Which of the following were key measures undertaken as part of the economic reform programme launched by India in 1991?

- (A) Reservation of industrial sectors for the public sector.
(B) Introduction of stricter industrial licensing requirements.
(C) Restricting foreign investment and technology in the economy.

(D) Liberalization of foreign trade and investment.

(E) Strengthening of government control over the financial sector.

(F) Emphasis on enhancing the efficiency and competitiveness of the public sector.

(G) Introduction of the Monopoly and Restricted Trade Practice Act.

- (A) Only A and C
(B) Only D, and F
(C) Only D, F, and G
(D) Only A, D, E, F, and G

Q24 Which of the following statements are true regarding the liberalization measures undertaken in India?

- (A) Commercial banks were given autonomy in setting interest rates.
(B) The investment limit for small-scale industries was increased.
(C) Indian industries were granted the freedom to import capital goods and raw materials.
(D) Industries were no longer required to obtain licenses for starting new ventures, except for specific sectors.
(E) The Monopolies and Restrictive Trade Practices Act imposed stricter regulations on companies with assets over Rs. 100 crore.
(F) The production capacity of industries was fixed by the government, limiting their ability to diversify.
(G) Hazardous chemicals and drugs were removed from the list of sectors requiring licenses.

- (A) Only A, B, C, and D
(B) Only B, C, D, and G
(C) Only A, B, C, D
(D) Only A, B, C, D, and F

Q25 Which of the following statements are true regarding the privatization reforms in India?

- (A) Shares of PSUs were sold to the private and financial institutions.
(B) Disinvestment in PSUs involved selling them to the private sector.

- (C) The number of industries reserved for the public sector decreased from 17 to 3.
- (D) The industries remaining reserved for the public sector included transport and railway, atomic energy, and mining of atomic minerals.
- (E) Privatization aimed to increase political interference in PSUs to improve their efficiency.
- (A) Only A and B
- (B) Only B and C
- (C) Only A, B, C, and D
- (D) Only A, B, and D
- Q26** Which service is not provided by the Factor company in Factoring?
- (A) Maintenance of receivable Ledger.
- (B) Collection of Debts
- (C) Supply of Finished goods
- (D) Follow up with Books Receivables
- Q27** UCP 600 rules are applicable on which of the following banking products?
- (A) Bank Guarantee
- (B) Term loans
- (C) Letter of Credit
- (D) Working capital
- Q28** Which among the following is a Non-fund based facility?
- (A) Cash credit
- (B) Bank overdraft
- (C) Letter of credit
- (D) Term loan
- Q29** For a Bank, the bank guarantee is what kind of Liability?
- (A) Current Liability
- (B) Non current Liability
- (C) Contingent Liability
- (D) None of above
- Q30** Who among the following is Not a party in Forfaiting contract?
- (A) Importer (B) Exporter
- (C) Broker (D) Forfeiter
- Q31** Which of the following statements is/are TRUE regarding the Foreign Trade Policy (2023)?
- (A) The policy aims at process re-engineering and automation for exporters.
- (B) The policy introduces a one-time Amnesty Scheme for importers to close the old pending authorizations and start afresh.
- (C) The policy encourages collaboration with Indian Missions for export promotion.
- (A) Only A
- (B) Only C
- (C) Only A and C
- (D) All of the above
- Q32** Which of the following is/are the key pillar(s) of the Foreign Trade Policy (2023)?
- (A) Incentive to Remission
- (B) Export promotion through collaboration - Exporters, States, Districts, Indian Missions
- (C) Ease of doing business, reduction in transaction cost and e-initiatives
- (A) Only B and C
- (B) Only C
- (C) Only A and C
- (D) All of the above
- Q33** Which scheme has been added as an additional scheme eligible to claim benefits under the Export Promotion of Capital Goods (EPCG) Scheme under FTP 2023?
- (A) Prime Minister Mega Integrated Textile Region and Apparel Parks (PM MITRA) scheme
- (B) Common Service Provider (CSP) Scheme
- (C) Dairy Sector Upgradation Scheme
- (D) Green Technology Development Scheme
- Q34** What is the FDI limit of the Mining Sector and what is the entry route?
- (A) 26%, Automatic
- (B) 100%, Automatic
- (C) 26%, Government
- (D) 100%, Government
- Q35** When was the concept of globalisation formally introduced in India?
- (A) 1985-86 (B) 1990-91
- (C) 1991-92 (D) 1995-96

- Q36** Which organization puts a strong emphasis on the liberalization of foreign investment and foreign trade?
(A) IMF
(B) World Bank
(C) WTO
(D) All of the above
- Q37** What is the term used for the funds utilized by Multinational Corporations (MNCs) for purchasing assets like land, buildings, machines, and other equipment?
(A) Investment
(B) Domestic Investment
(C) Foreign Investment
(D) None of the above
- Q38** Consider the following statement regarding how has globalisation impacted India? Identify the correct Statement.
a. Increased competition in the domestic market
b. Improved access to foreign technology and capital
c. Encouraged protectionism and economic isolationism
d. Created opportunities for Indian businesses to expand globally
(A) A, b and c (B) B, c and d
(C) A, b and d (D) A, b, c, d
- Q39** What is one positive impact of globalisation on India's economy?
(A) Increased poverty and inequality
(B) Increased barriers to trade with other nations
(C) Increased foreign investment and export opportunities
(D) Increased reliance on domestic production and consumption
- Q40** In which year was the first insurance company set up in India?
(A) 1899 (B) 1919
(C) 1889 (D) 1906
- Q41** Which of the following is not a type of Non-Banking Financial Institution (NBFI)?
(A) Insurance companies
(B) Mutual funds
(C) Stock exchanges
(D) Payment banks
- Q42** Which of the following is a primary function of Non-Banking Financial Institutions?
(A) Accepting deposits from the public
(B) Granting loans and advances
(C) Issuing currency notes
(D) Managing monetary policy
- Q43** Which of the following is an example of a Non-Banking Financial Company (NBFC)?
(A) State Bank of India
(B) Life Insurance Corporation of India
(C) HDFC Ltd
(D) Reserve Bank of India
- Q44** Which of the following is a characteristic feature of Non-Banking Financial Institutions?
(A) They are regulated by the Reserve Bank of India (RBI)
(B) They can accept demand deposits
(C) They issue currency notes and coins
(D) They have access to the banking system's payment and settlement mechanisms
- Q45** Which of the following is true about Non-Banking Financial Institutions (NBFI) in India?
(A) They are not subject to any regulations or supervision.
(B) They can carry out all banking activities without a banking license.
(C) They are prohibited from accepting any form of deposits.
(D) They can engage in lending activities but cannot grant loans to individuals.
- Q46** Which of the following is a regulatory authority for Non-Banking Financial Institutions (NBFI) in India?
(A) Securities and Exchange Board of India (SEBI)
(B) Insurance Regulatory and Development Authority of India (IRDAI)

- (C) Reserve Bank of India (RBI)
(D) National Housing Bank (NHB)
- Q47** Which of the following is a type of Non-Banking Financial Company (NBFC) based on the nature of its activities?
(A) Asset Financing NBFC
(B) Infrastructure Finance NBFC
(C) Core Investment Company (CIC)
(D) All of the above
- Q48** Which of the following is true about Infrastructure Debt Funds (IDFs)?
(A) They primarily invest in equity shares of infrastructure companies.
(B) They provide long-term debt financing for infrastructure projects.
(C) They are regulated by the Securities and Exchange Board of India (SEBI).
(D) They are classified as Non-Banking Financial Institutions (NBFI).
- Q49** Which of the following is a risk associated with Non-Banking Financial Institutions (NBFI)?
(A) Credit risk
(B) Market risk
(C) Liquidity risk
(D) All of the above
- Q50** Which of the following Non-Banking Financial Institutions (NBFI) primarily deals with the securitization of assets?
(A) Housing Finance Companies (HFCs)
(B) Investment Companies (ICs)
(C) Asset Reconstruction Companies (ARCs)
(D) Microfinance Institutions (MFIs)
- Q51** Which of the following is a stage of pension products?
(A) Accumulation stage
(B) Exclusion Stage
(C) Dissolution Stage
(D) Maturation Stage
- Q52** Which of the following emphasizes the importance of pensions?
(A) Pensions only benefit high-income individuals.
(B) Rise in cost of living
(C) Dignified life in old age due to less financial independence
(D) Both (2) and (3)
- Q53** Which of the following is a pension scheme prevalent in India?
(A) Atal Pension Yojana
(B) Employees Provident Fund Scheme
(C) National Pension Scheme
(D) All of the above
- Q54** Which of the following is correct about the Employee Provident Fund Scheme?
(A) It was set up in 1952.
(B) The employee and employer each contribute 5% of the employee's basic salary and dearness allowance towards EPF.
(C) It is under Ministry of Finance
(D) It is a voluntary savings scheme for employees
- Q55** Which of the following are major schemes under EPFO?
(A) Employees Pension Scheme
(B) Employees Provident Fund Scheme
(C) Employees Deposit Linked Insurance Scheme
(D) All of the above
- Q56** Which of the following is a function of EPFO?
(A) Labor law enforcement
(B) Stock Market Regulation
(C) Investment of funds
(D) Tax Policy formulation
- Q57** What are the benefits of the EPF scheme?
(A) High interest on account
(B) Exemption from tax
(C) Low-risk
(D) All of the above.
- Q58** What is the maximum annual investment limit for the Public Provident Fund (PPF)?
(A) 50,000 (B) 1,00,000

- (C) 1,50,000 (D) 2,00,000
- Q59** The armed forces are excluded from pension benefits in which of the following schemes?
(A) National Pension Scheme
(B) Employees Provident Fund
(C) Public Provident Fund
(D) None of the above
- Q60** What is the age limit for the Atal Pension Yojana?
(A) 18-50 (B) 21-50
(C) 18-40 (D) 21-60
- Q61** What is the primary purpose of a Real Estate Investment Fund (REIF) in the Indian banking system?
(A) Providing loans for real estate development projects
(B) Investing in shares of real estate companies
(C) Pooling money from investors to invest in real estate properties
(D) Offering insurance coverage for real estate properties
- Q62** How do Real Estate Investment Funds (REIF) in India generate returns for investors?
(A) Through dividends paid by real estate companies
(B) Through rental income from the properties they own
(C) By trading shares of real estate companies
(D) Through interest earned from loans provided to real estate developers
- Q63** Which regulatory body oversees the functioning of Real Estate Investment Funds (REIF) in India?
(A) Securities and Exchange Board of India (SEBI)
(B) Reserve Bank of India (RBI)
(C) National Housing Bank (NHB)
(D) Insurance Regulatory and Development Authority of India (IRDAI)
- Q64** What is the typical investment strategy of Real Estate Investment Funds (REIF) in India?
(A) Investing in a diversified portfolio of real estate properties
(B) Investing in infrastructure projects rather than real estate properties
(C) Focusing solely on residential properties for investment
(D) Investing in shares of real estate companies listed on the stock market
- Q65** How are the returns from Real Estate Investment Funds (REIF) in India typically distributed to investors?
(A) Through monthly interest payments
(B) Through annual dividends
(C) Through capital appreciation upon property sale
(D) Through bonus units issued to investors
- Q66** What is the primary objective of an Infrastructure Investment Fund (IIF) in the Indian banking system?
(A) Investing in real estate properties
(B) Financing large-scale infrastructure projects
(C) Providing loans for small businesses
(D) Promoting agricultural development
- Q67** Which regulatory body oversees the functioning of Infrastructure Investment Funds (IIF) in India?
(A) Reserve Bank of India (RBI)
(B) Securities and Exchange Board of India (SEBI)
(C) National Stock Exchange (NSE)
(D) National Infrastructure Investment Fund (NIIF)
- Q68** How do Infrastructure Investment Funds (IIF) in India raise funds?
(A) Through investments in real estate properties
(B) Through public offerings on the stock market
(C) Through loans from commercial banks
(D) Through grants from the government
- Q69** What is the typical investment horizon of Infrastructure Investment Funds (IIF) in India?
(A) Short-term investments with quick returns
(B) Medium-term investments with moderate returns
(C) Long-term investments with steady returns

(D) Variable-term investments with uncertain returns

Q70 Real Estate Investment Funds (REIFs) and Infrastructure Investment Funds (IIFs) are commonly used investment vehicles. Which of the following statements accurately differentiates REIFs from IIFs?

- (A) REIFs primarily invest in physical properties, while IIFs focus on investments in infrastructure projects.
- (B) REIFs are publicly traded, while IIFs are privately held investment funds.
- (C) REIFs have higher liquidity compared to IIFs.
- (D) REIFs are regulated by the Securities and Exchange Commission (SEC), while IIFs are regulated by the Federal Reserve.

Q71 Which of the following acts serves as the primary legislation for the regulation and supervision of banks in India?

- (A) Banking Regulation Act, 1949
- (B) Reserve Bank of India (RBI) Act, 1934
- (C) Negotiable Instruments Act, 1881
- (D) Companies Act, 2013

Q72 Which of the following is not a function of the Reserve Bank of India (RBI) as per the RBI Act, 1934?

- (A) Issue and manage currency in India
- (B) Regulate and supervise banks and financial institutions
- (C) Formulate monetary policy
- (D) Conduct foreign exchange trading

Q73 Which of the following bodies has the authority to supersede the Board of Directors of a banking company under the Banking Regulation Act, 1949?

- (A) Ministry of Finance
- (B) Securities and Exchange Board of India (SEBI)
- (C) Reserve Bank of India (RBI)
- (D) Parliament of India

Q74

Which section of the Banking Regulation Act, 1949 deals with the licensing of banking companies?

- (A) Section 9
- (B) Section 22
- (C) Section 10
- (D) Section 18

Q75 The provisions related to the maintenance of cash reserves by scheduled banks are covered under which section of the Banking Regulation Act, 1949?

- (A) Section 42(1)
- (B) Section 36AD
- (C) Section 18(1)
- (D) Section 10(2)

Q76 Which of the following is an objective of the Reserve Bank of India (RBI) as per the RBI Act, 1934

- (A) Encouraging competition among banks
- (B) Promoting agricultural credit
- (C) Ensuring profitability of banks
- (D) Facilitating foreign direct investment

Q77 Which section of the Banking Regulation Act, 1949 empowers the RBI to inspect the books and accounts of banks?

- (A) Section 21
- (B) Section 35
- (C) Section 45
- (D) Section 30

Q78 As per the provisions of the Banking Regulation Act, 1949, what is the maximum penalty that can be imposed by the RBI for violation of its directions?

- (A) Rs. 1 lakh
- (B) Rs. 10 lakh
- (C) Rs. 1 crore
- (D) Rs. 10 crore

Q79 The RBI Act, 1934 provides the RBI with the power to issue and manage currency in India. Which section of the RBI Act, 1934 deals with this power?

- (A) Section 17
- (B) Section 22
- (C) Section 12
- (D) Section 7

Q80 Which of the following acts gives power to central banking institution of India i.e. The RBI?

- (A) Banking Regulation Act, 1949
- (B) Reserve Bank of India (RBI) Act, 1934
- (C) Companies Act, 2013
- (D) Negotiable Instruments Act, 1881

Q81 Which of the following statements is/are correct regarding the model of SDG?

- (A) This model of SDG is also known as the International Model or SAPAP Model.
- (B) SAPAP pilot in 25 poor mandals of Andhra Pradesh.
- (C) SAPAP Empowerment model's 3 components are Social mobilization, Capital formation & Capacity building of the poor
- (D) Both (a) and (c)

Q82 Take into consideration the following claims regarding Small Finance Banks (SFB):

1. According to the 2013 Companies Act, it is listed as a public limited company.
2. It must provide Priority Sector Lending (PSL) with 75% of its adjusted net bank credit.
3. The Banking Regulation Act of 1949 is the sole statute that governs SFBs.

Which one or ones of the aforementioned claims is true?

- (A) (1) and (2) only
- (B) (2) only
- (C) (2) and (3) only
- (D) (1), (2) and (3)

Q83 Think about the following pairs:

Sector-specific Promotional Programmes for MSME

1. Udyam Registration Portal: MSMEs can immediately register their cases regarding Central/State Department payments that have been delayed.
2. MSME SAMBANDH: Keeps track of how Central Public Sector Enterprises are implementing public procurement from MSEs.
3. Through its rural Livelihood Business Incubator (LBI), the ASPIRE Initiative fosters innovation and rural entrepreneurship.

Which of the aforementioned pairs is correctly matched?

- (A) (1) and (2) only
- (B) (2) and (3) only

(C) (1) and (3) only

(D) (1), (2) and (3)

Q84 Which of the following statements defines the role and the significance of MSMEs?

- (A) Small and Medium Enterprises (SMEs) account for around 40% of businesses and more than 50% of employment globally.
- (B) Employment potential at a low capital cost.
- (C) It helps in the development of old businesses.
- (D) All A, B and C are incorrect

Q85 Which of the following statements is/are correct related to Make in India?

1. It was introduced by the Prime Minister in the year 2014.
2. It aimed to increase the manufacturing sector's contribution to GDP to 25%, by 2020–2022.
3. There are four pillars that are established to boost entrepreneurship in India in all sectors.

- (A) Only statement (1) is correct
- (B) Only Statement (2) is correct
- (C) Only Statement (1) and (3) is correct
- (D) All the statements are correct

Q86 Which of the following statements is true regarding the Emergency credit Line Guarantee Scheme?

- (A) Government introduced Rs. 3 lakh crore collateral-free credit scheme which will benefit 45 lakh MSMEs.
- (B) It aimed to provide relief to the MSME sector by incentivizing Member Lending Institutes.
- (C) It allows MSMEs to fulfil operational liabilities and to restart their businesses.
- (D) All of the above statements are correct.

Q87 Read the following statements in the context of Priority Sector Lending:

1. There are no targets under PSL for foreign banks with less than 20 branches in India.
2. PSL is a form of quantitative tool used in monetary policy.

3. It is one of the tools to resolve the issue of Non-Performing Assets in the banking sector.

Which of the statements given above is/are correct?

- (A) (1) only
- (B) (2) and (3) only
- (C) (1) and (2) only
- (D) None of the above

Q88 Which statement defines the correct meaning of MSME?

- (A) A micro enterprise, where there investment in Plant and Machinery or Equipment does not exceed one crore rupees and turnover does not exceed five crore rupees; a small enterprise does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; a medium enterprise does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.
- (B) A micro enterprise, where there investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed one crore rupees; a small enterprise does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; a medium enterprise does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.
- (C) A micro enterprise, where there investment in Plant and Machinery or Equipment does not exceed two crore rupees and turnover does not exceed five crore rupees; a small enterprise does not exceed eight crore rupees and turnover does not exceed fifty crore rupees; a medium enterprise does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.
- (D) None of the above

Q89 Which of the following statements is correct regarding CGTMSE?

- 1. The full form of CGTMSE is Credit Guarantee Fund Trust for Micro & Small Enterprises.
- 2. Individual Micro and Small Enterprises can apply for collateral-free loans (up to Rs. 1 crore) from the Ministry of MSME and the Small Industries Development Bank of India (SIDBI).
- 3. This supports the farmers and highly earning businessmen.

Choose the correct statement:

- (A) (1) only
- (B) (2) and (3) only
- (C) (1) and (2) only
- (D) None of the above

Q90 Read the following statements in the context of Production Linked Incentives (PLI):

- 1. The PLI scheme is introduced to provide financial incentives to manufacturers who meet specific production targets.
- 2. The agricultural industry is included in the scope of the programme.
- 3. The PLI programme is intended to encourage home manufacturing while reducing reliance on imports.

Which of the above statements is /are correct?

- (A) (1) and (2) only
- (B) (2) and (3) only
- (C) (1) and (3) only
- (D) (1), (2) and (3)

Q91 Which of the following is not a factor affecting the demand curve?

- (A) Income of the consumer
- (B) Taste and preferences
- (C) Technological advances
- (D) Number of consumers in the market

Q92 Which of the following is not a role of demand schedule in economic analysis?

- (A) Analyse consumer behaviour
- (B) Understand market dynamics
- (C) Understand how to price the product
- (D) Understand market preferences

- Q93** What happens to the demand curve when the quantity demanded at the price level increases?
(A) It will shift upwards
(B) It will shift leftwards
(C) It will shift rightwards
(D) It will shift downwards
- Q94** Who was the first economist to identify Veblen Goods?
(A) Robert Veblen
(B) Marx Veblen
(C) Thorstein Veblen
(D) Robert Giffen
- Q95** Who was the first economist to identify Giffen Goods?
(A) Thorstein Giffen
(B) Marx Gifeen
(C) Sir Robert Giffen
(D) Alfred Marshall
- Q96** Which of the following factors directly affect supply schedule?
(A) Income of the consumer
(B) Taste and preferences
(C) Government policy
(D) Consumer expectation
- Q97** Under which condition market equilibrium can be achieved:
(A) When consumer satisfaction is equal to quantity supplied
(B) When price is equal to demand
(C) When demand curve is equal to supply curve.
(D) When price is equal to supply
- Q98** Which of the following factors does not directly affect the supply curve?
(A) Increase in cost of raw materials
(B) Technological advances
(C) Consumer purchasing capacity
(D) Increase in labour cost
- Q99** When price increases, what effect does it have on quantity demanded of a normal good?
(A) It remains unchanged
(B) It increases
(C) It decreases
(D) No effect
- Q100** What is the shape of demand curve of giffen goods?
(A) Downward slopping
(B) Linear
(C) Upward slopping
(D) Parabola
- Q101** Which of the following is not a reason for a change in quantity demanded?
(A) Substitution effect
(B) Income effect
(C) Weather of the day
(D) Change in Price
- Q102** What is the fundamental building block of the demand curve?
(A) Individual Demand Preferences
(B) Aggregate Demand Preference
(C) Market Demand Preferences
(D) None of the above
- Q103** Which is the phenomenon that relates the units we consumed and the satisfaction derived from each additional unit?
(A) Law of Equi-Marginal Utility
(B) Law of Diminishing Marginal Utility
(C) Law of Consumer Surplus
(D) The Law of Satiation
- Q104** Which of the following is a factor that affects the Demand Curve?
(A) Taste and Preferences
(B) Personal Income
(C) Size of the market
(D) All of the above
- Q105** Which of the following led to the Indian Economic Boom of 2006-08?
(A) Implementation of comprehensive land reforms.
(B) Increase in consumer spending due to Income Effect.
(C)

Strong fiscal discipline and reduction in government spending.

(D) None of the above

Q106 Which of the following is not an exception to the law of demand?

- (A) Giffen Goods (B) Veblen Goods
(C) Inferior Goods (D) Elastic Goods

Q107 Which good is based on the principle "Conspicuous consumption"?

- (A) Veblen Goods
(B) Giffen Goods
(C) Superior Goods
(D) None of the above

Q108 Which famine is a great example of 'how people react to Veblen goods'?

- (A) The Great Chinese Famine
(B) The Irish Potato Famine
(C) The Soviet Famine
(D) The Bengal Famine

Q109 Which of the following factors are responsible factors for the shift in supply schedule?

- (A) Cost of production
(B) Price
(C) Technological Advances
(D) All of the above

Q110 Which of the following factors can lead to a violation of the law of supply?

- (A) Technological advancements leading to increased production efficiency.
(B) The rise in the cost of raw materials utilized in manufacturing.
(C) A shift of the demand curve for the product in an upward direction.
(D) Expansion of production facilities and increased investment in manufacturing.

Q111 The Classical economists asserted that interest is a price paid for the supply of savings, to meet the demand for investment. This statement comes from which theory?

- (A) Demand & Supply Theory
(B) Marshall's Theory of Capital

(C) Game Theory

(D) Theory of Opportunity Cost

Q112 As savings is an incentive to follow the act of refrain from current spending when selecting between present consumption and future consumption, the person must consider the _____ of each choice, which is quantified by the _____.

- (A) opportunity cost, rate of inflation
(B) opportunity cost, rate of interest
(C) sunk cost, rate of interest
(D) sunk cost, rate of inflation

Q113 Interest is not the reward of saving, rather it is a monetary phenomenon, and the rate of interest is defined as a reward for parting with liquidity, rather than a reward for saving. This hypothesis was proposed by which well-known economist?

- (A) Adam Smith
(B) Milton Friedman
(C) Amartya Sen
(D) John Maynard Keynes

Q114 Liquidity Preference Theory proposed by Keynes was based on different motives like Transaction Motive, Precautionary Motive, and Speculative Motive. Based on this, identify the incorrect statement.

- (A) Transaction motive states that individuals have a preference for liquidity to ensure that they have enough cash on hand to meet their basic day-to-day requirements. .
(B) Transaction motives state that stakeholders have a high demand for liquidity to cover their short-term obligations, such as buying groceries and paying rent on mortgages.
(C) Precautionary motive relates to an individual's preference for additional liquidity if an unexpected problem or cost arises that requires a substantial outlay of cash.
(D) When Interest rates are high, demand for cash is high and they prefer to hold assets until interest rates fall. The speculative motive refers to an investor's reluctance to try

investment capital for fear of missing out on a better opportunity in the future.

Q115 Money Demand Curve establishes the relation between the demand for money, change in interest rate, change in the level of nominal income. Identify the correct statement.

- (A) The Money Demand Curve states that the quantity of money demanded increases with the fall in the interest rate or with the increase in the level of nominal income.
- (B) The Money Demand Curve states that the quantity of money demanded decreases with the fall in the interest rate or with the increase in the level of nominal income.
- (C) The Money Demand Curve states that the quantity of money demanded increases with the rise in the interest rate or with the decrease in the level of nominal income.
- (D) The Money Demand Curve states that the quantity of money demanded decreases with the rise in the interest rate or with the increase in the level of nominal income.

Q116 According to the Liquidity Preference Curve, with the increase in national income, money demands transactions and precautionary motives increases, causing a/an _____ in the money demand curve.

- (A) no movement
- (B) downward shift
- (C) upward shift
- (D) increase in slope

Q117 Renowned Economist Sir John Richard, Alvin Hansen, have brought a synthesis between Classical and Keynes theories of interest by combining IS and LM curves. What is the other name of the IS-LM Curve Model?

- (A) Hansen Synthesis
- (B) Mercantilism
- (C) Neo-Malthusian
- (D) Ricardian Equivalence

Q118 The steepness of the IS curve depends upon the elasticity or sensitiveness of investment demand

to the change in the rate of interest. When investment demand is greatly elastic or highly sensitive to the rate of interest, the IS curve will be _____. On the other hand, when investment demand is not very sensitive to the change in the rate of interest, the IS curve will be relatively _____.

- (A) Less steep, more steep
- (B) More steep, less steep
- (C) Convex, concave
- (D) flat, zigzag

Q119 The deterministic theory of Interest as per Hicks and Hansen is based on:

- (A) The Investment-Demand Function
- (B) The Saving or Consumption Function
- (C) The Liquidity Preference Function
- (D) All of These

Q120 Identify the correct statement.

- (A) The LM curve as proposed by Classical theory considers income on the x-axis and the corresponding rate of interest determined by the equality of savings and investment (y-axis). When income increases, the rate of interest falls so the LM curve slopes downwards.
- (B) IS curve as proposed by Classical theory considers income on the y-axis and the corresponding rate of interest determined by the equality of savings and investment (x-axis). When income increases, the rate of interest falls so the IS curve slopes downwards.
- (C) The IS curve as proposed by Classical theory considers income on the x-axis and the corresponding rate of interest determined by the equality of savings and investment (y-axis). When income increases, the rate of interest falls so the IS curve slope downwards.
- (D) LM curve as proposed by Classical theory considers income on the y-axis and the corresponding rate of interest determined by the equality of savings and investment (x-

axis). When income increases, the rate of interest falls so the LM curve slope downwards.

- Q121** Who presents the Union Budget in India?
(A) President of India
(B) Prime Minister of India
(C) Minister of Finance
(D) Reserve Bank of India (RBI)
- Q122** The Union Budget in India is presented in which month?
(A) January (B) February
(C) March (D) April
- Q123** Which article of the Indian Constitution deals with the Union Budget?
(A) Article 110 (B) Article 112
(C) Article 120 (D) Article 280
- Q124** The Union Budget consists of two parts. They are:
(A) Direct and indirect taxes
(B) Revenue and expenditure
(C) Income and savings
(D) Assets and liabilities
- Q125** What is the full form of GDP in the context of the Union Budget?
(A) Gross Domestic Product
(B) Government Debt and Pension
(C) Goods Distribution Process
(D) General Development Plan
- Q126** Which of the following is not a source of revenue for the government in the Union Budget?
(A) Income tax
(B) GST
(C) Customs duty
(D) Defense expenditure
- Q127** Which of the following is not a part of capital receipt in the Union Budget?
(A) Borrowings
(B) Disinvestment proceeds
(C) Interest receipts
(D) Recovery of loans

- Q128** Which budget focuses on the government's revenue and expenditure for a specific period?
(A) Annual Budget
(B) Supplementary Budget
(C) Interim Budget
(D) Zero-Based Budget
- Q129** Which statement is true regarding a revenue surplus in the Union Budget?
(A) Revenue surplus occurs when revenue exceeds expenditure
(B) Revenue surplus occurs when expenditure exceeds revenue
(C) Revenue surplus occurs when revenue and expenditure are equal
(D) Revenue surplus does not exist in the Union Budget
- Q130** Which part of the Union Budget includes the estimates of capital receipts and capital expenditure?
(A) Revenue budget
(B) Capital budget
(C) Finance bill
(D) Economic survey
- Q131** What is the difference between revenue expenditure and capital expenditure in the Union Budget?
(A) Revenue expenditure is related to operational expenses, while capital expenditure is related to asset investments.
(B) Revenue expenditure is incurred by the central government, while capital expenditure is incurred by state governments.
(C) Revenue expenditure is funded by taxes, while borrowings fund capital expenditure.
(D) Revenue expenditure represents recurring expenses, while capital expenditure represents one-time expenses.
- Q132** Which of the following is not a revenue receipt in the Union Budget?
(A) Dividends and profits
(B) Borrowings
(C) Tax revenues

(D) Non-tax revenues

Q133 What is the primary objective of the "Medium-Term Fiscal Policy Statement" in the Union Budget?

- (A) To provide an analysis of the current fiscal situation.
- (B) To present the government's borrowing plans for the next three years. expenditure is incurred by state governments.
- (C) To set the targets for revenue and expenditure for the next three years.
- (D) To outline the government's policies for economic growth and development.

Q134 Which of the following is a non-plan expenditure in the Union Budget?

- (A) Capital expenditure
- (B) Revenue expenditure
- (C) Interest payments
- (D) Defense expenditure

Q135 What is the primary objective of the "Annual Financial Statement" in the Union Budget?

- (A) To provide a detailed analysis of the economy.
- (B) To present the estimates of revenue and expenditure for the upcoming financial year.
- (C) To outline the government's policies and initiatives.
- (D) To present the details of capital expenditure.

Q136 What is the primary objective of the "Expenditure Budget" in the Union Budget?

- (A) To provide details of revenue receipts and expenditures.
- (B) To present the government's borrowing plans.
- (C) To outline the policies for capital expenditure.
- (D) To provide an analysis of the current fiscal situation.

Q137 Which of the following is not a component of the "Revenue Budget" in the Union Budget?

- (A) Revenue receipts
- (B) Revenue expenditure
- (C) Capital receipts

(D) Grants-in-aid

Q138 What is the primary objective of the "Outcome Budget" in the Union Budget?

- (A) To provide an analysis of the current fiscal situation.
- (B) To present the government's borrowing plans.
- (C) To evaluate the outcomes of government programs and schemes.
- (D) To provide details of the revenue and expenditure for the upcoming financial year.

Q139 What is the primary objective of the "Zero-Based Budgeting" approach in the Union Budget?

- (A) To eliminate all non-essential expenditure.
- (B) To provide a detailed analysis of the economy.
- (C) To allocate resources based on the performance and merits of each program.
- (D) To present the government's borrowing plans.

Q140 What is the "Budget Manual" purpose in the Union Budget?

- (A) To provide guidelines and procedures for budget preparation and execution.
- (B) To present the government's policies and initiatives.
- (C) To provide an analysis of the current fiscal situation.
- (D) To present the estimates of revenue and expenditure for the upcoming financial year.

Q141 Which of the following describes a venture capital feature?

- (A) A low-risk investment
- (B) A limited investment time horizon
- (C) Accessibility for listed firms
- (D) Emphasis on lending based on collateral

Q142 Which statement best sums up the role that ventures investors play in fostering their portfolio companies?

- (A) Providing mentoring and strategic direction
- (B) Offering short-term financing for business requirements

- (C) Purchasing a controlling stake in portfolio firms
(D) Implementing stringent finance collateral requirements
- Q143** In what step of the venture capital process does an investment opportunity's financial feasibility and prospective rewards get evaluated?
(A) Deal sourcing
(B) Deal sourcing
(C) Valuation
(D) Exit strategies
- Q144** Which of the following variables is normally taken into account during the venture capital investment evaluation phase?
(A) Market analysis
(B) Shareholder dividends
(C) Regulatory compliance
(D) Long-term debt obligations
- Q145** Which type of financing do venture capital firms most frequently use to support their investments?
(A) Collateral-based lending
(B) Public bond issuance
(C) Convertible debt
(D) Mortgage-based securities
- Q146** The risk-return profile of venture capital investments is best characterised by which of the following?
(A) Low risk, low return
(B) High risk, low return
(C) Low risk, high return
(D) High risk, high return
- Q147** Which of the following tasks falls under the purview of a venture capitalist's primary support role for a portfolio company?
(A) Providing short-term operational loans
(B) Facilitating mergers and acquisitions
(C) Offering strategic guidance and mentorship
(D) Enforcing strict collateral requirements for financing
- Q148** Which of the following statements most accurately sums up venture capitalists' main

- function in assisting their portfolio companies?
(A) Maintaining control over day-to-day operations
(B) Implementing cost-cutting measures
(C) Ensuring compliance with regulatory requirements
(D) Providing industry connections and networks

- Q149** Which of the following legal specifications usually applies to venture capital activities?
(A) Securities laws and regulations
(B) Anti-money laundering (AML) laws
(C) Fair lending regulations
(D) Consumer protection regulations

- Q150** Which legal instrument describes the investment's terms and conditions and regulates the partnership between venture capitalists and business owners?
(A) Memorandum of Association (MoA)
(B) Articles of Incorporation
(C) Shareholders' Agreement
(D) Promissory Note

- Q151** Which of the Five-Year Plans was primarily focused on balanced development of agriculture and industry but faced setbacks due to wars and severe drought?
(A) First Five-Year Plan (1951-1956)
(B) Second Five-Year Plan (1956-1961)
(C) Third Plan (1961-1966)
(D) Fourth Plan (1969-1974)

- Q152** Which of the following statement(s) is incorrect concerning the achievements of economic planning in India?
I: The Green Revolution led to a decline in food grain production.
II: Expansion of educational institutions contributed to a decrease in literacy rates.
III: The MNREGA program was launched to provide guaranteed employment.
IV: Development of areas with specific needs, such as tribal or hilly regions, was ignored.
(A) I & II
(B) II & III
(C) III & IV
(D) I, II & IV

Q153 Which economic sector is primarily focused on natural resource extraction and is considered the foundation for all other sectors in the economy?

- (A) Tertiary Sector
- (B) Quaternary Sector
- (C) Secondary Sector
- (D) Primary Sector

Q154 The _____ Revolution focused on the aim of increasing milk production through methods such as cooperative milk marketing and better breeding, while the _____ Revolution aimed at enhancing fish production through the introduction of new species and aquaculture technologies.

- (A) Green, Blue
- (B) White, Blue
- (C) Red, Grey
- (D) Yellow, Silver

Q155 _____ includes loans for home purchase, construction, and improvement, whereas _____ involves targeted lending to marginalized and vulnerable groups in society such as low-income individuals, women, Scheduled Castes (SCs), and Scheduled Tribes (STs).

- (A) Agriculture, Export Credit
- (B) Education, MSMEs
- (C) Housing, Weaker Sections
- (D) Renewable Energy, Social Infrastructure

Q156 Which of the following statements about recent initiatives in the MSME sector in India is incorrect?

I: The Atmanirbhar Bharat Package focuses on providing collateral-free loans, equity support, and subordinate debt provisions for MSMEs.

II: Make in India's primary focus is on transforming India into a global agricultural hub.

III: Start-up India facilitates the entrepreneurial ecosystem for MSMEs through funding support, incubation, tax benefits, and ease of registration.

IV: Stand-up India aims to enhance social inclusion in the MSME sector by offering collateral-free loans to underrepresented groups.

- (A) Only I

(B) Only II

(C) Both I and II

(D) All I, II, III and IV

Q157 Which of the following statements about the relationship between infrastructure and economic development is incorrect?

(A) Transportation infrastructure like roads and railways enhances trade and reduces transportation costs.

(B) Communication infrastructure like telecommunications and the internet enhances e-commerce and fosters technological innovation.

(C) Financial infrastructure like banks and capital markets hampers investments and restricts entrepreneurial ventures.

(D) Health infrastructure like hospitals and clinics improves general health and productivity.

Q158 Which Indian initiative aims to leverage globalization for domestic industrial growth?

- (A) Skill India
- (B) Digital India
- (C) Swachh Bharat Abhiyan
- (D) Make in India

Q159 Which type of economic reform focuses on controlling inflation and stabilizing the economy, especially after a crisis?

- (A) Structural Reforms
- (B) Liberalization Reforms
- (C) Stabilization Reforms
- (D) Innovation and Technology Reforms

Q160 In 1991, India was on the brink of a severe economic crisis. Faced with dwindling foreign exchange reserves and a rising fiscal deficit, the government implemented various reforms as part of its New Economic Policy. The policy's cornerstones included liberalizing trade, deregulating industries, privatizing state-owned enterprises, and stabilizing the economy. Which of the following statements best describes the immediate impact of the 1991 economic reforms on the Indian economy?

- (A) The reforms led to an immediate reduction in poverty and unemployment.
- (B) The reforms led to short-term economic pain, but laid the groundwork for future growth and foreign investment.
- (C) The reforms had no significant impact on the economy and were considered a failure.
- (D) The reforms led to immediate high inflation and exacerbated the financial crisis.

Q161 Fill in the blanks in the given statements:

- I. The economic reforms initiated in the 1990s aimed to end the (a) regime and reduce bureaucratic controls.
- II. The privatization aspect of the reforms included disinvestment in (b) and encouragement to the private sector.
- III. One of the financial sector reforms was the establishment of regulatory bodies like (c).
- IV. In the context of tax reforms, the (d) was implemented to streamline the indirect tax system.

- (A) (a): license
(b): Public Sector Undertakings
(c): SEBI
(d): GST
- (B) (a): socialist
(b): Multi-National Companies
(c): RBI
(d): VAT
- (C) (a): license
(b): Small and Medium Enterprises
(c): IRDAI
(d): Income Tax
- (D) (a): socialist
(b): Public Sector Undertakings
(c): RBI
(d): GST

Q162 Which of the following was NOT a structural change in India's Foreign Trade Policy (FTP) during the 1990s?

- (A) Reduction of Tariffs on various goods
- (B) Introduction of Duty Drawback and Export Promotion Capital Goods (EPCG) schemes

- (C) Establishment of the International Monetary Fund (IMF) office in India
- (D) Streamlining of Import and Export Licensing procedures

Q163 The FTP 2015-2020 aimed to align with the "Make in India" initiative to promote _____ and _____.

- (A) exports, market access
- (B) manufacturing, services
- (C) agricultural products, pharmaceutical products
- (D) goods, e-commerce

Q164 Fill in the blanks in the given statements:

- I. The FTP 2023 was launched by Union Minister (a) and aims to have exports cross USD (b) billion this year.
- II. The core vision of the FTP 2023 is aimed at growing the economy manifold, utilizing the (c) and (d) sector base.
- III. One of the key approaches of FTP 2023 is (e) of doing business, which focuses on reducing costs and enhancing digital initiatives.
- IV. FTP 2023 introduces an Amnesty Scheme that offers a (f) opportunity to regularize pending defaults in meeting Export Obligation.

- (A) (a): Shri Piyush Goyal
(b): 760
(c): manufacturing
(d): service
(e): Ease
(f): One-Time
- (B) (a): Shri Amit Shah
(b): 500
(c): agriculture
(d): retail
(e): Simplification
(f): Multiple
- (C) (a): Shri Piyush Goyal
(b): 500
(c): manufacturing
(d): tourism
(e): Enhancement
(f): Ongoing

- (D) (a): Shri Narendra Modi
(b): 760
(c): IT
(d): healthcare
(e): Facilitation
(f): One-Time
- Q165** Which of the following is NOT a function of the International Monetary Fund (IMF)?
(A) Surveillance of global economic trends
(B) Technical Assistance and Training
(C) Setting international trade tariffs
(D) Financial Assistance to member countries
- Q166** The World Bank institution that focuses on supporting private sector investment in developing countries is _____, while the institution that offers facilities for arbitration and conciliation of investment disputes is _____.
(A) IDA, ICSID (B) IBRD, MIGA
(C) IFC, ICSID (D) MIGA, IDA
- Q167** Fill in the blanks in the given statement:
The European Union consists of (a) European nations and has a common currency called (b) used by (c) member nations.
(A) (a): 27, (b): Euro, (c): 20
(B) a): 30, (b): Pound, (c): 15
(C) (a): 27, (b): Dollar, (c): 21
(D) (a): 22, (b): Euro, (c): 15
- Q168** Which of the following is NOT an initiative aimed at addressing global poverty and inequality?
(A) Paris Agreement
(B) Sustainable Development Goals (SDGs)
(C) Green New Deal
(D) World Bank's Poverty Reduction Strategies
- Q169** Banks in India that aim to contribute to mitigating climate change often collaborate with _____ to develop guidelines and incentives for green financing. Furthermore, these banks are gradually moving towards more comprehensive _____ to build trust with stakeholders.
(A) Government and Regulatory Bodies, Climate-related Disclosures

- (B) Reserve Bank of India, Green Bonds
(C) Equator Principles, Sustainable Investment
(D) Task Force on Climate-related Financial Disclosures, Green Financing

- Q170** Which of the following challenges in poverty alleviation in India is directly related to climate change?
(A) Economic Inequality
(B) Unemployment and Underemployment
(C) Agricultural Challenges
(D) Ineffective Implementation of Policies
- Q171** Income inequality often results from disproportionate growth in sectors that benefit _____ more. Meanwhile, strategies to address rising inequalities include implementing _____ that can redistribute resources more equitably.
(A) Skilled Labor, Progressive Taxation
(B) Regional Development, Investment in Education and Healthcare
(C) Gender and Social Policies, Social Safety Nets
(D) Historical Discrimination, Gender and Social Policies
- Q172** Which of the following economic systems is more likely to have limited consumer choices due to state-planned production?
(A) Market Economy
(B) Command Economy
(C) Mixed Economy
(D) Traditional Economy
- Q173** According to the Law of Demand, what is the relationship between the price of a good and its quantity demanded?
(A) As the price increases, quantity demanded also increases.
(B) As the price increases, quantity demanded remains constant.
(C) As the price increases, quantity demanded decreases.
(D) The price has no effect on quantity demanded.

Q174 The demand curve for normal goods shifts _____ when consumer income increases, while an increase in the price of a complementary good can _____ demand for a product.

- (A) Rightward, Increase
- (B) Leftward, Decrease
- (C) Rightward, Decrease
- (D) Leftward, Increase

Q175 Which of the following scenarios is most likely to result in a leftward shift of the demand curve for a product?

- (A) Increase in consumers' income for a normal good
- (B) Expectation of a future price increase for the product
- (C) Increase in the price of a substitute good
- (D) Increase in the price of a complementary good

Q176 Fill in the blanks in the given statement:

In a market in equilibrium, the quantity of goods (a) by buyers is equal to the quantity (b) by sellers. When the price is set too high, it leads to a (c), and the price generally moves downwards towards the equilibrium price.

- (A) (a): supplied, (b): demanded, (c): surplus
- (B) (a): demanded, (b): supplied, (c): surplus
- (C) (a): demanded, (b): supplied, (c): shortage
- (D) (a): supplied, (b): demanded, (c): shortage

Q177 Which of the following components of money supply is the most comprehensive measure of money that's relatively liquid?

- (A) M0 (High-Powered Money)
- (B) M1 (Narrow Money)
- (C) M2 (Broad Money)
- (D) M3 (Wider Money)

Q178 Suppose a commercial bank has ₹100,000 in deposits and it is required to maintain a reserve ratio of 10%. The public holds no currency, only deposits. What would be the maximum amount of money that can be created by the banking system using the money multiplier effect?

- (A) ₹9,00,000
- (B) ₹10,00,000
- (C) ₹11,00,000
- (D) ₹12,00,000

Q179 The Central Statistics Office (CSO) releases the inflation rate for the previous month. The Wholesale Price Index (WPI) showed an inflation rate of 5.5%, whereas the Consumer Price Index (CPI) indicated an inflation rate of 6.8%. Mr. Raj, an economist, argues that the RBI should focus more on WPI while setting monetary policy, whereas Ms. Sharma, another economist, insists that CPI is a better measure.

Decide which measure of inflation should be considered more reliable for setting monetary policy.

- (A) The RBI should focus on WPI as it gives a broad view of inflation in the economy.
- (B) The RBI should focus on CPI as it is more representative of the cost of living for the average citizen.
- (C) The RBI should give equal weightage to both WPI and CPI to get a comprehensive picture of inflation.
- (D) The RBI should disregard both WPI and CPI, as these indices are not perfect measures of inflation.

Q180 According to the Classical Theory of Rate of Interest, what happens to the demand for capital as the interest rate increases?

- (A) Demand for capital increases
- (B) Demand for capital decreases
- (C) Demand for capital remains unchanged
- (D) The theory does not address the demand for capital

Q181 According to Keynes' Liquidity Preference Theory, people hold money for speculative motive to take advantage of future _____, while critics of the theory argue that it places too much emphasis on the _____.

- (A) Opportunities, Demand for Money
- (B) Changes in Income, Supply of Money

- (C) Interest Rates, Demand for Money
- (D) Investment Opportunities, Supply of Money

Q182 Which of the following scenarios is most likely to cause a leftward shift in the Money Demand Curve?

- (A) A decrease in income levels
- (B) An increase in interest rates
- (C) An increase in population
- (D) An expectation of future interest rates decreasing

Q183 The central bank of a hypothetical country has been actively intervening in the money market. They recently increased the cash reserve ratio, leading to a reduction in the money supply. As a result, interest rates in the money market went up. Economist Mr. Sharma argues that this move will stifle economic growth. However, Dr. Patel, another economist, claims that higher interest rates will attract foreign investment. What is the most likely impact of the central bank's intervention on the equilibrium rate of interest?

- (A) The equilibrium rate of interest will rise, attracting more foreign investment but stifling domestic demand.
- (B) The equilibrium rate of interest will fall, leading to increased domestic demand but lower foreign investment.
- (C) The equilibrium rate of interest will remain unchanged due to offsetting forces in the money market.
- (D) The equilibrium rate of interest will become volatile, making it difficult for businesses to plan for the future.

Q184 A business cycle is characterized by its _____ nature, where various phases repeat in a pattern, and its _____ movements, where the descent into a contraction is often more abrupt compared to the climb into expansion.

- (A) Recurring, Asymmetrical
- (B) Synchronized, Wave-Like

- (C) Wave-Like, Synchronized
- (D) Pervasive, Recurring

Q185 Country XYZ is experiencing an economic boom, characterized by increased consumer spending, high employment rates, and surging asset prices. The central bank is considering whether to increase the interest rate to cool down the economy. Analyst Sarah argues that an interest rate hike would curb inflation, whereas Analyst Mark warns that it could lead to a recession.

What should be the central bank's approach given the current phase of the business cycle?

- (A) The central bank should increase the interest rate to manage inflation, even at the risk of inducing a recession.
- (B) The central bank should decrease the interest rate to further stimulate the economy.
- (C) The central bank should maintain the current interest rate and monitor the situation closely.
- (D) The central bank should focus only on employment rates and ignore inflation.

Q186 In the nation of Econoville, economic indicators are showing mixed signals. Unemployment rates are low, but consumer spending has started to decline. Corporate profits are stable but not increasing, and the housing market is beginning to cool off. Financial experts are debating which phase of the business cycle Econoville is currently in.

Based on the given economic indicators, what phase of the business cycle is Econoville likely to be experiencing?

- (A) Expansion Phase
- (B) Peak Phase
- (C) Contraction Phase
- (D) Trough Phase

Q187 Which of the following is NOT a component of Fiscal Policy?

- (A) Direct Taxes
- (B) Capital Expenditure
- (C) Money Supply
- (D) Government Borrowing

Q188 Expansionary Fiscal Policy involves a(n) _____ in government spending and is aimed at boosting economic growth, whereas Contractionary Fiscal Policy involves a(n) _____ in government spending and is aimed at controlling inflation.

- (A) decrease, increase
- (B) increase, decrease
- (C) increase, increase
- (D) decrease, decrease

Q189 Which of the following is NOT a recommendation of the NK Singh Committee on the FRBM Act?

- (A) Reduce the fiscal deficit to 2.5% of GDP by 2022-23.
- (B) Establish a tax policy council to independently assess tax collection.
- (C) Provide escape clauses for extraordinary circumstances like natural calamities
- (D) Ensure better coordination between fiscal and monetary policies.

Q190 Match the following correctly:

1. Borrowing overnight from RBI at a rate higher than the repo rate	A. Marginal Standing Facility (MSF)
2. Portion of deposits banks must hold in liquid assets	B. Statutory Liquidity Ratio (SLR)
3. Daily exercise to manage day-to-day liquidity	C. Liquidity Adjustment Facility (LAF)
4. Rate at which RBI lends money to banks for a longer term	D. Bank Rate

- (A) 1-A, 2-B, 3-C, 4-D
- (B) 1-D, 2-A, 3-B, 4-C
- (C) 1-C, 2-D, 3-A, 4-B
- (D) 1-B, 2-C, 3-D, 4-A

Q191 In the context of the System of National Accounts (SNA) in India, which of the following components is calculated by subtracting depreciation from GDP?

- (A) Gross National Income (GNI)
- (B) Net National Income (NNI)
- (C) Consumption Expenditure
- (D) Investment

Q192 Which of the following statements is NOT a reason for India's shift to the 2011-12 base year for economic statistics like GDP?

- (A) Alignment with the System of National Accounts (SNA) 2008 as recommended by the United Nations.
- (B) The 2011-12 period had a significant economic recession which made it a suitable base year.
- (C) Inclusion of new industries and products that have emerged over time.
- (D) Utilization of updated methodologies and data sources for a more accurate picture of the economy.

Q193 Before 2016, the Union Budget was traditionally presented on the last working day of _____, whereas after 2016, the date was changed to the _____.

- (A) March, 1st of March
- (B) February, 2nd of February
- (C) February, 1st of February
- (D) March, 1st of April

Q194 ____ (a) ____ is the difference between total revenue expenditure and total revenue receipts, indicating the shortfall in government's current receipts over current expenditures. ____ (b) ____ represents the total borrowing requirements of the government and is calculated as total expenditure minus total receipts excluding borrowings.

- (A) (a): Revenue Deficit, (b): Fiscal Deficit
- (B) (a): Fiscal Deficit, (b): Revenue Deficit
- (C) (a): Budget Deficit, (b): Primary Deficit
- (D) (a): Effective Revenue Deficit, (b): Primary Deficit

Q195 Which of the following best describes the state of banking in India during the Pre-1951 organization?

- (A) Highly organized and regulated
- (B) Highly unorganized and mostly urban-centered
- (C) Regulated but mainly rural-centered
- (D) Well-developed with active central banking

Q196 Which of the following functions of banking involves the expansion of money supply in the economy?

- (A) Accepting Deposits
- (B) Providing Loans and Advances
- (C) Credit Creation
- (D) Facilitating Payments

Q197 The _____ phase of the development of banking in India saw the nationalization of the Reserve Bank in 1949, while the _____ phase introduced the Insolvency and Bankruptcy Code in 2016.

- (A) Pre-Independence, Liberalization and Reforms
- (B) Post-Independence, Pre-Independence
- (C) Post-Independence, Liberalization and Reforms
- (D) Liberalization and Reforms, Post-Independence

Q198 The RBI Act, 1934 specifies that one of the main functions of the RBI is _____, while it also lays down the framework for its _____.

- (A) deciding interest rates, establishment
- (B) making rules for other banks, management
- (C) controlling money, powers and duties
- (D) banking for the government, changes and amendments

Q199 Which of the following Development Financial Institutions (DFIs) was the first to be established in India?

- (A) State Financial Corporations (SFCs)
- (B) Industrial Finance Corporation of India (IFCI)
- (C) Industrial Development Bank of India (IDBI)
- (D) Agricultural Refinance and Development Corporation (ARDC)

Q200 What is the primary target group of the Grameen Bank Model?

- (A) Large corporations
- (B) Middle-income families
- (C) The poor, especially women
- (D) Government agencies

Q201 Match the following correctly:

1. Phase marked by over-indebtedness and malpractices	A. Growth and Expansion (1990s)
2. Phase when NABARD introduced SHG-Bank Linkage Program	B. Crisis and Regulation (2010s)
3. Phase where MFIs transformed into NBFCs	C. Early Beginnings (1970s)
4. Phase when RBI recognized microfinance as part of the formal financial system	D. Commercialization and Scaling (2000s)

- (A) 1-B, 2-D, 3-C, 4-A
- (B) 1-A, 2-C, 3-D, 4-B
- (C) 1-B, 2-A, 3-D, 4-C
- (D) 1-D, 2-B, 3-A, 4-C

Q202 What is the primary regulatory body responsible for issuing a Certificate of Registration (CoR) for an NBFC in India?

- (A) Securities and Exchange Board of India (SEBI)
- (B) Ministry of Finance
- (C) Reserve Bank of India (RBI)
- (D) Ministry of Corporate Affairs

Q203 NBFCs play a significant role in extending credit to _____, as well as fostering economic development through _____.

- (A) urban areas, infrastructure financing
- (B) underserved areas, agricultural financing
- (C) underserved areas, infrastructure financing
- (D) urban areas, agricultural financing

Q204 When was the Insurance Regulatory and Development Authority (IRDA) established in

India?

- (A) 1956 (B) 1972
- (C) 1999 (D) 1987

Q205 Which of the following statements is incorrect regarding the privatization of the insurance sector in India?

- (A) Before privatization, the insurance sector was monopolized by state-owned entities like LIC and GIC.
- (B) The introduction of privatization in the insurance sector happened in 1995.
- (C) The Insurance Regulatory and Development Authority (IRDA) was formed to regulate the insurance sector after privatization.
- (D) Privatization led to increased competition and the introduction of innovative products in the insurance sector.

Q206 What is NOT one of the objectives of financial sector regulators in an economy?

- (A) Maintaining stability in the financial system.
- (B) Facilitating high-risk investment strategies.
- (C) Safeguarding the interests of consumers.
- (D) Fostering competition among financial institutions.

Q207 What percentage of the consideration amount will NARCL pay in cash when acquiring stressed assets from banks?

- (A) 5% (B) 15%
- (C) 25% (D) 50%

Q208 Which institution is described as acting like the "trunk" supporting the growing branches of the financial market in India?

- (A) Bombay Stock Exchange (BSE)
- (B) Reserve Bank of India (RBI)
- (C) Industrial Development Bank of India (IDBI)
- (D) Securities and Exchange Board of India (SEBI)

Q209 Which of the following money market instruments has the shortest period of lending?

- (A) Call Money
- (B) Notice Money

(C) Term Money

(D) All have the same period of lending

Q210 Which of the following statements about Treasury Bills is incorrect?

- (A) Treasury Bills are generally considered to be risk-free investments.
- (B) The tenure for Treasury Bills in India ranges from 1 year to 5 years.
- (C) Treasury Bills are sold at a discounted price, lower than their face value.
- (D) Treasury Bills do not pay periodic interest.

Q211 Target Long Term Repo Operations (TLTRO) are conducted by a central bank to infuse liquidity into ____ (a) ____ segments of the economy. The tenure for TLTRO typically ranges from ____ (b) _____. Banks participate in a(n) ____ (c) ____ to avail the funds which are then mandated to be invested in the targeted sectors or financial instruments.

- (A) (a): targeted, (b): 1 to 3 years, (c): auction or bidding process
- (B) (a): general, (b): 3 to 5 years, (c): direct allocation
- (C) (a): targeted, (b): 3 to 5 years, (c): direct allocation
- (D) (a): general, (b): 1 to 3 years, (c): auction or bidding process

Q212 Which type of Government Security has the shortest maturity period?

- (A) Treasury Bonds (T-Bonds)
- (B) State Development Loans (SDLs)
- (C) Treasury Bills (T-Bills)
- (D) Cash Management Bills (CMBs)

Q213 Bond prices are _____ related to interest rates, and a bond portfolio can be immunized against interest rate risk by _____.

- (A) directly, extending its duration
- (B) inversely, matching its duration with the investment horizon
- (C) inversely, extending its duration
- (D) directly, matching its duration with the investment horizon

Q214 Arrange the following steps involved in a Multiple Price Auction (Discriminatory Price Auction) in chronological order:

- I. Allocation
- II. Payment
- III. Ranking
- IV. Submission

- (A) IV-III-I-II
- (B) III-IV-II-I
- (C) II-III-IV-I
- (D) I-IV-III-II

Q215 In which type of capital market are Initial Public Offerings (IPOs) primarily conducted?

- (A) Primary Markets
- (B) Secondary Markets
- (C) Both Primary and Secondary Markets
- (D) None of the above

Q216 The Bombay Stock Exchange (BSE) is the oldest stock exchange in _____, while the National Stock Exchange (NSE) leads in terms of _____.

- (A) Asia, market capitalization
- (B) India, trading volume and technological advancements
- (C) Asia, trading volume and technological advancements
- (D) India, market capitalization

Q217 Sweta is an investor who wants to invest in the initial public offering (IPO) of a popular tech company. She has heard about the ASBA facility but is unsure about its features and benefits. Her bank assures her that using ASBA for IPO applications has specific advantages.

Which of the following statements is NOT a benefit of using ASBA for IPO applications?

- (A) The application money remains in the investor's bank account until shares are allotted.
- (B) Investors can earn interest on the blocked amount until it is debited.
- (C) Investors have to transfer the application money to a separate escrow account.
- (D) Multiple applications can be made from a single bank account.

Q218

The Forex market is distinct from stock markets in that it is a _____ market and operates _____ a week, allowing for a _____ set of market participants.

- (A) centralized, 24/7, homogenous
- (B) decentralized, 24/5, diverse
- (C) centralized, 24/5, homogenous
- (D) decentralized, 24/7, diverse

Q219 Anita is a small business owner who exports handloom products to the USA. She recently heard about the FX-Retail platform and is considering using it to manage her foreign exchange transactions. Her average daily transactions are around USD 60,000.

What would be the implications for Anita if she decides to use the FX-Retail platform for her foreign exchange transactions?

- (A) Anita would not incur any transaction charges, as the platform is free to use for all participants.
- (B) Anita would incur transaction charges, as her daily transactions exceed the USD 50,000 limit.
- (C) Anita would be ineligible to use the FX-Retail platform due to her business status.
- (D) Anita can only make transactions up to USD 50,000, after which she will be blocked for the day.

Q220 What does heterogeneity in financial markets primarily refer to?

- (A) Similarity in market instruments, participants, and regulations
- (B) Uniformity of asset types and trading mechanisms
- (C) Diversity and complexity in market instruments, participants, and regulations
- (D) Homogeneity in participant motivations and asset types

Q221 The _____ of 1991 laid the groundwork for market integration in India, while the establishment of _____ in 1992 was a milestone in providing regulatory oversight.

- (A) liberalization, SEBI
- (B) GST, UPI
- (C) dematerialization, liberalization
- (D) UPI, GST

Q222 In 2008, the failure of Lehman Brothers in the United States triggered a global financial crisis. An Indian IT company, TechSphere, heavily relied on American clients for its revenue. Post the crisis, many of TechSphere's American clients reduced or withdrew their IT projects. How can the situation faced by TechSphere be best described in terms of financial theories?

- (A) Liquidity Crisis
- (B) Contagion Effect
- (C) Moral Hazard
- (D) Domestic Financial Shock

Q223 Which event had a significant impact on the development of merchant banking services in India, leading to diversification and growth?

- (A) Introduction of SEBI regulations in 1992
- (B) Entry of foreign banks in the 1960s
- (C) Increased use of technology in the 21st century
- (D) Economic liberalization in 1991

Q224 According to the SEBI guidelines, what is the condition under which a 'Debenture Trustee' must be appointed for debenture issues?

- (A) For debenture issues with a maturity period less than 18 months.
- (B) For debenture issues with a maturity period exceeding 18 months.
- (C) For debenture issues with a variable interest rate.
- (D) For debenture issues that are convertible into equity.

Q225 Which committee was instrumental in shaping the regulatory framework for derivatives trading in India?

- (A) Urjit Patel Committee
- (B) L.C. Gupta Committee
- (C) Rangarajan Committee
- (D) Raghuram Rajan Committee

Q226 Futures contracts can be written based on commodities like gold and oil, while options can be written based on foreign currency exchange rates such as _____ and _____.

- (A) USD/INR, Apple Inc. shares
- (B) Gold futures, Nifty futures
- (C) Interest rates, Real Estate
- (D) S&P 500, Credit Default Swaps

Q227 Match the following correctly:

1. To profit from the price movements of an underlying asset	A. Hedgers
2. Objective is to reduce or eliminate risk	B. Speculators
3. Aim to make risk-free profits by simultaneously buying and selling	C. Arbitrageurs
4. To manage exposure to price volatility	D. Instruments used are primarily Futures and Options

- (A) 1-C, 2-B, 3-A, 4-D
- (B) 1-B, 2-A, 3-C, 4-D
- (C) 1-A, 2-B, 3-C, 4-D
- (D) 1-B, 2-C, 3-A, 4-D

Q228 What percentage of the invoice value is typically paid by the factoring company to the business immediately upon the sale of the invoice?

- (A) 30% to 50%
- (B) 70% to 90%
- (C) 50% to 60%
- (D) 10% to 20%

Q229 Which of the following advantages of factoring is most closely related to providing businesses with valuable insights about their customers?

- (A) Improved Cash Flow
- (B) Creditworthiness Assessment
- (C) Professional Debt Collection
- (D) Time Savings

Q230 In _____ factoring, the factor advances funds to the client but has the right to recover the advanced amount if invoices remain unpaid.

- (A) spot
- (B) domestic

- (C) recourse (D) full-service

Q231 Arrange the following steps involved in International Factoring in chronological order:

- I. Credit Check
- II. Document Submission
- III. Balance Payment
- IV. Goods Delivery
- V. Order Placement
- VI. Advance Payment
- VII. Invoice Settlement
- VIII. Approval and Notification
- IX. Limit Approval

- (A) V-IX-I-VIII-IV-II-VI-VII-III
(B) IV-II-VI-III-VII-I-VIII-IX
(C) IX-VIII-V-IV-II-VI-III-VII
(D) V-III-II-IV-VI-IX-VII-VIII

Q232 Which institution is credited with being the first venture capital firm in India and was sponsored by ICICI and UTI?

- (A) Industrial Finance Corporation of India (IFCI)
(B) Indian Venture Capital Association (IVCA)
(C) Technology Development & Information Company of India Ltd. (TDICI)
(D) Startup India

Q233 In the venture capital financing process, which stage involves criteria-based filtering to reduce the list of potential investment opportunities?

- (A) Deal Origination
(B) Screening
(C) Evaluation
(D) Deal Negotiation

Q234 Which event in the timeline of leasing evolution in India is credited with opening doors for modern business practices, including leasing?

- (A) Expansion of the IT sector in the early 2000s
(B) Emergence of NBFCs in the 1990s
(C) Economic liberalization in 1991
(D) 2008 global financial crisis

Q235 Which of the following is NOT an advantage of Lease Finance?

- (A) Budget-Friendly

- (B) Quick Access to Assets
(C) Asset Appreciation
(D) Tax Benefits

Q236 Consider the following statements and identify which TWO are incorrect.

1. In a Finance Lease, the lessor assumes most of the risks and benefits of ownership.
2. In an Operating Lease, the asset returns to the lessor at the end of the lease term.
3. In a Leveraged Lease, the lessor borrows a portion of the purchase price of the asset.
4. In a Sale and Lease Back arrangement, the lessee sells an owned asset to the lessor and immediately buys it back.

- (A) Statements 1 and 2 are incorrect
(B) Statements 1 and 4 are incorrect
(C) Statements 2 and 3 are incorrect
(D) Statements 3 and 4 are incorrect

Q237 Which financial ratio is likely to decrease when a company enters into a Finance (Capital) Lease?

- (A) Profit Margins
(B) Current Ratio
(C) Debt-to-Equity Ratio
(D) Asset Turnover Ratio

Q238 The Hire Purchase Act, 1972, provides a comprehensive legal framework in India that lays down the guidelines for forming ____ (a) ____ and outlines the rights and ____ (b) ____ for both the hirer and the owner. The Act mandates full ____ (c) ____ of all terms, including interest rates and other charges.

- (A) (a): Hire Purchase Agreement, (b): Obligations, (c): Disclosure
(B) (a): Lease Agreement, (b): Liabilities, (c): Transparency
(C) (a): Ownership Transfer, (b): Liabilities, (c): Disclosure
(D) (a): Hire Purchase Agreement, (b): Exemptions, (c): Transparency

Q239 Which of the following is NOT a core function of a mutual fund?

- (A) Capital Aggregation
- (B) Risk Management
- (C) Direct Lending to Corporations
- (D) Liquidity Provision

Q240 Consider the following statements and identify which TWO are incorrect.

1. The Reserve Bank of India (RBI) initially regulated UTI from its inception until 1978.
2. SBI Mutual Fund was the first mutual fund scheme launched after the entry of the public sector in 1987.
3. Kothari Pioneer was the first private sector mutual fund and was registered in July 1994.
4. The Unit Trust of India (UTI) Act, 1963 was repealed in February 2003, leading to the bifurcation of UTI.

- (A) Statements 1 and 2 are incorrect
- (B) Statements 2 and 3 are incorrect
- (C) Statements 3 and 4 are incorrect
- (D) Statements 1 and 3 are incorrect

Q241 Mutual funds in India are regulated by the Securities and Exchange Board of India (SEBI). These funds are organized into five primary categories such as Equity Schemes, Debt Schemes, and ____ (a) _____. One classification based on organizational structure includes Open-Ended Funds, which have high ____ (b) ____ and calculate their Net Asset Value (NAV) ____ (c) _____.

- (A) (a): Hybrid Schemes, (b): Liquidity, (c): Daily
- (B) (a): Solution Oriented Schemes, (b): Profit, (c): Weekly
- (C) (a): Index Funds, (b): Risk, (c): Monthly
- (D) (a): Tax-Saving Funds, (b): Liquidity, (c): Annually

Q242 What is the primary objective of group selection in a group insurance scheme?

- (A) To minimize administrative costs
- (B) To form a group that represents an average rate of mortality
- (C) To maximize the number of members in the group

- (D) To offer individualized policies within the group

Q243 Consider the following statements and identify which TWO are incorrect.

1. In the Corporate Agency/Distribution Alliance model, banks participate in the risk of the insurance they sell.
2. Joint Ventures in bancassurance involve both the bank and the insurance company sharing equity capital.
3. In the Merger model, a bank acquires an insurance operation but doesn't merge with it.
4. In India, only Corporate Agency/Distribution Alliance and Joint Venture models of bancassurance are prevalent.

- (A) Statements 1 and 2 are incorrect
- (B) Statements 2 and 3 are incorrect
- (C) Statements 3 and 4 are incorrect
- (D) Statements 1 and 3 are incorrect

Q244 Which of the following best describes the difference between an Immediate Annuity and a Deferred Annuity?

- (A) Immediate Annuity provides tax benefits, whereas Deferred Annuity does not.
- (B) Immediate Annuity starts as soon as the purchase price is paid, while Deferred Annuity payments begin at a future date.
- (C) Immediate Annuity ceases upon the annuitant's death, while Deferred Annuity continues to pay to legal heirs.
- (D) Immediate Annuity is funded through a series of payments, while Deferred Annuity requires a lump-sum payment.

Q245 Which stage of a pension product corresponds to the period during which an individual is actively contributing to the pension fund?

- (A) Vesting Stage
- (B) Accumulation Stage
- (C) Financial Management Stage
- (D) Benefit Payment Stage

Q246

Which of the following para-banking services offered by banks is primarily focused on channelizing long-term debt into infrastructure projects?

- (A) Factoring Services
- (B) Equipment Leasing and Hire Purchase Business
- (C) Sponsoring of an Infrastructure Debt Fund
- (D) Pension Fund Management by Banks

Q247 Which of the following para-banking services involves banks managing accounts receivables for businesses to expedite cash flow?

- (A) Investment Advisory Services
- (B) Factoring Services
- (C) Portfolio Management Services
- (D) Mutual Fund Business

Q248 When was the Real Estate Investment Trust Act, which initiated the concept of REITs, signed into law in the United States?

- (A) 1950
- (B) 1960
- (C) 1976
- (D) 1999

Q249 Which of the following REITs has its primary assets as mortgage loans or mortgage-backed securities and is susceptible to changes in interest rates as a risk factor?

- (A) Retail REITs
- (B) Residential REITs
- (C) Healthcare REITs
- (D) Mortgage REITs

Q250 Which of the following statements is NOT a characteristic or objective of National Planning?

- (A) It focuses only on short-term goals and immediate gains.
- (B) It aims at growing the nation's economy as a whole.
- (C) It usually involves a central authority like the central government or a designated national planning body.
- (D) It considers macroeconomic variables like GDP, employment, inflation, and international trade.

Q251 Financial resources for 5-year plans in a country may include ____ (a) ____ from central and state governments, investments and profits from ____ (b) ____, and various forms of ____ (c) ____ such as loans from multilateral organizations and grants from foreign governments.

- (A) (a): Tax Revenue, (b): Public Sector Enterprises, (c): External Aid
- (B) a): Budgetary Support, (b): Non-Profit Organizations, (c): Internal Borrowings
- (C) (a): Budgetary Support, (b): Public Sector Enterprises, (c): External Aid
- (D) (a): Deficit Financing, (b): Private Sector, (c): Internal Borrowings

Q252 Which of the following sectors is NOT identified as a Sunrise Sector in the context of the Indian economy according to the given passage?

- (A) Information Technology (IT) and IT-Enabled Services (ITES)
- (B) Renewable Energy
- (C) Textile Manufacturing
- (D) Financial Technology (FinTech)

Q253 Which of the following characteristics is commonly associated with the unorganised sector in an economy?

- (A) Formal employment contracts
- (B) Regulation by government agencies
- (C) Lack of job security and benefits
- (D) Employer-provided healthcare benefits

Q254 Which of the following is NOT a role of Priority Sector lending?

- (A) Encouraging Foreign Direct Investment
- (B) Promoting Balanced Economic Growth
- (C) Reducing Inequalities
- (D) Generating Employment

Q255 Which of the following initiatives specifically focuses on promoting entrepreneurship among women, Scheduled Castes (SC), and Scheduled Tribes (ST)?

- (A) Atmanirbhar Bharat Package
- (B) Make in India
- (C) Start-up India

(D) Stand-up India

Q256 Which of the following components of the social sector and social infrastructure is primarily concerned with enhancing accessibility and affordability to healthcare services for underprivileged populations in India?

- (A) Primary Health Centers (PHCs)
- (B) Health Insurance and Financing
- (C) Equipment and Technology
- (D) None of these

Q257 What is a potential negative consequence of the re-emergence of protectionism?

- (A) Improved Job Security
- (B) Economic Inefficiency
- (C) Cultural Preservation
- (D) Strengthened Economic Sovereignty

Q258 Which of the following is NOT a driver of economic transformation in India's financial sector?

- (A) Regulatory Reforms
- (B) Technological Advancements
- (C) Global Integration
- (D) Implementing Environmental Policies

Q259 The first Narasimham Committee in 1991 recommended the ____ (a) ____ of SLR and CRR, while the second Narasimham Committee in 1998 stressed the concept of ____ (b) ____ and proposed giving more ____ (c) ____ to banks.

- (A) (a): Increase, (b): Universal Banking, (c): Financial Aid
- (B) (a): Reduction, (b): Narrow Banking, (c): Operational Autonomy
- (C) (a): Reduction, (b): Universal Banking, (c): Operational Autonomy
- (D) (a): Increase, (b): Narrow Banking, (c): Financial Aid

Q260 What is considered a significant impact of India's integration with the global economy through the relaxation of FDI policies?

- (A) Reduced export opportunities

(B) Increased global financial volatility

(C) Diminished job opportunities in the country

(D) Increased capital inflow and technological advancement

Q261 Which of the following was NOT a key structural change in India's Foreign Trade Policy (FTP) during the 1990s?

- (A) Reduction of Tariffs
- (B) Establishment of Special Economic Zones (SEZs)
- (C) Increasing Foreign Remittance Limits
- (D) Streamlining Licensing

Q262 Which of the following best describes the 'Automatic Route' in the context of FDI in India?

- (A) Requires prior government approval for all sectors.
- (B) No government approval is needed; follows preset guidelines.
- (C) Requires approval from multiple ministries and departments.
- (D) It is a mix of needing and not needing government approval depending on the sector.

Q263 Match the following correctly:

1. Complete control over the new business	A. Brownfield FDI
2. Involves partnering with a local company	B. Joint Venture
3. Can save time and money by using existing structure	C. Greenfield FDI

(A) 1-A, 2-B, 3-C

(B) 1-C, 2-B, 3-A

(C) 1-B, 2-A, 3-C

(D) 1-C, 2-A, 3-B

Q264 Which of the following best describes India's engagement with the International Monetary Fund (IMF)?

- (A) Consultative
- (B) Hostile
- (C) Indifferent
- (D) Purely Financial

Q265

Which of the following is NOT a function of the World Trade Organization (WTO)?

- (A) Administering Trade Agreements
- (B) Direct Investment in Developing Countries
- (C) Handling Trade Disputes
- (D) Monitoring National Trade Policies

Q266 Which of the following statements is/are incorrect regarding recent international economic issues?

I: The COVID-19 pandemic led to increased consumer spending globally.

II: Brexit has simplified economic relations within Europe.

III: Technological transformation is stagnating economic growth.

IV: Social safety nets are a response to addressing rising economic inequality.

- (A) I & II
- (B) I & III
- (C) I, II & III
- (D) II, III & IV

Q267 Which of the following initiatives is primarily aimed at addressing water scarcity?

- (A) World Food Programme (WFP)
- (B) Green New Deal
- (C) UN's Water Action Decade
- (D) Global Fund

Q268 In the context of India, which of the following is a unique aspect of Corporate Social Responsibility (CSR) activities as mandated by law?

- (A) Companies must spend 2% of their average net profits on CSR activities.
- (B) Companies are recommended but not required to disclose their CSR activities.
- (C) CSR spending is tax-deductible for all companies.
- (D) Companies can choose to not engage in CSR activities without any legal repercussions.

Q269 Which of the following implications of jobless growth in India directly contributes to social instability?

- (A) Economic Inequality

(B) Youth Unemployment

(C) Underemployment

(D) Social Challenges

Q270 The COVID-19 pandemic led to significant ____ (a) ____ in GDP and severe ____ (b) ____ in supply chains. To address the economic downturn, the government introduced ____ (c) ____ packages and laid emphasis on ____ (d) ____ to control the pandemic.

- (A) (a): Increase, (b): Enhancements, (c): Reduction, (d): Lockdowns
- (B) (a): Decline, (b): Disruptions, (c): Stimulus, (d): Vaccination Drive
- (C) (a): Stability, (b): Enhancements, (c): Stimulus, (d): Lockdowns
- (D) (a): Decline, (b): Improvements, (c): Taxes, (d): Quarantine

Q271 Which of the following characteristics of a market economy is primarily driven by the law of supply and demand?

- (A) Individual Control
- (B) Price Determination
- (C) Private Ownership
- (D) Profit Motive

Q272 Why might policymakers be interested in understanding the demand schedule?

- (A) To find the best price to maximize sales or profits
- (B) To make informed decisions regarding taxes and subsidies
- (C) To understand how to maximize the use of natural resources
- (D) To determine how to expand a business to new markets

Q273 Which of the following scenarios would most likely shift the demand curve for a normal good leftward?

- (A) An increase in consumer income.
- (B) A decrease in consumer income.
- (C) An increase in the price of a complementary good.
- (D) A new government subsidy on the good.

Q274 Which of the following statements is/are incorrect regarding the causes of a rightward shift in the demand curve?

I: A decrease in income for normal goods leads to a rightward shift in demand.

II: An increase in population leads to an increased demand for goods and services.

III: A decrease in the price of complementary goods may lead to a rightward shift in the demand curve.

IV: An expectation of future price decrease leads to a rightward shift in the demand curve.

(A) I & IV

(B) II & III

(C) I, II & IV

(D) I & III

Q275 In a market scenario where both price and quantity have increased, which of the following could be the most plausible explanation?

(A) Decrease in demand and decrease in supply.

(B) Increase in demand and decrease in supply.

(C) Increase in demand and increase in supply, with demand increasing more.

(D) Increase in supply and decrease in demand, with supply increasing more.

Q276 Which measure of money supply is the most comprehensive and includes forms of money that are not quickly convertible into cash?

(A) M0 (High-Powered Money)

(B) M1 (Narrow Money)

(C) M2 (Broad Money)

(D) M3 (Wider Money)

Q277 Which of the following statements is/are incorrect regarding the factors affecting the money supply?

I: Monetary policy primarily influences the money supply through the manipulation of interest rates and tax rates.

II: Banking behavior can either expand or contract the money supply depending on lending activities.

III: Government policies such as fiscal policy can

have a direct impact on the money supply.

IV: Economic factors such as inflation and foreign exchange rates can influence the money supply.

(A) I only

(B) I & II

(C) II & III

(D) III & IV

Q278 Which type of inflation is characterized by an extreme form, often exceeding a 50% increase in prices per month, and can lead to the collapse of the monetary system?

(A) Demand-Pull Inflation

(B) Cost-Push Inflation

(C) Built-In Inflation

(D) Hyperinflation

Q279 According to the Classical Theory of Rate of Interest, what primarily determines the rate of interest?

(A) Government Policies

(B) Inflation Rate

(C) Supply of and Demand for Capital

(D) Central Bank's Monetary Policy

Q280 Which of the following statements is/are incorrect concerning the Classical Theory of the supply and demand for capital?

I: The supply of capital is primarily sourced from government spending.

II: Higher interest rates would generally encourage more savings, thereby increasing the supply of capital.

III: Businesses are more likely to demand capital when interest rates are low.

IV: Investment opportunities directly affect the demand for capital.

(A) I only

(B) I & IV

(C) II & III

(D) III & IV

Q281 In the context of Classical Theory, if the supply of capital exceeds the demand, the interest rate will _____, whereas if the demand for capital is greater than the supply, the interest rate will _____.

(A) fall, rise

(B) fall, fall

(C) rise, rise

(D) rise, fall

Q282 According to Keynes' Liquidity Preference Theory, which of the following motives explains why people hold money to take advantage of future opportunities like changes in interest rates or asset prices?

- (A) Transaction Motive
- (B) Precautionary Motive
- (C) Speculative Motive
- (D) Investment Motive

Q283 Which of the following characteristics is NOT associated with a business cycle?

- (A) Synchronized Movements
- (B) Wave-Like Pattern
- (C) Recurring Nature
- (D) Isolated Effects

Q284 Which phase is most likely to be characterized by declining stock markets and rising unemployment rates?

- (A) Expansion (B) Peak
- (C) Contraction (D) Contraction

Q285 During the _____ phase of a business cycle, economic indicators such as GDP and employment are at their peak, while during the _____ phase, these indicators show a downward trend, signaling a contraction in the economy.

- (A) Expansion, Recession
- (B) Trough, Peak
- (C) Peak, Expansion
- (D) Recession, Trough

Q286 Which of the following is NOT an objective of the Reserve Bank of India's monetary policy?

- (A) Controlling Inflation
- (B) Economic Growth
- (C) Financial Stability
- (D) Promoting Exports

Q287 The RBI uses _____ as a monetary policy tool to control the portion of deposits that banks must hold in liquid assets like government bonds, while _____ is used to set a floor on the lending rates that banks can offer.

- (A) Cash Reserve Ratio (CRR), Base Rate
- (B) Statutory Liquidity Ratio (SLR), Base Rate
- (C) Term Repo, Marginal Cost of Funds based Lending Rate (MCLR)
- (D) Open Market Operations (OMO), External Benchmark Linked Rate (EBLR)

Q288 In an effort to control inflation and reduce budget deficits, a government is most likely to employ which type of fiscal policy involving _____ in government spending and/or _____ in taxes.

- (A) increase, increase
- (B) increase, decrease
- (C) decrease, increase
- (D) decrease, decrease

Q289 The FRBM Act was initially introduced in 2003 with the aim of achieving fiscal discipline and reducing the fiscal deficit. In 2016, the Government of India constituted a committee under the chairmanship of NK Singh to review the Act. One key recommendation of the committee was to establish an autonomous _____ to independently assess government forecasts and fiscal policies. Another recommendation focused on providing provisions for _____ in case of extraordinary circumstances such as natural calamities or national security.

- (A) fiscal council, escape clauses
- (B) budget committee, escape clauses
- (C) fiscal council, additional spending
- (D) regulatory body, fiscal exceptions

Q290 Which of the following components of the System of National Accounts (SNA) in India represents the total value of all goods and services produced within the country?

- (A) Consumption Expenditure
- (B) Net National Income (NNI)
- (C) Gross Domestic Product (GDP)
- (D) Exports and Imports

Q291 Nominal GDP is primarily used to reflect the _____ value of an economy but can be influenced by price changes such as inflation or deflation. On the other hand, GDP at Market

Price is calculated as the sum of GVA at Basic Price plus all _____ minus all subsidies on products.

- (A) current, taxes
- (B) intrinsic, incentives
- (C) actual, tariffs
- (D) historical, duties

Q292 Revenue Receipts are considered regular and recurring and do not create any _____. On the other hand, Capital Receipts are those that either create a liability or _____ financial assets.

- (A) revenue, increase
- (B) liability, reduce
- (C) asset, maintain
- (D) income, augment

Q293 Which of the following deficit concepts reflects the actual shortfall in government's revenue receipts for meeting current expenditures, excluding those spent on creating capital assets?

- (A) Fiscal Deficit
- (B) Primary Deficit
- (C) Revenue Deficit
- (D) Budget Deficit

Q294 Which initiative was primarily introduced to address the challenge of Non-Performing Assets (NPAs) in the banking system?

- (A) Pradhan Mantri Jan Dhan Yojana
- (B) Basel III norms
- (C) Insolvency and Bankruptcy Code (IBC)
- (D) Loan moratoriums

Q295 Which of the following functions of banking involves the expansion of the money supply through the multiplication of deposits?

- (A) Accepting Deposits
- (B) Investment Services
- (C) Credit Creation
- (D) Facilitating Payments

Q296 The phase of Liberalization and Reforms led to the introduction of international banking standards through _____ and aimed to focus on financial inclusion with initiatives like _____.

- (A) Prudential Norms and Basel Accords, Small Finance Banks
- (B) Narasimham Committee, Pradhan Mantri Jan Dhan Yojana
- (C) Technological Advancements, Consolidation in Public Sector Banks
- (D) Insolvency and Bankruptcy Code, Technological Advancements

Q297 Chapter II of the Reserve Bank of India Act, 1934 primarily discusses the _____ of the RBI, including its capital and management. Chapter IV focuses on the _____ within the RBI that operate in different parts of the country.

- (A) Incorporation, Central Board of Directors
- (B) Business, Local Boards and Local Committees
- (C) Composition, Supplementary Provisions
- (D) Incorporation, Local Boards and Local Committees

Q298 Which of the following objectives of Development Financial Institutions is primarily concerned with narrowing the gaps between advanced and underdeveloped regions within a country?

- (A) Export Promotion
- (B) Innovation and Technology Development
- (C) Balanced Regional Development
- (D) Environmental Sustainability

Q299 Which of the following models is primarily associated with using mobile phones to extend microfinance services to remote areas?

- (A) Group Lending
- (B) SHG-Bank Linkage Model
- (C) Mobile Banking
- (D) Cooperative Model

Q300 In Model III of the SHG-Bank Linkage Programme, NGOs act as _____, borrowing from banks and on-lending to Self-Help Groups (SHGs)

- (A) Facilitators
- (B) Financial Intermediaries
- (C) Managers
- (D) Consultants

Answer Key

Q1 (B)
Q2 (A)
Q3 (C)
Q4 (B)
Q5 (D)
Q6 (B)
Q7 (D)
Q8 (A)
Q9 (B)
Q10 (B)
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Q12 (D)
Q13 (A)
Q14 (B)
Q15 (D)
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Q300 (B)

Hints & Solutions

Q1 Text Solution:

The Reserve Bank of India (RBI) Act, 1934 establishes the Reserve Bank of India (RBI) as the central banking institution in India. It grants the RBI the authority to regulate the monetary and banking system in the country.

Q2 Text Solution:

Section 17 of the RBI Act, 1934 empowers the Reserve Bank of India (RBI) to issue and manage currency in India. It outlines the RBI's authority to issue banknotes and coins and regulate the currency circulation in the country.

Q3 Text Solution:

The maximum penalty that can be imposed by the RBI for violation of its directions under the Banking Regulation Act, 1949 is Rs. 1 crore. The RBI has the authority to impose penalties on banks for non-compliance with regulatory requirements.

Q4 Text Solution:

The downward movement in the business cycle is described as more sudden and violent than the upward movement.

Q5 Text Solution:

- Business cycles have pervasive effects on the economy. Business cycles are described as being pervasive in their effects, meaning they impact the overall economy.

Q6 Text Solution:

- Cyclical fluctuations in the business cycle are recurring in nature, with a pattern of boom followed by depression, and depression followed by boom. The contraction phase encompasses the depression and the subsequent boom.

Q7 Text Solution:

- With a score of 75, Kerala maintained its top spot in the third version of the SDG index (2020-21), followed by Tamil Nadu and Himachal Pradesh, both of which received scores of 72.
- Bihar, Jharkhand, and Assam were the States that performed the worst on the other end of the spectrum. Nevertheless, compared to the previous year's results, all States showed some improvement, with Mizoram and Haryana registering the largest increases.

Q8 Text Solution:

As a venue for students, businesses, and young innovators to present alternatives, ideas, and digital solutions that aim at sustainable management of plastic waste and Single Use Plastics (SUPs), the India Plastic Challenge-Hackathon 2021 was established to help the country move towards a circular economy. The Ministry of Environment, Forests, and Climate Change unveiled it in June 2021.

Q9 Text Solution:

- The Sustainable Development Goals, also known as the Global Goals for Sustainable Development, are sometimes abbreviated as SDGs.
- At the Rio+20 Summit (United Nations Conference on Sustainable Development) in 2012, the SDGs' basic idea was adopted.
- The Rio+20 Outcome Document said that the SDGs should be "global in nature and universally applicable to all countries while taking into account different national realities, capacities, and levels of development".
- 17 SDGs and their 169 objectives were adopted in September 2015 after protracted talks.

Q10 Text Solution:

Credit rating organizations do not offer assurances or personal opinions; instead, they base their evaluations on independent research and public information. Typically, they are private organizations.

Q11 Text Solution:

For long-term corporate bonds, credit rating agencies frequently employ an alphanumeric scale, with AAA denoting the best credit grade.

Q12 Text Solution:

Rating companies give both assets/securities (like bonds) and liabilities/debts (like corporate or government debt) a rating.

Q13 Text Solution:

Credit rating agencies may encounter conflicts of interest if they have financial relationships with the entities they rate, which can potentially influence their independence and objectivity.

Q14 Text Solution:

- An organization for credit risk management is created with the primary objective of achieving compatibility in risk and business policies and ensuring their simultaneous implementation in a consistent manner.
- While enhancing profitability, expanding market share, and promoting innovation are important goals for any organization, the primary focus of a credit risk management organization is to establish and maintain consistency in risk and business policies.

Q15 Text Solution:

- Within a bank, the Board of Directors holds the primary responsibility for the management of risks, including credit risk.
- They are responsible for articulating credit risk management policies, procedures, aggregate risk limits, review mechanisms, and reporting and auditing systems.

Q16 Text Solution:

The Industrial Finance Corporation of India (IFCI) was the first Development Financial Institution established in India in 1948. It played a crucial role in providing financial assistance to industrial projects.

Q17 Text Solution:

The Power Finance Corporation (PFC) is a Development Financial Institution responsible for providing long-term finance to the Indian power sector. It supports power generation, transmission, and distribution projects.

Q18 Text Solution:

The Small Industries Development Bank of India (SIDBI) is specialized in providing financial assistance to micro, small, and medium enterprises (MSMEs). It supports the growth and development of the MSME sector in India.

Q19 Text Solution:

Factors leading to the 1991 economic reforms can be summarized as follows:

- **Rise in Prices:** The inflation rate soared from 6.7% to 16.7%, primarily caused by a rapid increase in money supply. This resulted in a deteriorating economic situation.
- **Rise in Fiscal Deficit:** Non-development expenditure rose, leading to an increase in the government's fiscal deficit. As a result, public debt and interest payments surged. By 1991, interest liability accounted for 36.4% of the total government expenditure.
- **Increase in Adverse Balance of Payments:** The adverse balance of payments, which was Rs. 2214 crore in 1980-81, skyrocketed to Rs. 17,367 crore in 1990-91. A large amount of foreign loans had to be acquired to cover this deficit, which further increased interest payments.
- **Iraq War:** The outbreak of the Iraq War in 1990-91 caused a spike in petrol prices. The flow of foreign currency from Gulf countries ceased, exacerbating the economic problem.

- **Dismal Performance of Public Sector Undertakings (PSUs):** PSUs were underperforming due to political interference, becoming a significant burden for the government.

Fall in Foreign Exchange Reserves: India's foreign exchange reserves reached a critically low level in 1990-91, becoming insufficient to cover the cost of imports for even two weeks.

Q20 Text Solution:

- **Restriction on Imports:** To manage the crisis, the government imposed restrictions on imports, aiming to reduce the outflow of foreign currency.
- **Increase in Fuel Prices:** In order to generate additional revenue and reduce the burden on foreign exchange reserves, the government raised the prices of fuels, such as petrol and diesel.
- **Rise in Bank Rates:** To control the outflow of capital and stabilize the economy, the central bank increased bank interest rates. This measure aimed to make domestic investments more attractive and discourage capital flight.
- **Government Spending Cuts:** To address the fiscal deficit and conserve foreign exchange reserves, the government implemented austerity measures, which included cutting back on public spending. This reduction in government expenditure aimed to reduce the strain on the economy.
- **Emergency Loan from IMF:** In order to address the severe balance of payment crisis, India secured an emergency loan of \$2.2 billion from the International Monetary Fund (IMF). To obtain this loan, India pledged 67 tonnes of gold as collateral security.
- **Gold Pledging:** As part of securing the emergency loan, India sent 20 tonnes of gold to the Union Bank of Switzerland in Zurich in May 1991. Additionally, in July, 47 tonnes of gold were given to the Bank of England,

raising a total of \$600 million. This gold pledging helped to bolster India's foreign exchange reserves.

Q21 Text Solution:

- **Rise in Bank Rates:** To control the outflow of capital and stabilize the economy, the central bank increased bank interest rates. This measure aimed to make domestic investments more attractive and discourage capital flight.
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Q22 Text Solution:

The objectives of the New Economic Policy of 1991 were:

- Foster globalization and promote a market-oriented economy.
- Address inflation and correct imbalances in payments.
- Stimulate economic growth and build sufficient foreign exchange reserves.
- Stabilize the economy and eliminate unnecessary restrictions to transition into a market economy.
- Facilitate unrestricted international flow of goods, capital, services, technology, and human resources.
- Increase private sector participation across all sectors by reducing the number of sectors reserved for the government to only 3.

Q23 Text Solution:

New Economic Reforms:

- Opening up the industrial sector: The New Industrial Policy of 1991 removed reservations in the industrial sector, allowing private and foreign investors to participate. Previously, certain critical industries were reserved for the public sector, but now private players were allowed in most sectors, with a few exceptions.
- Industrial delicensing: The policy put an end to the cumbersome industrial licensing system, also known as the license raj. Private sector firms were no longer required to obtain licenses to start industries, reducing delays and bureaucratic hurdles. Industrial licensing was limited to fifteen sectors.
- Encouraging foreign competition: The reforms welcomed foreign investment and technology, opening up the economy to global competition. Foreign Direct Investment (FDI) was permitted up to 51% in selected sectors, marking a shift in India's economic policy.
- Trade and investment liberalization: Extensive liberalization measures were

implemented in foreign trade and investment. Import substitution and restriction policies were replaced by import liberalization and export promotion policies. Foreign capital in the form of FDI and Foreign Portfolio Investment (FPI) flowed into the country.

- Financial sector reforms: The government introduced measures to deregulate and liberalize the financial sector. Banking sector reforms included removing controls on interest rates and branch licensing. Capital market and money market reforms were implemented, promoting greater flexibility and efficiency.
- Public sector enterprise reforms: Reforms aimed to enhance the efficiency and competitiveness of public sector enterprises. The government focused on strategic sectors, while adopting disinvestment policies for restructuring the public sector.
- Abolition of MRTP Act: The Monopoly and Restricted Trade Practice Act was abolished under the New Industrial Policy. In its place, the Competition Commission emerged as the regulatory body to monitor and ensure fair competition in the economy.

Q24 Text Solution:

- Liberalisation in economics refers to the process of adopting pro-market or pro-capitalistic policies in an economy, stemming from the political ideology of liberalism.
- Commercial banks were granted the freedom to determine interest rates, a power previously held by the Reserve Bank of India.
- The investment limit for small scale industries was raised to Rs. 1 crore, providing them with greater financial flexibility.
- Indian industries were allowed to import capital goods and raw materials from foreign countries, enabling them to access advanced technology and resources.

- Industries gained the freedom to diversify their production capacities and reduce production costs based on market requirements, as opposed to the previous government-set limits.
- Restrictive trade practices were abolished, removing severe restrictions on companies with assets over Rs. 100 crore, as per the Monopolies and Restrictive Trade Practices (MRTP) Act of 1969.
- Industrial licensing and registration requirements were eliminated for most sectors, allowing the private sector to start new ventures without obtaining licenses. However, licenses are still required for sectors such as cigarettes, liquor, industrial explosives, defense equipment, hazardous chemicals, and drugs.

Q25 Text Solution:

- Selling shares of PSUs: Shares of PSUs (public sector undertakings) were sold to the private institutions. For example, Maruti Udyog's shares were sold to private parties, allowing for private ownership and participation in these companies.
- Disinvestment in PSUs: The government initiated the process of disinvestment, which involved selling PSUs to the private sector. This reduced the government's ownership and control over these enterprises, allowing for private management and efficiency.
- Decrease in reserved industries: The number of industries reserved for the public sector was reduced to 3 from 17. The industries that remained reserved for the public sector were transport and railway, mining of atomic minerals, and atomic energy. This opened up various other industries to private players, promoting competition and efficiency.
- Overall, these steps aimed to remove political interference and inefficiencies in PSUs by allowing private participation and

ownership in previously government-dominated sectors.

Q26 Text Solution:

The Factor company normally provide a variety of services relating to collection of Debts namely- Maintenance of Debts, collection of Debts, Finance, advisory services, Maintaining the Debtors ledger and accounts, taking follow up with Debtors.

Every task relating to Debtors and collection of book debts is taken care of by Factor company.

Factor company has nothing to do with Finished goods supplied or not, Or how the supply chain for their finished goods will work.

Q27 Text Solution:

UCP 600 stands for the Uniform custom practice for documentary practice, these are international standards published by International chambers of commerce with the objective of standardizing international practice of banking for Letter of Credit.

Q28 Text Solution:

Non fund based facility means a credit facility wherein there is NO outflow of bank fund directly to the borrower, instead there May be outflow of bank to third party on behalf of borrower.

For example- Bank guarantee and Letter of credit are Non fund based facilities.

Q29 Text Solution:

Bank guarantee means a kind of Non fund based facility that a bank offers on behalf of its borrower to a third party. No outflow of funds takes place in this case, neither to a borrower nor to a third party directly. But in case of default by Borrower, there may be a liability on the part of the bank to make payment.

Hence Bank guarantee is called as Contingent liability that needs to be paid at any point in time.

Q30 Text Solution:

There are 3 parties in Forfeiting contract:- Importer, exporter and Forfeiter.

This is used in International trade. Forfeiter is a means of credit facility which exporter of goods avails from Forfeiter (intermediary) against export receivables but there is no obligation to repay the credit. Hence exporters can quickly convert its credit sale into cash by using this facility.

Q31 Text Solution:

- Shri Piyush Goyal, the Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution, and Textiles, presented the Foreign Trade Policy 2023 and said that it is flexible and has been left open-ended to meet the needs of the time.
- The goal of the FTP 2023 is to re-engineer and automate business processes to make it easier for shippers to do business. It also works on new areas, such as high-end technology items that can be used for more than one thing under SCOMET, making it easier for exports to happen through e-commerce, and working with States and Districts to promote exports.
- With the new FTP, there will be a one-time Amnesty Scheme that will let importers close out their old authorizations and start over.
- The FTP 2023 promotes the "Towns of Export Excellence Scheme" and the "Status Holder Scheme" to recognise new towns and exporters.

Q32 Text Solution:

The Key Approach to the Foreign Trade Policy is based on these 4 pillars:

- (i) Incentive to Remission,
- (ii) Export promotion through collaboration - Exporters, States, Districts, Indian Missions,
- (iii) Ease of doing business, reduction in transaction cost and e-initiatives and
- (iv) Emerging Areas – E-Commerce Developing Districts as Export Hubs and streamlining SCOMET policy.

Q33 Text Solution:

Facilitation under Export Promotion of Capital Goods (EPCG) Scheme under FTP 2023?

The EPCG Scheme, which allows import of capital goods at zero Customs duty for export production, is being further rationalized. Some key changes being added are:

- Prime Minister Mega Integrated Textile Region and Apparel Parks (PM MITRA) scheme has been added as an additional scheme eligible to claim benefits under CSP (Common Service Provider) Scheme of Export Promotion capital Goods Scheme (EPCG).
- Dairy sector to be exempted from maintaining Average Export Obligation – to support dairy sector to upgrade the technology.
- Battery Electric Vehicles (BEV) of all types, Vertical Farming equipment, Wastewater Treatment and Recycling, Rainwater harvesting system and Rainwater Filters, and Green Hydrogen are added to Green Technology products – will now be eligible for reduced Export Obligation requirement under EPCG Scheme.

Q34 Text Solution:

- There are two routes of FDI in India, Automatic and Government.
- 100% FDI is allowed in the Mining Sector under Automatic entry route.

Q35 Text Solution:

- Globalization has influenced various sectors of the Indian economy, including agriculture, industry, finance, healthcare, and more. It was introduced in India in 1991-92.
- Before the LPG policy, India faced a major economic crisis with foreign currency reserves plummeting to \$1 billion.
- However, the adoption of globalization policies paved the way for development and growth in different sectors, leading to significant changes and opportunities for the country's economy.

Q36 Text Solution:

The World Trade Organization (WTO) places significant emphasis on the liberalization of foreign investment and foreign trade as key components of its objectives and principles. Here's an elaboration on how the WTO promotes liberalization in these areas:

- **Foreign Trade Liberalization:** The WTO aims to foster a liberal and open global trading system. It promotes the reduction or elimination of barriers to trade among its member countries. This includes the lowering of tariffs (import taxes), removal of non-tariff barriers (such as quotas and technical barriers), and the facilitation of trade through measures like customs simplification and trade facilitation agreements.
- **Tariff Reduction:** The WTO encourages member countries to negotiate and reduce tariffs on goods and services traded between them. The objective is to create a more level playing field by ensuring fair competition and improved market access for all participants.
- **Non-Tariff Barrier Elimination:** The WTO addresses non-tariff barriers, such as import quotas, licensing requirements, and technical regulations, which can restrict market access. Through negotiations and agreements, the WTO encourages countries to remove or reduce these barriers, promoting transparency and predictability in international trade.
- **Foreign Investment Liberalization:** While the WTO primarily focuses on trade in goods and services, it also recognizes the importance of foreign direct investment (FDI) as an integral part of the global economy. The organization supports the liberalization of foreign investment by encouraging member countries to create an open and transparent investment regime.
- Overall, the WTO's emphasis on the liberalization of foreign investment and foreign trade aims to create an open, transparent, and predictable global trading system. By reducing

barriers and promoting fair competition, the WTO seeks to enhance economic growth, increase efficiency, and improve living standards for people around the world.

Q37 Text Solution:

- Foreign Direct Investment (FDI) refers to the investment made by a company or individual from one country into a business or project located in another country.
- It is a term commonly used to describe the funds utilized by Multinational Corporations (MNCs) for purchasing assets such as land, buildings, machines, and other equipment in a foreign country.
- FDI plays a significant role in promoting economic growth and development by facilitating the transfer of capital, technology, knowledge, and expertise between countries.
- MNCs often engage in FDI to expand their operations, access new markets, gain strategic assets or resources, and take advantage of favorable business environments in foreign countries.

Q38 Text Solution:

- Globalization has indeed provided India with improved access to foreign technology and capital.
- Through globalization, India has been able to attract foreign direct investment (FDI) from multinational corporations, which has brought in new technology, expertise, and capital to the country.
- This has contributed to the growth and development of various industries in India, fostering innovation, improving productivity, and creating employment opportunities.

Q39 Text Solution:

- Globalization has opened up avenues for increased foreign investment in India, with multinational corporations (MNCs)

establishing operations and setting up factories in the country.

- This influx of foreign investment has led to economic growth, job creation, and technological advancements.
- Additionally, globalization has expanded export opportunities for Indian businesses, allowing them to access global markets and increase their international trade.
- This has contributed to the overall development and competitiveness of the Indian economy.

Q40 Text Solution:

The National Insurance Company is the country's first insurance provider. It is presently a public undertaking operated under the Finance Ministry of India. Gordhandas Dutia and Jeevan Das Dutia were the ones who founded the National Insurance Company, which was established in Kolkata in 1906. At Present, the company has its headquarters in Kolkata.

Q41 Text Solution:

Stock exchanges facilitate the trading of securities and are not classified as Non-Banking Financial Institutions (NBFI). NBFI refers to institutions that provide financial services but do not have a banking license.

Q42 Text Solution:

Non-Banking Financial Institutions (NBFI) engage in the business of providing loans and advances to individuals and businesses. They do not accept deposits from the public like traditional banks.

Q43 Text Solution:

HDFC Ltd is an example of a Non-Banking Financial Company (NBFC). NBFCs are financial institutions that provide banking services such as loans, credit facilities, and wealth management, but do not hold a banking license.

Q44 Text Solution:

Non-Banking Financial Institutions (NBFI) do not have access to the banking system's payment and settlement mechanisms. They are regulated by the Reserve Bank of India (RBI) but cannot accept demand deposits or issue currency.

Q45 Text Solution:

Non-Banking Financial Institutions (NBFI) in India are prohibited from accepting deposits from the public. They can engage in lending activities, but they cannot accept demand deposits like traditional banks.

Q46 Text Solution:

The Reserve Bank of India (RBI) is the regulatory authority for Non-Banking Financial Institutions (NBFI) in India. RBI regulates and supervises the functioning of NBFI to maintain financial stability and protect the interests of the public.

Q47 Text Solution:

Non-Banking Financial Companies (NBFCs) can be classified based on the nature of their activities. Examples include Asset Financing NBFCs, Infrastructure Finance NBFCs, and Core Investment Companies (CICs).

Q48 Text Solution:

Infrastructure Debt Funds (IDFs) provide long-term debt financing for infrastructure projects. They are classified as Non-Banking Financial Institutions (NBFI) and are regulated by the Reserve Bank of India (RBI).

Q49 Text Solution:

Non-Banking Financial Institutions (NBFI) are exposed to various risks, including credit risk (default by borrowers), market risk (fluctuations in asset prices), and liquidity risk (inability to meet short-term obligations). NBFI must effectively manage these risks to ensure financial stability.

Q50 Text Solution:

Asset Reconstruction Companies (ARCs) primarily deal with the securitization and reconstruction of distressed assets. They acquire non-performing assets from banks and financial institutions and attempt to recover the dues from the borrowers.

Q51 Text Solution:

By investing a certain amount in a pension product, an individual will build up a considerable amount, over time. They generally have two stages for pension production

- Accumulation stage: This stage is when one pays a regular amount of money until their retirement
- Vesting stage: Once the individual retires, he will get a steady flow of income

Q52 Text Solution:

Pensions are important for the following reasons:

- Decreased income-earning potential, with an increase in age
- The rise in the nuclear family
- Migration of earning members
- Increased longevity
- Dignified Life in old age due to less financial independence

Q53 Text Solution:

Major pension schemes prevalent in India are:

- Employees Provident Fund Scheme.
- Provident Fund Scheme
- Insurance Annuity Scheme
- National Pension Scheme
- Atal Pension Yojana

Q54 Text Solution:

The Employees Provident Fund is a mandatory scheme for the private sector and is managed by the Employees Provident Fund Organization. It was set up in 1952. EPF is guided by the Ministry of Labor. The EPF is a mandatory scheme for employees.

Q55 Text Solution:

The following are the major schemes available under the Employees Provident Fund Organization:

- Employees' Pension Scheme: to provide benefit to employees after retirement.
- Employees Provident Fund Scheme: To focus on the accumulation of corpus for employees.
- Employees' Deposit Linked Insurance Scheme: To provide life insurance coverage to employees

Q56 Text Solution:

The functions of EPFO are as follows:

- Enforcement of activities across the country
- Maintenance of individual accounts
- Settlement of claims
- Investment of funds
- Ensuring prompt pension payment
- Updating records

Q57 Text Solution:

The advantages of EPF are:

- It has high interest on the account.
- Exemption of tax.
- It is a low-risk investment.
- It can act also as life insurance.
- It is hassle-free.

Q58 Text Solution:

In India, the Public Provident Fund (PPF) is a savings scheme that provides individuals with opportunities for long-term investments. Contributions made to the PPF account are eligible for tax deductions according to Section 80C of the Income Tax Act. It is important to note that the PPF scheme allows a minimum yearly investment of 500 rupees and a maximum investment limit of 150,000 rupees.

Q59 Text Solution:

The National Pension Scheme (NPS) is a retirement savings scheme that is open to individuals from various sectors, including employees from the public, private, and unorganized sectors. However, one group that is

completely excluded from the pension benefits under the NPS is the armed forces.

Q60 Text Solution:

The Atal Pension Yojana is a universal social security scheme for all Indian citizens. However, it is mainly aimed at workers in unorganized sectors. The age of subscribers of Atal Pension Yojana is 18-40. Once, a person is above 40, they would be ineligible to apply for the scheme.

Q61 Text Solution:

- Real Estate Investment Funds (REIF) primarily function by pooling money from investors and using those funds to invest in real estate properties.

Q62 Text Solution:

- Real Estate Investment Funds generate returns for investors through the rental income earned from the properties they own within the fund.

Q63 Text Solution:

- The Securities and Exchange Board of India (SEBI) is the regulatory body responsible for overseeing the functioning and regulation of Real Estate Investment Funds in India.

Q64 Text Solution:

- Real Estate Investment Funds in India typically follow an investment strategy of diversifying their portfolio by investing in a variety of real estate properties, such as residential, commercial, or industrial properties.

Q65 Text Solution:

- The returns from Real Estate Investment Funds in India are often distributed to investors through annual dividends, providing them with a share of the income generated by the properties within the fund.

Q66 Text Solution:

- The primary objective of an Infrastructure Investment Fund (IIF) is to provide financing for large-scale infrastructure projects, such as roads, bridges, airports, power plants, and telecommunications networks.

Q67 Text Solution:

The Securities and Exchange Board of India (SEBI) is the regulatory body responsible for overseeing the functioning and regulation of Infrastructure Investment Funds (IIF) in India.

Q68 Text Solution:

- Infrastructure Investment Funds (IIF) in India raise funds by making public offerings on the stock market, allowing investors to purchase units of the fund.

Q69 Text Solution:

- Infrastructure Investment Funds (IIF) in India typically have a long-term investment horizon, as infrastructure projects often require substantial time to develop and generate returns. These funds aim to provide steady returns over the long term.

Q70 Text Solution:

- REIFs are investment funds that pool capital from multiple investors to invest in income-generating real estate properties, such as residential, commercial, or industrial properties. The primary objective of REIFs is to generate returns through rental income, property appreciation, or both.
- On the other hand, IIFs are investment funds that primarily focus on investing in infrastructure projects such as bridges, roads, airports, power plants, and other large-scale public or private infrastructure developments. These funds aim to generate returns through long-term income streams, such as tolls, fees, or concessions associated with these infrastructure assets.

Q71 Text Solution:

The Banking Regulation Act, 1949 serves as the primary legislation governing the regulation and supervision of banks in India. It provides guidelines for licensing, operation, and management of banks in the country.

Q72 Text Solution:

The RBI Act, 1934 empowers the Reserve Bank of India (RBI) to perform various functions, including issuing and managing currency, regulating and supervising banks and financial institutions, and formulating monetary policy. However, conducting foreign exchange trading is not explicitly mentioned as a function of the RBI.

Q73 Text Solution:

Under the Banking Regulation Act, 1949, the Reserve Bank of India (RBI) has the authority to supersede the Board of Directors of a banking company if it deems necessary in the interest of depositors and the banking system.

Q74 Text Solution:

Section 10 of the Banking Regulation Act, 1949 deals with the licensing of banking companies. It outlines the eligibility criteria, application process, and conditions for obtaining a banking license from the Reserve Bank of India (RBI).

Q75 Text Solution:

Section 42(1) of the Banking Regulation Act, 1949 contains provisions related to the maintenance of cash reserves by scheduled banks. It mandates that scheduled banks must maintain a certain percentage of their demand and time liabilities in cash reserves with the RBI.

Q76 Text Solution:

One of the objectives of the Reserve Bank of India (RBI) as per the RBI Act, 1934 is to promote agricultural credit. RBI implements various measures to facilitate credit flow to the agricultural sector and support rural development.

Q77 Text Solution:

Section 21 of the Banking Regulation Act, 1949 empowers the RBI to inspect the books and accounts of banks to ensure compliance with the provisions of the Act and other regulatory requirements.

Q78 Text Solution:

The maximum penalty that can be imposed by the RBI for violation of its directions under the Banking Regulation Act, 1949 is Rs. 1 crore. The RBI has the authority to impose penalties on banks for non-compliance with regulatory requirements.

Q79 Text Solution:

Section 17 of the RBI Act, 1934 empowers the Reserve Bank of India (RBI) to issue and manage currency in India. It outlines the RBI's authority to issue banknotes and coins and regulate the currency circulation in the country.

Q80 Text Solution:

The Reserve Bank of India (RBI) Act, 1934 establishes the Reserve Bank of India (RBI) as the central banking institution in India. It grants the RBI the authority to regulate the monetary and banking system in the country.

Q81 Text Solution:

- This model of SDG is also known as the International Model or SAPAP Model.
- In 20 Andhra Pradesh impoverished mandals, SAPAP is being piloted.
- The SAPAP model considered the process of social mobilization.
- It is an institutional mechanism which facilitates the poor into SHGs.
- There are 3 components of SAPAP Empowerment model:
 1. Capital formation
 2. Capacity building of the poor
 3. Social mobilization

- Local NGOs and state governments work together to implement SAPAP. This is also a microfinance plus model.

Q82 Text Solution:

- Small Finance Banks (SFBs) are financial organisations that offer financial services to unbanked and underserved areas of the nation.
- According to the 2013 Companies Act, SFB is registered as a public limited company.
- It must open at least 25% of its banking locations in unbanked rural areas.
- SFBs are obligated to contribute 75% of their adjusted net bank credit to Priority Sector Lending (PSL).
- The Reserve Bank of India (RBI) mandates that banks devote a specified portion of their capital to lending to several sectors, such as renewable energy, education, housing, export credit, micro, small, and medium-sized enterprises (MSMEs), agriculture, and housing.
- The Reserve Bank of India Act of 1934, the Banking Regulation Act of 1949, the Foreign Exchange Management Act of 1999, the Payment and Settlement Systems Act of 2007, the Credit Information Companies (Regulation) Act of 2005, the Deposit Insurance and Credit Guarantee Corporation Act of 1961, other pertinent statutes, and the directives periodically issued by the RBI and other regulators all have provisions that apply to SFBs.

Q83 Text Solution:

- The MSMEs, which make up around 30% of the GDP of India, are the engine of that nation's economic expansion.
- Promotional Programmes for the MSME Sector: In order to stimulate startups for innovation in the agro-industry and to speed up entrepreneurship, ASPIRE: A Scheme for Promotion of Innovation, Rural Industries, and

Entrepreneurship (ASPIRE) supports the development of a network of technology as well as incubation centres.

- Website for Udyami Mitra: launched by SIDBI to increase MSMEs' access to financing and support services.
- MSME Sambandh: To oversee how Central Public Sector Enterprises are implementing public procurement from MSMEs.

Q84 Text Solution:

- Employment potential at a low capital cost is the correct answer to this question.
- Small and Medium Enterprises (SMEs) account for around 90% of businesses and more than 50% of employment globally.
- New company ideas must be encouraged, nurtured, and helped along the way to becoming successful enterprises.
- SME financing from both domestic and international investors, as well as new technologies, are assisting SMEs in adding significant value to their companies.
 - a. Job creation
 - b. Innovation
 - c. Entrepreneurship
 - d. Supply chains

Q85 Text Solution:

- The Prime Minister unveiled Make in India in September 2014 as a part of a broader range of nation-building initiatives.
- The objective of this scheme is to make India a hub of manufacturing and global design.
- It is built upon four pillars designed to encourage entrepreneurship in India, not just in the industrial sector but also in other industries.
- The aim is to increase the manufacturing sector's contribution to GDP to 25%.
- The Four Pillars:
 - a. New Processes
 - b. New Infrastructure
 - c. New Sectors

d. New Mindset

Q86 Text Solution:

- To aid 45 lakh MSMEs, the government has launched a Rs. 3 lakh crore collateral-free financing scheme.
- It aimed to provide relief to the MSME sector by incentivizing Member Lending Institutes.
- It allows MSMEs to fulfill operational liabilities and restart their businesses. Therefore all the statements in the options are correct.

Q87 Text Solution:

- Under Priority Sector Lending (PSL), foreign banks with less than 20 branches in India have been included in the scope of the targets. Therefore, statement 1 is incorrect.
- Priority Sector Lending is used as a qualitative tool by the RBI in the monetary policy. Therefore, statement 2 is incorrect.
- It is not the tool for resolving the issue of Non-Performing assets in the banking sector. Hence, statement 3 is also incorrect.
- Priority Sector Lending is a significant responsibility given by the (RBI) to the banks in order to allocate a specific percentage of bank lending to a few key sectors, such as agriculture and related industries, micro and small businesses, low-income individuals in need of housing, students in need of financial aid, and other weaker groups and low-income groups.
- Instead of concentrating solely on the financial sector, this is primarily intended for the development of the economy as a whole.

Q88 Text Solution:

- According to the website of the Ministry of Small, Medium & Medium Enterprises, a micro firm is one in which Investment in Plant and Machinery or Equipment is not more than Rs. 1 crore, and Annual Turnover is less than Rs. 5 crores.

- For a small firm, the Investment in Plant and Machinery or Equipment should not be more than Rs. 10 crores, while annual turnover should be less than Rs. 50 crores.
- For a medium firm, the Investment in Plant and Machinery or Equipment should be less than Rs. 50 crores, while annual turnover has to be less than Rs. 250 crores.

Q89 Text Solution:

- Individual Micro and Small Enterprises may apply for collateral-free loans (up to Rs. 1 crore) from the Ministry of MSME and the Small Industries Development Bank of India (SIDBI) under the Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE).
- In order to improve the credit distribution system and make it easier for credit to reach the MSE sector: The Ministry of MSME established the Credit Guarantee Scheme (CGS) in recognition that the availability of bank credit without the hassles of collateral or third-party guarantees would be a significant source of support to first-generation entrepreneurs in realizing their dream of establishing their own Micro and Small Enterprise (MSE).
- The pandemic-affected MSME sector was assisted in regaining its footing by the CGTMSE.

Q90 Text Solution:

- Manufacturers who achieve certain output goals are intended to get financial incentives under the output Linked Incentive (PLI) scheme, which the Government of India established in 2020.
- The scheme is applicable to various sectors, including electronics, pharmaceuticals, automobiles, textiles, food processing, and more.
- The PLI programme is intended to encourage home manufacturing while reducing reliance

on imports. Consequently, statements 1 and 3 are correct.

- The PLI scheme, introduced by the Indian government in 2020, is applicable to a number of industries, including textiles, pharmaceuticals, electronics, and more. But it excludes the agricultural industry. Therefore, assertion 2 is untrue.

Q91 Text Solution:

The income of the consumer, Taste and preferences, number of consumers in the market are factors that directly affect the demand in the market. However technological advance is a factor that affects Supply and does not have an impact on the demand.

Q92 Text Solution:

Through demand schedule we can analyse the consumer behaviour, how the market is reacting and also the preferences of the market. However, the demand schedule doesn't show how to set a price for the product.

Q93 Text Solution:

When the quantity demanded at each price level increases, the demand curve will shift rightwards showing an increase in demand. This indicated that at each price level consumers are now willing to buy more and more.

Q94 Text Solution:

Sir Thorstein Veblen, an American economist, mentioned in his book "The Theory of the Leisure Class" about Veblen goods. Who describes Veblen goods as "conspicuous consumption".

Q95 Text Solution:

Giffen goods was first identified with respect to the consuming habits of Victorian era. Sir Robert Giffen is a type of inferior goods that defies the law of demand. It states that as price increases, it will lead to increase in demand.

Q96 Text Solution:

Income of the consumer, Taste and preferences, Consumer expectations are factors that have a direct effect on demand schedule. However, government policies are a significant factor that affects the Supply schedule.

Q97 Text Solution:

- Market equilibrium can be achieved only when the demand curve is equal to the supply curve.
- When the price is equal to the demand it is called consumer equilibrium
- When the price is equal to supply it is called producer's equilibrium.

Q98 Text Solution:

Increase in cost of raw materials or labour cost or technological advances does have a direct impact in the supply curve. Whereas, the Consumer purchasing capacity is a factor which is affecting the demand curve. However, this does have an indirect impact. As consumer purchasing capacity increases, the demand increases. In order to fix the disequilibrium in the market, it indirectly leads to a rise in supply.

Q99 Text Solution:

As per law of demand, when price increases, the quantity demanded decreases for normal goods. However for Giffen goods, as price increases, quantity demanded also increases.

Q100 Text Solution:

As Giffen goods violate the law of demand. Its demand curve is different from normal goods. For demand curve as price increases, the quantity demanded increases therefore, it will be upward sloping.

Q101 Text Solution:

- The substitution effect is the consumer behaviour to switch to alternatives when the price of the good rises.
- The income effect is when income rises, the consumer purchases more and when income

falls consumer will end up purchasing less compared to previous purchasing habits.

- The weather of the day is not a factor that directly affects the quantity demanded.
- Price is a significant factor that affects the quantity demanded. As the price increases, people will tend to demand less. As the price decreases, people will tend to buy more.

Q102 Text Solution:

Individual demand preferences play a vital role in shaping the overall demand curve of a product or service. The demand Curve is the graphical representation of the price and quantity demanded of a product at various price levels. In simple terms, a demand curve is an aggregation or summation of individual demand preferences.

Q103 Text Solution:

- Law of Equi-Marginal Utility states that a rational consumer will spend their limited income on goods in such a way that marginal utility of the goods will be the same as the marginal utility of the money spent on it.
- Law of diminishing marginal utility states as we consume more and more units, the satisfaction derived from each additional unit will decrease less and less.
- Law of consumer surplus states the price consumer is willing to pay in the market is actually more than what they pay in the market.
- The Law of Satiation states that there is a point at which further consumption of a good or service leads to a decrease in utility or satisfaction.

Q104 Text Solution:

Factors that affect the demand curve are:

- Average income
- Size of the market defined by population
- Prices and Availability of related goods
- Taste and preferences
- Seasonal influences

- Consumer expectations
- Consumer Demographics
- Social and Cultural Factors

Q105 Text Solution:

Average income of the consumers rise sharply during the Economic Boom of 2006-08. This was due to the income effect on the demand for automobiles. This would mean that there was a huge shift in the demand curve for automobiles, due to a huge increase in the quantity demanded.

Q106 Text Solution:

- Giffen Goods are the inferior goods that defy the law of demand as prices rise, quantity demanded becomes higher.
- Veblen Goods are high-quality goods which defy the law of demand, as the price rises quantity demanded becomes higher.
- Inferior goods are goods whose income increases the quantity demanded decreases. When income decreases the quantity demanded would be higher.
- Elastic goods are those goods which have responsiveness to changes in price.

Q107 Text Solution:

Veblen goods are luxury goods which defy the law of demand as price rises, the quantity demanded of these goods rise proportionally. These goods defy the law of demand hence, they have an upward-sloping demand curve. Veblen goods were first identified by Thorstein Veblen in his book "The Theory of the Leisure Class" published in 1899.

Q108 Text Solution:

The Irish Potato Famine which lasted from 1845 to 1852, witnessed an unusual occurrence. Potato is the main cuisine of the Irish People. Due to the widespread fungus disease in potatoes, the supply fell drastically. When the price of potatoes shoot up, people started to buy

fewer or more items to increase the purchase of potatoes to keep their diet.

Q109 Text Solution:

Factors that affect the supply schedule are:

- Cost of production
- Price of related goods
- Price of inputs and technological advances of it
- Technological advances
- Government policy
- Seasonal influences

Q110 Text Solution:

- Technological advancements can increase production efficiency, reducing costs and enabling producers to supply more at a given price.
- An increase in the cost of raw materials can lead to higher production costs, potentially reducing the quantity supplied at a given price.
- Expansion of production facilities and increased investment in manufacturing can also increase the quantity supplied in response to higher prices.
- An upward shift in the demand curve, will increase demand in the market. This will indirectly make suppliers supply more in the market. Thus defying the law of supply.

Q111 Text Solution:

Demand and Supply Theory is proposed by Marshall, Fisher & Pigou. This theory talks about Interest and how it is correlated with the economic changes in the market. The rate of Interest is determined by the equilibrium of demand and supply of savings. The Classical economists asserted that interest is a price paid for the supply of savings, to meet the demand for investment.

Q112 Text Solution:

As savings is an incentive to follow the act of refrain from current spending when selecting between present consumption and future

consumption, the person must consider the opportunity cost of each choice, which is quantified by the rate of interest. Opportunity cost is the cost of postponing present consumption for a reward in the future which should generate a positive real rate of return (when interest earned > inflation rate).

Q113 Text Solution:

Keynes believed that investments and savings are interest elastic. He stated that, in actuality, investment is more dependent on the marginal efficiency of capital and future expectations than on interest rates. His theories got popular during the Great Depression. His theory was liquidity preference theory which states that Investors demand progressively higher premiums on medium and long-term securities as opposed to short-term securities.

Q114 Text Solution:

Liquidity Preference Theory proposed by Keynes was based on different motives like the Transaction Motive, Precautionary Motive, and Speculative Motive. Transaction motive states that individuals have a preference for liquidity to guarantee having sufficient cash on hand for basic day-to-day needs. Precautionary motive relates to an individual's preference for additional liquidity if an unexpected problem or cost arises that requires a substantial outlay of cash. Speculative motives state that stakeholders may also have speculative motives where When Interest rates are low, demand for cash is high and they prefer to hold assets until interest rates rise. The speculative motive refers to an investor's reluctance to try investment capital for fear of missing out on a better opportunity in the future.

Q115 Text Solution:

The Money Demand Curve states that the quantity of money demanded increases with the fall in the interest rate or with the increase in the

level of nominal income. At a given level of nominal income, we can draw a money demand curve showing the quantity of money demanded at various rates of interest.

Q116 Text Solution:

The position of the money demand curve depends on two factors;-1. Level of nominal income 2. Expectations about the change in bond price in the future, which implies the change in the rate of interest. According to the Liquidity Preference Curve, as national income rises, money demand for transactions and precautionary purposes rises, causing the money demand curve to rise.

Q117 Text Solution:

Renowned Economist Sir John Richard, Alvin Hansen, have brought a synthesis between Classical and Keynes theories of interest by combining IS and LM curves. This model is called IS-LM (Investment Savings-Liquidity-Preference-Money Supply) or Hansen Synthesis.

Q118 Text Solution:

The steepness of the IS curve is determined by the elasticity or sensitivity of investment demand to changes in the interest rate. When investment demand is greatly elastic or highly sensitive to the rate of interest, the IS curve will be less steep (flat). On the other hand, when investment demand is not very sensitive to the change in the rate of interest, the IS curve will be relatively steep.

Q119 Text Solution:

Deterministic theory of interest as per IS-LM curve is based on functions like investment demand function, saving function or conversely consumption function, the Liquidity Preference Function, the quantity of money supply.

Q120 Text Solution:

The IS curve as proposed by Classical theory considers income on the x-axis and the

corresponding rate of interest determined by the equality of savings and investment (on the y-axis). When income increases, the rate of interest falls so the IS curve slopes downwards.

Q121 Text Solution:

The Union Budget is presented by the Minister of Finance of the Government of India. Article 113 of the Constitution mandates that the estimates of expenditure from the Consolidated Fund of India included in the Annual Financial Statement and required to be voted by the Lok Sabha are submitted in the form of Demands for Grants.

Q122 Text Solution:

The Union Budget is traditionally presented in India on the first working day of February. As per custom the people involved in making of the budget are locked in the office till the budget is presented.

Q123 Text Solution:

Article Article 112 of the Indian Constitution deals with the presentation of the Union Budget. The Budget is not Mentioned in the constitution anywhere it is known as Annual Financial Statement Which is Presented in the start of Every Financial Year it is Presented in Both the House of Parliament

Q124 Text Solution:

The Union Budget consists of two parts:
Revenue:which represents the income side, and
expenditure- which represents the spending side.

Q125 Text Solution:

GDP stands for Gross Domestic Product, which is a measure of the total value of goods and services produced in a country during a specific time period. GDP is also know as the Growth indicator of Country

Q126 Text Solution:

Defense expenditure is a component of government expenditure and not a source of

revenue for the government. The above 3 options are Source of income for the government

Q127 Text Solution:

Interest receipts are considered as revenue receipts and not capital receipts in the Union Budget.

Q128 Text Solution:

The Annual Budget is the primary budget presented by the government that outlines its revenue and expenditure for a specific period, usually a financial year.

Q129 Text Solution:

A revenue surplus in the Union Budget occurs when the government's revenue exceeds its total expenditure. In this scenario, the statement that is true regarding a revenue surplus in the Union Budget is:

It indicates that the government is generating more income through taxes, fees, and other sources than it is spending on various programs and services.

It is considered a positive financial outcome as it signifies that the government has funds available for investments, debt repayment, or building reserves. It can also indicate prudent fiscal management and a stable economic situation.

Q130 Text Solution:

The capital budget includes the estimates of capital receipts and capital expenditure of the government.

Q131 Text Solution:

Revenue expenditure in the Union Budget is related to operational expenses like salaries, subsidies, and interest payments. In contrast, capital expenditure is related to investments in assets like infrastructure, machinery, and land.

Q132 Text Solution:

Borrowings are not considered as revenue receipts in the Union Budget. They fall under

capital receipts.

Q133 Text Solution:

The Medium-Term Fiscal Policy Statement in the Union Budget presents the government's borrowing plans for the next three years and outlines the fiscal policy framework.

Q134 Text Solution:

Interest payments made on government loans and borrowings are categorized as non-plan expenditure in the Union Budget.

Q135 Text Solution:

The Annual Financial Statement in the Union Budget presents the estimates of revenue and expenditure for the upcoming financial year.

Q136 Text Solution:

The Expenditure Budget in the Union Budget outlines the policies and allocation of funds for capital expenditure, which includes investments in assets like infrastructure and public projects.

Q137 Text Solution:

Capital receipts are not a component of the Revenue Budget in the Union Budget. They are part of the Capital Budget.

Q138 Text Solution:

The Outcome Budget in the Union Budget evaluates the outcomes of government programs and schemes, providing an assessment of their effectiveness and impact.

Q139 Text Solution:

The primary objective of the Zero-Based Budgeting approach in the Union Budget is to allocate resources based on the performance and merits of each program, rather than simply adjusting the previous year's budget.

Q140 Text Solution:

The Budget Manual in the Union Budget provides guidelines and procedures for the preparation

and execution of the budget, ensuring a standardised approach.

Q141 Text Solution:

A limited investment time horizon is customary in venture capital. Within a few years, venture investors want to get their money back from their investments, typically through IPOs or acquisitions. This quality sets venture capital apart from conventional long-term investments and is consistent with the high-risk nature of investing in start-up businesses with the potential for quick growth.

Q142 Text Solution:

The provision of mentoring and strategic direction to portfolio firms is one of the main responsibilities of venture capitalists. They make use of their networks, skills, and industry experience to support the expansion and growth of the invested businesses, guiding them through difficulties and assisting them in reaching their growth goals.

Q143 Text Solution:

In the venture capital process, valuation is a critical step where the financial worth of an investment opportunity is established. To determine the company's value, financial statements, projected cash flows, market comparables, and other pertinent data must be analysed. This aids venture capitalists in making wise investment selections and negotiating fair conditions.

Q144 Text Solution:

Market analysis is a key consideration at the investment evaluation stage in venture capital. Venture capitalists evaluate the target market's size, potential for growth, competitive environment, and level of demand for the offered good or service. The market opportunity and possible success of the investment in satisfying

customer wants are both determined by this analysis.

Q145 Text Solution:

Venture capital firms often utilize convertible debt as a financial method for funding investments. Convertible debt is a type of financing that starts as debt but can be converted into equity at a later stage. It provides flexibility to venture capital firms and allows them to balance the risk-reward dynamics while supporting early-stage companies.

Q146 Text Solution:

High risk and high potential returns are characteristics of the risk-return profile of venture capital investments. Early-stage businesses with hazy futures frequently receive venture capital financing. It is a high-risk, high-reward asset class because even while there is a greater chance of success, profitable investments can provide substantial returns.

Q147 Text Solution:

Offering strategic guidance and mentorship that venture capitalists offer to their portfolio firms is crucial. They make use of their contacts, experience, and industry knowledge to provide insightful counsel and support important choices. This support enables the portfolio companies to overcome obstacles, seize chances, and accomplish their expansion goals.

Q148 Text Solution:

One of the primary roles of venture capitalists is to provide portfolio companies with access to industry connections and networks. Venture capitalists often have extensive networks that can help portfolio companies build strategic partnerships, secure additional funding, access key resources, and enhance their market positioning.

Q149 Text Solution:

Securities rules and regulations apply to venture capital activity. These regulations seek to safeguard investors and provide honest and open procedures for the creation, sale, and trading of securities. Venture capital businesses must abide by securities laws in order to carry out their investment activities within the bounds of the law.

Q150 Text Solution:

A legal document known as the shareholders' agreement oversees the connection between venture capitalists and business owners and lays out the terms and circumstances of the investment. It provides a framework for cooperation and the defence of rights by covering numerous areas, including as ownership stakes, decision-making authority, board representation, departure procedures, and dispute resolution.

Q151 Text Solution:

The Five-Year Plans were introduced in India to set the strategic vision and direction for economic development. Each plan had specific objectives:

1. First Five-Year Plan (1951-1956): Mainly focused on agriculture and improving living standards.
2. Second Five-Year Plan (1956-1961): Known as the Mahalanobis Plan, it was focused on industrialization.
3. Third Plan (1961-1966): Aimed for balanced development of agriculture and industry but was disrupted due to wars with China (1962) and Pakistan (1965) and severe drought.
4. Fourth Plan (1969-1974): Focused on growth with stability and social justice, but also faced disruptions due to war and the global oil crisis.

Q152 Text Solution:

I: The Green Revolution actually led to an increase in food grain production, making the statement incorrect.

II: Expansion of educational institutions contributed to an increase in literacy rates, not a decrease, making this statement incorrect.

III: The MNREGA program was indeed launched to provide guaranteed employment, making this statement correct.

IV: Efforts were made for the development of areas with specific needs like tribal or hilly regions through Special Area Programs, making this statement incorrect.

Q153 Text Solution:

The Primary Sector is focused on natural resource extraction, including activities like agriculture, fishing, forestry, and mining. It is considered the foundation of the economy, as it serves as the base for all other products and industries. Additionally, the primary sector often serves as a significant source of employment in many countries, especially those that are developing.

Q154 Text Solution:

The primary sector revolutions in India serve specific purposes:

- Green Revolution: Increase food grain production.
- White Revolution: Increase milk production through cooperative milk marketing and better breeding.
- Blue Revolution: Enhance fish production through the introduction of new species and aquaculture technologies.
- Yellow Revolution: Increase production of edible oils.
- Golden Revolution: Increase production of fruits, vegetables, and flowers.
- Red Revolution: Increase meat production.
- Grey Revolution: Increase fertilizer production.
- Pink Revolution: Enhance production and export of prawn and onions.
- Brown Revolution: Improve quality and production of leather/cocoa.

- Silver Revolution: Increase egg and poultry production.
- Black Revolution: Enhance production and processing of petroleum products.

Q155 Text Solution:

The Priority Sectors identified in India cover various key areas essential for the economy's inclusive growth and development:

- Agriculture: Farm credit to individual farmers, agriculture infrastructure, and ancillary activities.
- Micro, Small, and Medium Enterprises (MSMEs): Lending to small and medium-sized businesses engaged in manufacturing, services, and trading.
- Export Credit: Financing support to exporters to boost foreign trade.
- Education: Loans provided for educational purposes, including school and higher education.
- Housing: Loans for home purchase, construction, and improvement.
- Social Infrastructure: Funding for the establishment and development of essential social infrastructure like schools, healthcare facilities, etc.
- Renewable Energy: Financing for renewable energy projects, including solar, wind, and hydroelectric power.
- Weaker Sections: Targeted lending to marginalized and vulnerable groups in society such as low-income individuals, women, Scheduled Castes (SCs), and Scheduled Tribes (STs).
- Others: Other categories as specified by the RBI from time to time.

Q156 Text Solution:

I: This statement is correct as the Atmanirbhar Bharat Package does focus on providing collateral-free loans, equity support, and subordinate debt provisions for MSMEs.

II: This statement is incorrect. Make in India's

primary focus is on transforming India into a global manufacturing hub, not an agricultural hub.

III: This statement is correct. Start-up India aims to promote innovation and entrepreneurship by supporting startups, and it facilitates the entrepreneurial ecosystem for MSMEs through funding support, incubation, tax benefits, and ease of registration.

IV: This statement is correct. Stand-up India aims to offer collateral-free loans to set up new enterprises among underrepresented groups like women, Scheduled Castes (SC), and Scheduled Tribes (ST), thereby enhancing social inclusion in the MSME sector.

Q157 Text Solution:

Financial infrastructure like banks and capital markets actually facilitates financial transactions and supports business growth. They enable credit access, foster investments, and support entrepreneurial ventures, rather than hampering them.

Q158 Text Solution:

The "Make in India" initiative aims to leverage globalization for domestic industrial growth by encouraging both multinational and domestic companies to manufacture their products within the country. This initiative seeks to transform India into a global manufacturing hub, thereby benefiting from the interconnectedness and opportunities presented by globalization.

Q159 Text Solution:

Stabilization Reforms aim to control inflation and stabilize the economy, particularly in the aftermath of an economic crisis. These reforms may include monetary policy adjustments, fiscal consolidation, and exchange rate interventions to ensure economic stability.

Q160 Text Solution:

The immediate impact of the 1991 economic reforms was not an overnight success, and it led

to short-term economic hardships for many. However, these reforms laid the foundation for the future growth and development of the Indian economy. They also opened up avenues for foreign direct investment and modernization.

Q161 Text Solution:

I. The economic reforms initiated in the early 1990s aimed to end the license regime and reduce bureaucratic controls. This was part of the liberalization process that sought to make the economy more open and competitive.

II. The privatization aspect of the reforms included disinvestment in Public Sector Undertakings (PSUs) and encouragement to the private sector. This was intended to bring efficiency and competitiveness into various sectors of the economy.

III. One of the financial sector reforms was the establishment of regulatory bodies like SEBI (Securities and Exchange Board of India). This aimed at improving the functioning and transparency of the capital markets.

IV. In the context of tax reforms, the Goods and Services Tax (GST) was implemented to streamline the indirect tax system. This replaced a multitude of taxes and created a unified tax structure, thereby simplifying tax compliance and administration.

Q162 Text Solution:

The structural changes in India's Foreign Trade Policy (FTP) during the 1990s did not include the establishment of an International Monetary Fund (IMF) office in India. The changes were focused on liberalizing imports, promoting exports, simplifying procedures, making exchange rate reforms, encouraging Foreign Direct Investment (FDI), focusing on service exports, and signing bilateral and multilateral agreements.

Q163 Text Solution:

The Foreign Trade Policy (FTP) for 2015-2020 in India had several objectives and features, among

which was aligning with the "Make in India" initiative. Specifically, the policy sought to promote manufacturing and services in line with the "Make in India" campaign

Q164 Text Solution:

I. FTP 2023 was launched by Union Minister Shri Piyush Goyal and aims to have exports cross USD 760 billion this year, as highlighted in the introduction section.

II. The core vision of the FTP 2023 is aimed at growing the economy manifold, utilizing the manufacturing and service sector base, which is derived from the core vision section.

III. One of the key approaches of FTP 2023 is the 'Ease of Doing Business,' which focuses on reducing costs and enhancing digital initiatives. This is part of the Four Pillars discussed under the key approach.

IV. FTP 2023 introduces an Amnesty Scheme that offers a one-time opportunity to regularize pending defaults in meeting Export Obligation, as mentioned in the section discussing the Amnesty Scheme.



Q165 Text Solution:

The International Monetary Fund (IMF) is primarily concerned with international monetary cooperation, facilitating balanced growth of international trade, stabilizing exchange rates, and assisting member countries facing balance of payments problems. Its functions include surveillance of global economic trends, providing financial assistance to member countries, and offering technical assistance and training.

The IMF does not have the function of setting international trade tariffs. This is generally the purview of individual countries, sometimes coordinated through other international organizations like the World Trade Organization (WTO).

Q166 Text Solution:

The World Bank is a complex organization comprising five different institutions, each with its own focus and purpose. The International Finance Corporation (IFC) is specifically designed to support private sector investment in developing countries, including encouraging entrepreneurship and building private sector capabilities. On the other hand, the International Centre for Settlement of Investment Disputes (ICSID) provides facilities for the arbitration and conciliation of investment disputes between governments and foreign investors.

Q167 Text Solution:

The European Union consists of 27 European nations and has a common currency called the Euro, which is used by 20 member nations.

Q168 Text Solution:

While the Paris Agreement is an important global initiative, its primary focus is on addressing climate change by limiting global warming to well below 2 degrees Celsius above pre-industrial levels. It is not specifically aimed at addressing global poverty and inequality.

The Sustainable Development Goals (SDGs) are a set of 17 goals adopted by the UN to address a range of global challenges, including poverty and inequality. Similarly, the World Bank's Poverty Reduction Strategies are tailored programs designed to help individual countries reduce poverty and promote sustainable economic growth.

The Green New Deal primarily targets climate change and economic inequality but does so through investment in green technology and infrastructure, making it relevant to poverty and inequality to some extent.

Q169 Text Solution:

The statement clearly mentions that banks in India work with government and regulatory authorities like the Reserve Bank of India (RBI)

to develop guidelines and incentives for green financing. This makes the first blank most appropriately filled by "Government and Regulatory Bodies."

The statement also indicates that Indian banks are gradually moving towards more comprehensive climate-related disclosures to build trust with stakeholders, which makes "Climate-related Disclosures" the most appropriate fill for the second blank.

Q170 Text Solution:

Among the given options, Agricultural Challenges are most directly related to climate change. Many poor people in India rely on agriculture for their livelihood, and agriculture itself is vulnerable to the impacts of climate change such as erratic rainfall patterns, droughts, and floods. These challenges can result in unstable incomes and food insecurity, thereby contributing to poverty.

Economic Inequality, Unemployment and Underemployment, and Ineffective Implementation of Policies, while important challenges in poverty alleviation, are not directly related to climate change in the context provided.

Q171 Text Solution:

The statement mentions that income inequality is caused by disproportionate growth in sectors that benefit skilled labor more, making "Skilled Labor" the most appropriate fill for the first blank.

For addressing rising inequalities, the statement indicates that implementing a more progressive tax system that levies higher taxes on the wealthy can redistribute resources more equitably. This makes "Progressive Taxation" the most suitable fill for the second blank.

Q172 Text Solution:

In a Command Economy, the government makes all the decisions about what to produce, how to produce it, and for whom. As a result, consumer choices are often limited because production is planned by the state. The focus in a command

economy is on fulfilling the objectives set forth by the government, which may not necessarily align with consumer preferences.

In contrast, a Market Economy is characterized by consumer and business choices driving economic decisions, thereby providing a wide range of options for consumers. Mixed Economy has elements of both market and command economies, and a Traditional Economy is often based on customs, beliefs, or traditions, rather than government planning.

Q173 Text Solution:

The Law of Demand states that there is an inverse relationship between the price of a good or service and the quantity demanded. Specifically, as the price of a good or service increases, the quantity demanded tends to decrease, all other factors being equal. Conversely, as the price decreases, the quantity demanded tends to increase.

Q174 Text Solution:

The statement specifies that when income increases, the demand for normal goods also increases, resulting in a rightward shift of the demand curve. Hence, "Rightward" is the correct fill for the first blank.

It also mentions that an increase in the price of a complementary good can lead to a decrease in the demand for the product, causing the demand curve to shift leftward. "Decrease" is the correct fill for the second blank.

Q175 Text Solution:

A leftward shift in the demand curve signifies a decrease in demand for the good at each price. An increase in the price of a complementary good may cause the demand for the product to decrease, thereby causing a leftward shift in the demand curve. Options A, B, and C are causes for a rightward shift in demand, indicating an increase in demand, not a decrease.

Q176 Text Solution:

In a market in equilibrium, the quantity of goods demanded by buyers is equal to the quantity supplied by sellers. When the price is set too high, it leads to a surplus, and the price generally moves downwards towards the equilibrium price. The statement captures the essence of market equilibrium, which is a balanced state where the quantity demanded equals the quantity supplied. When the price is too high, it leads to a surplus, and there is a tendency for the price to decrease to reach equilibrium.

Q177 Text Solution:

M2 (Broad Money) is the most comprehensive measure of money that is still relatively liquid. It includes M0 and M1, as well as savings deposits, time deposits with a maturity of less than a year, and money market mutual funds. This makes it a broader measure of the money supply than M0 or M1, but it is still focused on assets that are relatively liquid and can be easily converted to cash.

Q178 Text Solution:

- Initial deposits = ₹100,000
- Reserve requirement is 10% of deposits = ₹10,000
- Excess reserves = ₹100,000 - ₹10,000 = ₹90,000
- Money multiplier = $1/\text{Reserve ratio} = 1/0.1 = 10$
- Money creation = Excess reserves x Money multiplier = ₹90,000 x 10 = ₹9,00,000
- Initial deposit was ₹100,000
- Therefore, total money supply is ₹9,00,000 + ₹100,000 = ₹10,00,000

Q179 Text Solution:

WPI is used to measure the price movement of goods traded in the wholesale market, but it does not include the cost of services, which are a significant component of consumer spending. On the other hand, CPI is more representative of the cost of living for the average citizen as it takes

into account both goods and services. However, CPI is often criticized for its focus on urban consumption patterns.

Considering the pros and cons of each measure, it would be prudent for the RBI to consider both WPI and CPI while setting monetary policy, to get a comprehensive and more balanced view of inflation in the economy.

Q180 Text Solution:

The Classical Theory of Interest states that the demand for capital is inversely related to the interest rate. When the interest rate is high, borrowing becomes more expensive, thereby reducing the demand for capital for investment purposes by businesses and entrepreneurs.

Q181 Text Solution:

The theory specifies that under the speculative motive, people hold money to take advantage of future opportunities like changes in interest rates. So, the correct fill for the first blank is "Interest Rates."

The criticisms section mentions that some critics argue that the theory places too much emphasis on the demand for money and neglects other factors like investment and savings. "Demand for Money" is the correct fill for the second blank.

Q182 Text Solution:

A leftward shift in the Money Demand Curve represents a decrease in the quantity of money people are willing to hold at each interest rate. According to the passage, a decrease in income levels will reduce both transaction demand (L1) and precautionary demand (L2), leading to a leftward shift in the Money Demand Curve. Options B, C, and D are more likely to either have no effect on the shift or cause a rightward shift in the Money Demand Curve. Specifically:

- An increase in interest rates would affect the slope of the curve but not necessarily shift it.
- An increase in population would likely cause a rightward shift as it would increase transaction

and precautionary demand.

- An expectation of future interest rates decreasing could increase speculative demand (L3), causing a rightward shift.

Q183 Text Solution:

In a money market, the rate of interest is determined by the demand for and supply of money. An increase in the cash reserve ratio leads to a reduction in the money supply, which pushes up the interest rates. In this context, Mr. Sharma is correct that higher interest rates could stifle domestic demand, as borrowing becomes more expensive. Meanwhile, Dr. Patel is also correct that higher interest rates can attract foreign investment looking for better returns.

Therefore, the equilibrium rate of interest will likely rise due to the central bank's intervention. This will have a dual effect: attracting more foreign investment while potentially stifling domestic demand.

Q184 Text Solution:

The first blank refers to the inherently recurring nature of a business cycle. According to the description, cyclical fluctuations in a business cycle are inherently recurring. The various phases like prosperity and depression repeat in a pattern. Therefore, "Recurring" is the appropriate fill for the first blank.

The second blank refers to the asymmetrical movements in a business cycle. The description notes that the downward movements in a business cycle are often more abrupt and severe compared to the upward movements, making them "Asymmetrical."

Q185 Text Solution:

In a business cycle, an economic boom is characterized by high levels of output, employment, and rising prices (inflation). In such a scenario, the central bank often considers tightening the monetary policy by increasing the

interest rate to manage inflation and avoid an overheating economy.

Analyst Sarah is correct in arguing that an interest rate hike would likely control inflation. Analyst Mark also makes a valid point that an interest rate hike might induce a recession. However, failing to act could lead to an overheating economy, which may result in a more severe recession later. Given the current phase of the business cycle, the central bank should ideally take steps to manage inflation, even if it risks inducing a recession

Q186 Text Solution:

1. Expansion Phase: Characterized by increasing economic activity, low unemployment rates, and increasing corporate profits.
2. Peak Phase: Represents the maximum level of economic output and employment. This phase often precedes a downturn and is characterized by mixed indicators such as stable but not increasing corporate profits and beginning of decline in consumer spending.
3. Contraction Phase: Marked by decreasing economic activity, rising unemployment rates, and falling corporate profits.
4. Trough Phase: The lowest point in the business cycle, often followed by an upturn.

Q187 Text Solution:

Fiscal policy is primarily concerned with the government's revenue collection through taxation, its spending patterns, and borrowing to cover deficits or invest in growth initiatives. It includes components such as Direct Taxes, Indirect Taxes, Capital Expenditure, Current Expenditure, and Government Borrowing.

Q188 Text Solution:

The first blank refers to the nature of government spending in Expansionary Fiscal Policy. According to the description, Expansionary Fiscal

Policy involves an "Increase in government spending."

The second blank refers to the nature of government spending in Contractionary Fiscal Policy. According to the description, Contractionary Fiscal Policy involves a "Decrease in government spending."

Q189 Text Solution:

The NK Singh Committee on the FRBM Act did not recommend the establishment of a tax policy council to independently assess tax collection. The committee recommended establishing an autonomous fiscal council to independently assess government forecasts, compliance, and fiscal policies, but it did not specifically mention a tax policy council

Q190 Text Solution:

The correctly matched table is as follows:

1. Borrowing overnight from RBI at a rate higher than the repo rate	A. Marginal Standing Facility (MSF)
2. Portion of deposits banks must hold in liquid assets	B. Statutory Liquidity Ratio (SLR)
3. Daily exercise to manage day-to-day liquidity	C. Liquidity Adjustment Facility (LAF)
4. Rate at which RBI lends money to banks for a longer term	D. Bank Rate

Marginal Standing Facility (MSF) allows banks to borrow overnight from the RBI at a rate higher than the repo rate.

Statutory Liquidity Ratio (SLR) mandates that banks must hold a specific portion of their deposits in liquid assets like government bonds.

Liquidity Adjustment Facility (LAF) is a daily exercise where banks can either borrow or lend money to manage their day-to-day liquidity.

Bank Rate is the rate at which RBI lends money

to commercial banks for a longer term and serves as a signal of the long-term policy stance.

Q191 Text Solution:

The System of National Accounts (SNA) is a framework for compiling and presenting a broad range of macroeconomic data. One of its main components is Gross Domestic Product (GDP), which represents the total value of all goods and services produced within a country.

Net National Income (NNI) is another significant component, and it is calculated by subtracting depreciation (the wear and tear of machines) from GDP.

Q192 Text Solution:

One of the criteria for selecting a base year is that the economy should be 'normal' during that year, without any significant economic anomalies like booms or recessions. The 2011-12 period was considered normal without any significant economic anomalies, and it did not mention that there was a significant economic recession in 2011-12.

Q193 Text Solution:

The first blank corresponds to the traditional timing of the Union Budget before 2016, which was the last working day of February.

For the second blank, after 2016, the presentation date was changed to the 1st of February. This change was implemented to allow the government more time to act upon and implement the budget proposals. By moving the budget presentation to an earlier date, the government aimed to start the new financial year on April 1 with all plans in place, thus making the budgetary process more efficient.

Q194 Text Solution:

Revenue Deficit is the difference between total revenue expenditure and total revenue receipts, indicating the shortfall in government's current receipts over current expenditures. Fiscal Deficit represents the total borrowing requirements of

the government and is calculated as total expenditure minus total receipts excluding borrowings

Q195 Text Solution:

The Pre-1951 organization, or Phase I of the Indian Financial System, was characterized by a highly unorganized and primarily urban-centered banking structure. Private and small banks existed with little to no regulation, leading to frequent bank failures.

Q196 Text Solution:

The function of credit creation involves the expansion of the money supply through the multiplication of deposits. When a bank provides a loan, it essentially creates new money by increasing its liabilities (deposits) without immediately reducing its other financial assets. This results in an increase in the money supply in the economy.

Q197 Text Solution:

The first blank refers to the phase of the development of banking in India that saw the nationalization of the Reserve Bank in 1949. This event occurred in the "Post-Independence" phase (1947 - Mid-eighties), where regulatory changes and nationalization took place to direct credit towards priority sectors and promote financial inclusion.

The second blank refers to the phase that introduced the Insolvency and Bankruptcy Code in 2016. This legislative change was a part of the "Liberalization and Reforms" phase (1991 Onwards), which aimed to bring about financial sector reforms, and modernize and liberalize the banking sector.

Q198 Text Solution:

The first blank pertains to the main functions of the Reserve Bank of India as stipulated by the RBI Act, 1934. Among the functions, controlling money in the country, which is effectively about

managing the supply of money to ensure economic stability.

The second blank focuses on another aspect of the RBI Act, 1934, which outlines how the Reserve Bank of India should be run, including its powers and duties. This provides the RBI with special powers like printing money and deciding interest rates.

Q199 Text Solution:

The Industrial Finance Corporation of India (IFCI) was established in 1948 and was the first Development Financial Institution (DFI) in India. Its primary aim was to provide long-term finance to the industrial sector.

Option (a) "State Financial Corporations (SFCs)" was created under the State Financial Corporations Act of 1951, which came after the establishment of IFCI.

Option (c) "Industrial Development Bank of India (IDBI)" was established in 1964, well after the formation of IFCI.

Option (d) "Agricultural Refinance and Development Corporation (ARDC)" was formed in 1963, also after the establishment of IFCI.

Q200 Text Solution:

The Grameen Bank Model focuses primarily on providing credit to the poor, with a particular emphasis on women. The model does not require borrowers to provide collateral, making it accessible for those who traditionally would not have access to formal credit facilities

Q201 Text Solution:

The correctly matched table is as follows:

1. Phase marked by over-indebtedness and malpractices	B. Crisis and Regulation (2010s)
2. Phase when NABARD introduced SHG-Bank Linkage Program	D. Commercialization and Scaling (2000s)

3. Phase where MFIs transformed into NBFCs	C. Early Beginnings (1970s)
4. Phase when RBI recognized microfinance as part of the formal financial system	A. Growth and Expansion (1990s)

Q202 Text Solution:

The Reserve Bank of India (RBI) is the primary regulatory body responsible for the issuance of a Certificate of Registration (CoR) for Non-Banking Financial Companies (NBFCs) in India. The process involves an application to the RBI, followed by compliance with various rules, regulations, and guidelines set by the RBI.

Q203 Text Solution:

The first blank is related to the areas where NBFCs extend credit. According to the provided information, NBFCs often operate in rural and semi-urban areas, or "underserved areas," where traditional banking institutions may have limited presence. They provide credit to small and medium-sized enterprises, thereby supporting entrepreneurship and job creation in these areas. The second blank refers to how NBFCs contribute to broader economic development. As per the information given, NBFCs involved in infrastructure financing play a significant role in the development of critical infrastructure, thereby supporting broader economic growth.

Q204 Text Solution:

The Insurance Regulatory and Development Authority (IRDA) was established in 1999 during the era of liberalization. It was set up to regulate and oversee the insurance sector, which was opened to private participation after this point.

Q205 Text Solution:

The statement that the introduction of privatization in the insurance sector happened in

1995 is incorrect. The Indian government allowed private companies to enter the insurance sector in 1999, not in 1995.

Q206 Text Solution:

The objective of facilitating high-risk investment strategies is not one of the objectives of financial sector regulators in an economy. On the contrary, one of their primary objectives is to maintain stability in the financial system by implementing prudential norms and capital requirements, which often involve minimizing high-risk investment strategies.

Q207 Text Solution:

The National Asset Reconstruction Bank (NARCL) will pay 15% of the consideration amount in cash when it acquires stressed assets from banks. The balance 85% will be issued as Security Receipts to the banks.

Q208 Text Solution:

The Reserve Bank of India (RBI) is described as acting like the "trunk," supporting the growing branches of the financial market in India.

Q209 Text Solution:

Among the money market instruments, Call Money has the shortest period of lending, specifically for one day.

Option (b) "Notice Money" has a lending period between 2 days and 14 days, which is longer than Call Money. Option (c) "Term Money" has a lending period exceeding 14 days and up to one year, making it the longest among the three. Option (d) "All have the same period of lending" is incorrect, as the period of lending varies among the three types of money market instruments discussed.

Q210 Text Solution:

The statement that the tenure for Treasury Bills in India ranges from 1 year to 5 years is incorrect. The tenure for Treasury Bills in most

countries, including India, ranges from 91 days to 364 days.

Q211 Text Solution:

Target Long Term Repo Operations (TLTRO) are conducted by a central bank to infuse liquidity into targeted segments of the economy. The tenure for TLTRO typically ranges from 1 to 3 years. Banks participate in an auction or bidding process to avail the funds which are then mandated to be invested in the targeted sectors or financial instruments.

Q212 Text Solution:

Among the types of government securities, Cash Management Bills (CMBs) have the shortest maturity period, usually less than 3 months.

Q213 Text Solution:

The first blank refers to the relationship between bond prices and interest rates. According to Theorem I, bond prices are inversely related to interest rates. When interest rates rise, the bond's present value decreases and vice versa.

The second blank is about how a bond portfolio can be immunized against interest rate risk. As stated in Theorem IV, a bond portfolio can be immunized against interest rate risk by matching its duration with the investment horizon.

Q214 Text Solution:

Step 1: Submission - The first step in a Multiple Price Auction is the submission of bids by bidders, specifying the yield and the quantity they desire.

Step 2: Ranking - Once all bids are submitted, they are ranked in ascending order of the yield. A lower yield is considered a better bid.

Step 3: Allocation - Securities are then allocated starting from the best (lowest yield) bid and continue until the total quantity of securities available for allocation is exhausted.

Step 4: Payment - Finally, bidders pay the yield they have bid for the securities allocated to them.

Q215 Text Solution:

Initial Public Offerings (IPOs) are primarily conducted in Primary Markets. This is the market where new securities are issued to raise capital.

Q216 Text Solution:

The first blank refers to the unique feature of the Bombay Stock Exchange (BSE). BSE is the oldest stock exchange in Asia.

The second blank is about the distinct characteristic of the National Stock Exchange (NSE). NSE leads in terms of trading volume and technological advancements.

Q217 Text Solution:

The Applications Supported by Blocked Amount (ASBA) facility allows investors to apply for IPOs without transferring the application money out of their bank account. Instead, the amount is merely blocked until share allotment is finalized.

Q218 Text Solution:

The first blank refers to the nature of the Forex market concerning its structure. The Forex market is decentralized and does not have a centralized exchange.

The second blank refers to the operating hours of the Forex market. Forex market operates 24 hours a day, five days a week, opening on Sunday evening and closing on Friday evening.

The third blank talks about the diversity of market participants. The Forex market has a diverse set of players that range from central banks and financial institutions to individual retail traders.

Q219 Text Solution:

The FX-Retail platform, operated by the Clearing Corporation of India Ltd. (CCIL) and introduced by the Reserve Bank of India (RBI), aims to offer a transparent and anonymous marketplace for forex trading for retail customers in India.

For transactions totaling less than USD 50,000 in a day, no transaction charges are levied. Since Anita's average daily transactions are around

USD 60,000, she would incur transaction charges as her total daily transaction value exceeds the USD 50,000 limit.

Q220 Text Solution:

Heterogeneity in financial markets refers to the diversity and complexity in market instruments, participants, and regulations. It is characterized by a wide range of asset types, participant motivations, and trading mechanisms.

Q221 Text Solution:

The first blank refers to the event that laid the foundation for market integration in India. The Liberalization of 1991 set the stage for market integration by opening up the economy and facilitating capital flows.

The second blank pertains to the institution established in 1992 that contributed to regulatory oversight in Indian markets. The Securities and Exchange Board of India (SEBI) was formed in 1992 to enhance regulatory oversight, making markets more transparent and efficient.

Q222 Text Solution:

The Contagion Effect refers to the spread of economic or financial shocks from one market or economy to another. In this case, the failure of Lehman Brothers in the United States triggered a global financial crisis that impacted TechSphere's revenue as many of its American clients reduced or withdrew their IT projects.

Q223 Text Solution:

The economic liberalization in 1991 was a pivotal event that provided a significant boost to the merchant banking sector in India. It led to the diversification and expansion of services offered by merchant bankers, such as IPO management, advisory roles in mergers and acquisitions, portfolio management, etc.

Q224 Text Solution:

According to the SEBI guidelines, a 'Debenture Trustee' must be appointed for debenture issues

with a maturity period exceeding 18 months. This ensures that there is a proper mechanism for the protection of debenture holders.

Q225 Text Solution:

The L.C. Gupta Committee was set up in 1998 to develop the appropriate regulatory framework for derivatives trading in India. The recommendations of this committee played a critical role in paving the way for the introduction of derivatives in the country's financial markets.

Q226 Text Solution:

The first blank refers to an underlying asset for options based on foreign currency exchange rates. Options can be written based on foreign currency exchange rates like USD/INR.

The second blank refers to an underlying asset for options based on individual stocks. Options can be written based on individual stocks, with Apple Inc. shares given as an example.

Q227 Text Solution:

The correctly matched table is as follows:

1. To profit from the price movements of an underlying asset	B. Speculators
2. Objective is to reduce or eliminate risk	A. Hedgers
3. Aim to make risk-free profits by simultaneously buying and selling	C. Arbitrageurs
4. To manage exposure to price volatility	D. Instruments used are primarily Futures and Options

Q228 Text Solution:

Factoring involves the immediate payment of a certain percentage of the invoice value to the business by the factoring company. This percentage typically ranges from 70% to 90%.

Q229 Text Solution:

The aspect of providing valuable insights about the creditworthiness of customers is specifically covered under "Creditworthiness Assessment."

Option (a) "Improved Cash Flow" deals with meeting short-term liquidity needs of businesses.

Option (c) "Professional Debt Collection" is about the expertise in debt collection, not necessarily providing insights into customers' creditworthiness.

Option (d) "Time Savings" refers to administrative efficiency, not customer evaluation.

Q230 Text Solution:

The question refers to a type of factoring where the factor advances funds to the client but retains the right to recover the advanced amount if the invoices remain unpaid by the buyer. This is a defining characteristic of "Recourse Factoring."

A) Spot Factoring: This type of factoring involves the factor buying individual invoices on a one-off basis. It is not focused on the risk management aspect and does not inherently give the factor the right to recover the advanced amount from the client for unpaid invoices.

B) Domestic Factoring: In this type, both the seller and the buyer are located in the same country. The focus here is on the geographical scope of the transactions rather than the risk management mechanisms.

D) Full-Service Factoring: In Full-Service Factoring, the factor takes over various administrative functions like credit control, collections, and sales accounting, allowing the client to focus on core business activities. Again, this does not specify the right to recover the advanced amount if invoices remain unpaid.

Q231 Text Solution:

Step 1: Order Placement - The importer places an order for goods with the exporter.

Step 2: Limit Approval - The exporter then seeks credit limit approval for the importer from the export factor.

Step 3: Credit Check - The export factor forwards

this credit limit request to the import factor in the importer's country for evaluation.

Step 4: Approval and Notification - After evaluation, the import factor approves and notifies the export factor, who then informs the exporter.

Step 5: Goods Delivery - The exporter delivers the ordered goods to the importer.

Step 6: Document Submission - The necessary transaction documents are then submitted by the exporter to the export factor.

Step 7: Advance Payment - The export factor then pays the exporter an agreed-upon percentage of the invoice value as an advance payment.

Step 8: Invoice Settlement - On the due date, the importer clears the invoice by paying the import factor.

Step 9: Balance Payment - Finally, the export factor clears the advance payment and remits any balance due to the exporter.

Q232 Text Solution:

The Technology Development & Information Company of India Ltd. (TDICI) is credited as the first venture capital firm in India and was sponsored by ICICI and UTI. It was created in 1987.

Q233 Text Solution:

The Screening stage is where the venture capitalist shortlists investment opportunities using criteria-based filtering. This may involve various criteria like market scope, technology, investment size, location, and stage of financing. The outcome is a reduced list of projects that are then subject to more detailed evaluation.

Q234 Text Solution:

The economic liberalization in 1991 is identified as the key event that opened doors for modern business practices, including leasing, in India. This period marked a significant shift in the Indian economy, paving the way for foreign

investments and more open market dynamics, which included the practice of leasing.

Q235 Text Solution:

Lease Finance generally does not provide the lessee with asset appreciation because the lessee does not own the asset. Ownership, and thereby asset appreciation, typically belongs to the lessor.

A) Budget-Friendly: Lease finance often involves fixed monthly payments, making it easier for lessees to budget their expenses.

B) Quick Access to Assets: Leasing usually has a faster approval process compared to traditional loans, giving businesses quicker access to the assets they need.

D) Tax Benefits: In many jurisdictions, the costs of leasing can be deducted as a business expense, providing tax benefits to the lessee.

Q236 Text Solution:

1. Statement 1 is incorrect. In a Finance Lease, it is the lessee, not the lessor, who assumes most of the risks and benefits of ownership.
2. Statement 2 is correct. In an Operating Lease, the asset generally returns to the lessor at the end of the lease term, as the lessor retains ownership and associated risks.
3. Statement 3 is correct. In a Leveraged Lease, the lessor borrows a portion of the purchase price, usually securing the loan with the asset and lease rentals.
4. Statement 4 is incorrect. In a Sale and Lease Back arrangement, the lessee sells an owned asset to the lessor and then leases it back; the lessee does not immediately buy it back.

Q237 Text Solution:

In the case of a Finance (Capital) Lease, the lessee effectively treats the leased asset as if it were purchased. This leads to the recognition of the asset on the balance sheet, increasing the total assets without a corresponding immediate increase in revenue. As a result, the Asset

Turnover Ratio, which is calculated as Revenue divided by Average Total Assets, is likely to decrease.

Q238 Text Solution:

The Hire Purchase Act, 1972, provides a comprehensive legal framework in India that lays down the guidelines for forming Hire Purchase Agreement and outlines the rights and Obligations for both the hirer and the owner. The Act mandates full Disclosure of all terms, including interest rates and other charges.

Q239 Text Solution:

Mutual funds primarily focus on pooling investors' money to buy a diversified portfolio of assets like stocks and bonds. They do not directly lend money to corporations, which makes option (c) incorrect in the context of mutual funds' core functions.

Q240 Text Solution:

1. Statement 1 is correct. UTI was initially regulated by the Reserve Bank of India (RBI) until 1978, after which regulatory control shifted to the Industrial Development Bank of India (IDBI).
2. Statement 2 is incorrect. Although SBI Mutual Fund was among the first to be launched after the entry of the public sector in 1987, the text specifies that it was not the first mutual fund scheme launched.
3. Statement 3 is incorrect. Kothari Pioneer was registered in July 1993, not 1994.
4. Statement 4 is correct. The Unit Trust of India (UTI) Act, 1963 was indeed repealed in February 2003, leading to the bifurcation of UTI into two separate entities.

Q241 Text Solution:

Mutual funds in India are regulated by the Securities and Exchange Board of India (SEBI). These funds are organized into five primary categories such as Equity Schemes, Debt

Schemes, and Hybrid Schemes. One classification based on organizational structure includes Open-Ended Funds, which have high Liquidity and calculate their Net Asset Value (NAV) Daily.

Q242 Text Solution:

Group insurance schemes aim to cover multiple individuals under a single Master Policy. One of the key objectives of group selection is to form a group that represents an average rate of mortality. This makes it easier for the insurance provider to estimate risks and premiums.

Q243 Text Solution:

1. Statement 1 is incorrect. In the Corporate Agency/Distribution Alliance model, banks act as agents for selling insurance products without participating in the risk.
2. Statement 2 is correct. In the Joint Venture model, both the bank and the insurance company share equity capital.
3. Statement 3 is incorrect. In the Merger model, a bank merges with an insurance company, rather than just acquiring its operations.
4. Statement 4 is correct. In India, the predominant models are the Corporate Agency/Distribution Alliance and Joint Venture models.

Q244 Text Solution:

Immediate and Deferred Annuities differ primarily in the timing of the annuity payments. In an Immediate Annuity, payments start almost immediately after the purchase price (usually a lump-sum payment) is made. In contrast, Deferred Annuities begin payments at a future date and can be funded either through a single payment or a series of payments over time.

Q245 Text Solution:

During the working years of an individual, regular contributions are made to the pension fund. This period is specifically known as the Accumulation

Stage. The primary objective during this stage is to accumulate assets that will later provide income during retirement.

Q246 Text Solution:

The primary purpose of Sponsoring an Infrastructure Debt Fund by a bank is to channelize long-term debt into infrastructure projects. This fund is specifically aimed at financing infrastructure projects, which typically require substantial long-term funding.

Q247 Text Solution:

Factoring services involve the management of accounts receivables for businesses. Through this service, banks purchase the accounts receivables of a business and then handle the collection process, thereby providing immediate cash flow to the business

Q248 Text Solution:

The Real Estate Investment Trust Act was signed into law in the United States in 1960 by President Dwight D. Eisenhower. The objective of this legislation was to enable individual investors to invest in large-scale, income-producing real estate, an investment opportunity previously accessible only to wealthy individuals and institutional investors.

Q249 Text Solution:

Mortgage REITs have their primary assets as mortgage loans or mortgage-backed securities. One of their significant risk factors is changes in interest rates.

Q250 Text Solution:

The correct answer is option (a) "It focuses only on short-term goals and immediate gains." National Planning often has a long-term focus and looks at the long-term development and sustainability of the nation. This contradicts the statement in option (a), which suggests a focus only on short-term goals. All other statements

align with the characteristics and objectives of National Planning.

Q251 Text Solution:

Financial resources for 5-year plans in a country may include Budgetary Support from central and state governments, investments and profits from Public Sector Enterprises, and various forms of External Aid such as loans from multilateral organizations and grants from foreign governments.

Q252 Text Solution:

The correct answer is option (c) "Textile Manufacturing." Sectors like Information Technology (IT), Renewable Energy, Biotechnology, Financial Technology (FinTech), and others are identified as Sunrise Sectors due to their potential for growth, investment, and job creation.

Q253 Text Solution:

1. (a) Formal employment contracts: Incorrect. Formal employment contracts are generally a feature of the organised sector, where businesses are usually large and follow set rules and regulations.
2. (b) Regulation by government agencies: Incorrect. The organised sector is typically regulated by government agencies. In contrast, the unorganised sector is often not regulated or under-regulated.
3. (c) Lack of job security and benefits: Correct. The unorganised sector is characterized by a lack of formal employment contracts, limited job security, and often no benefits like healthcare and pensions.
4. (d) Employer-provided healthcare benefits: Incorrect. Such benefits are usually found in the organised sector where there are formal employment contracts and regulatory oversight.

Q254 Text Solution:

The correct answer is option (a) "Encouraging Foreign Direct Investment." Priority Sector lending plays a role in balanced economic growth, social equity, employment generation, and financial inclusion.

Q255 Text Solution:

The "Stand-up India" initiative is specifically designed to promote entrepreneurship among women, Scheduled Castes (SC), and Scheduled Tribes (ST). It offers collateral-free loans to set up new enterprises in manufacturing, services, or trading sectors, and aims to enhance social inclusion in the MSME sector.

Q256 Text Solution:

The component of "Health Insurance and Financing" is explicitly mentioned as aiming to enhance affordability and accessibility to healthcare services. Government schemes within this component offer subsidized healthcare and free treatments for the underprivileged, thereby directly targeting the issues of accessibility and affordability.

Q257 Text Solution:

The correct answer is option (b) "Economic Inefficiency." While protectionism may address legitimate concerns like job security and economic sovereignty, it can also lead to economic inefficiency, strained international relations, and negative impacts on consumers. Therefore, economic inefficiency is mentioned as a potential negative consequence of protectionism.

Q258 Text Solution:

The correct answer is option (d) "Implementing Environmental Policies." Various drivers of economic transformation in India's financial sector, including policy changes, regulatory reforms, technological advancements, and global integration.

Q259 Text Solution:

The first Narasimham Committee in 1991 recommended the Reduction of SLR and CRR, while the second Narasimham Committee in 1998 stressed on the concept of Universal Banking and proposed giving more Operational Autonomy to banks.

Q260 Text Solution:

1. (a) Reduced export opportunities: Incorrect. Relaxation of FDI policies generally enhances, rather than reduces, export opportunities by attracting foreign investment into sectors that can produce goods for export.
2. (b) Increased global financial volatility: Incorrect. While financial market integration and the participation of Foreign Institutional Investors (FIIs) in the Indian securities markets could expose the economy to global financial volatility, the relaxation of FDI policies per se is not directly associated with increased financial volatility.
3. (c) Diminished job opportunities in the country: Incorrect. Relaxation of FDI policies generally aims to boost job creation by attracting foreign companies that can invest in various sectors, thereby generating employment.
4. (d) Increased capital inflow and technological advancement: Correct. The relaxation of FDI policies has allowed for greater foreign investment in various sectors, which typically results in increased capital inflow, technological advancement, job creation, and access to global markets.

Q261 Text Solution:

The correct answer is option (c) "Increasing Foreign Remittance Limits." Various key structural changes took place in India's FTP during the 1990s, such as reduction of tariffs, establishment of SEZs, streamlining of licensing procedures, and devaluation of the Rupee.

Q262 Text Solution:

The 'Automatic Route' in the context of FDI in India allows foreign investors to invest without needing prior approval from the Indian government, as long as they comply with certain rules and regulations.

Q263 Text Solution:

The correctly matched table is as follows:

1. Complete control over the new business	C. Greenfield FDI
2. Involves partnering with a local company	B. Joint Venture
3. Can save time and money by using existing structure	A. Brownfield FDI

Q264 Text Solution:

The correct answer is option (a) "Consultative." India has a multi-faceted relationship with the IMF that includes various phases like the Structural Adjustment Program in 1991, regular Article IV consultations, and technical assistance. India also hosts one of the IMF's Regional Training and Technical Assistance Centers (RTACs) and is a significant contributor to IMF resources. These interactions are indicative of a consultative relationship.

Q265 Text Solution:

The WTO's primary functions include administering trade agreements, serving as a forum for trade negotiations, handling trade disputes, and monitoring national trade policies. It does not engage in direct investment in developing countries.

Q266 Text Solution:

I: The COVID-19 pandemic actually led to reduced consumer spending due to economic disruptions and unemployment, making this statement incorrect.

II: Brexit has created uncertainty and challenges in economic relations within Europe rather than simplifying them, making this statement incorrect.

III: Technological transformation is generally considered to be transforming economies, rather than stagnating growth, making this statement incorrect.

IV: Social safety nets are indeed a response to addressing rising economic inequality, making this statement correct.

Q267 Text Solution:

The correct answer is option (c) "UN's Water Action Decade." The UN's Water Action Decade is a commitment to the sustainable development and management of water resources from 2018 to 2028, which directly addresses the issue of water scarcity.

Q268 Text Solution:

- (a) Companies must spend 2% of their average net profits on CSR activities: Correct. According to the Companies Act, 2013 of India, companies meeting certain financial thresholds are required to spend 2% of their average net profits over the last three financial years on CSR activities. This is a unique legal mandate specific to India.
- (b) Companies are recommended but not required to disclose their CSR activities: Incorrect. Under the Companies Act, 2013, it is not merely a recommendation; companies are required to disclose their CSR activities, the composition of their CSR Committee, and the amount spent on CSR activities in their annual report.
- (c) CSR spending is tax-deductible for all companies: Incorrect. CSR spending is generally not considered a business expense; hence it is not tax-deductible. Companies fulfill their CSR obligations as a separate compliance requirement.
- (d) Companies can choose to not engage in CSR activities without any legal repercussions: Incorrect. Failure to meet CSR obligations or to explain the inability to do so is

a violation of the Companies Act, 2013 and can result in penalties.

Q269 Text Solution:

The correct answer is option (d) "Social Challenges." Jobless growth may lead to social issues such as increased crime rates, mental health problems, and overall dissatisfaction among the population. These issues have broader implications for social stability and well-being, making this the most directly related to social instability.

Q270 Text Solution:

The COVID-19 pandemic led to a significant Decline in GDP and severe Disruptions in supply chains. To address the economic downturn, the government introduced Stimulus packages and laid emphasis on Vaccination Drive to control the pandemic.

Q271 Text Solution:

The correct answer is option (b) "Price Determination." In a market economy, prices are determined by supply and demand. This makes "Price Determination" the characteristic most directly influenced by the law of supply and demand.

Q272 Text Solution:

The correct answer is option (b) "To make informed decisions regarding taxes and subsidies." Policymakers can use the demand schedule to understand how changes in taxes, subsidies, or other policies might affect the demand for various goods and services.

Q273 Text Solution:

The correct answer is B: A decrease in consumer income. For normal goods, as the income of consumers increases, the demand also increases, shifting the demand curve rightward. Conversely, if the income decreases, the demand for these goods decreases, shifting the demand curve leftward.

Q274 Text Solution:

I: An increase in income for normal goods (not a decrease) leads to a rightward shift in demand, making this statement incorrect.

II: An increase in population does indeed lead to an increased demand for goods and services, making this statement correct.

III: A decrease in the price of complementary goods may lead to a rightward shift in the demand curve, making this statement correct.

IV: An expectation of future price increase (not decrease) leads to a rightward shift in the demand curve, making this statement incorrect.

Q275 Text Solution:

1. (a) Decrease in demand and decrease in supply: Incorrect. A decrease in both demand and supply would generally lead to an ambiguous change in price and a decrease in quantity, depending on the relative magnitude of the shifts. It would not result in both price and quantity increasing.

2. (b) Increase in demand and decrease in supply: Incorrect. An increase in demand would push price and quantity up, but a decrease in supply would push price up and quantity down. The effects would counteract each other, making it unlikely that both price and quantity would increase.

3. (c) Increase in demand and increase in supply, with demand increasing more: Correct. If both demand and supply increase, but demand increases more, the equilibrium price and quantity would both likely increase. This would satisfy the market scenario described.

4. (d) Increase in supply and decrease in demand, with supply increasing more: Incorrect. An increase in supply would lower price and increase quantity, but a decrease in demand would lower both price and quantity. The overall effect would be ambiguous on price but likely decrease the quantity.

Q276 Text Solution:

The correct answer is option (d) "M3 (Wider Money)." M3 represents almost all forms of money, including those that are not quickly convertible into cash.

Q277 Text Solution:

I: Monetary policy primarily influences the money supply through interest rates, open market operations, and reserve requirements, not tax rates. This statement is incorrect.

II: Banking behavior can indeed either expand or contract the money supply depending on lending activities, making this statement correct.

III: Government policies, such as fiscal policy, can have a direct impact on the money supply, making this statement correct.

IV: Economic factors like inflation and foreign exchange rates can influence the money supply, making this statement correct.

Q278 Text Solution:

Hyperinflation is characterized by an extreme form of inflation, often exceeding a 50% increase in prices per month. It can lead to a collapse in the monetary system and is often associated with political instability.

Q279 Text Solution:

The correct answer is option (c) "Supply of and Demand for Capital." According to the Classical Theory of Interest Rate, the rate of interest is determined by the supply of and demand for capital. This is in line with classical economists like Adam Smith, David Ricardo, and John Stuart Mill, who are often associated with this theory.

Q280 Text Solution:

I: According to the Classical Theory, the supply of capital is primarily sourced from savings, not government spending. Thus, this statement is incorrect.

II: Higher interest rates encourage more savings, which increases the supply of capital. This statement is correct.

III: The demand for capital is inversely related to the interest rate. A lower interest rate makes borrowing less expensive, thereby increasing the demand for capital. This statement is correct.

IV: Businesses demand capital to invest in projects, purchase machinery, and expand operations. Investment opportunities, therefore, directly affect the demand for capital. This statement is correct.

Q281 Text Solution:

In the Classical Theory of interest rate determination, the interest rate achieves equilibrium when the supply and demand for capital are equal. When the supply of capital exceeds the demand, the interest rate tends to fall to encourage borrowing and discourage saving until equilibrium is reached. Conversely, when the demand for capital is greater than the supply, the interest rate rises to encourage saving and discourage borrowing until equilibrium is achieved.

Q282 Text Solution:

In Keynes' Liquidity Preference Theory, the Speculative Motive is associated with holding money to take advantage of future opportunities like changes in interest rates or asset prices. People prefer to hold money to lend or invest later at a higher rate when they expect interest rates to rise.

Q283 Text Solution:

The correct answer is option (d) "Isolated Effects". Business cycles are characterized by their pervasive effects, which impact various sectors and aspects of the economy. They are not isolated to particular industries or segments, making them a universal economic phenomenon.

Q284 Text Solution:

The contraction phase is characterized by a decline in economic activity, which includes declining stock markets and rising unemployment rates.

Q285 Text Solution:

During the "Expansion" phase of a business cycle, economic indicators like GDP and employment generally reach their peak levels, indicating robust economic activity. Conversely, during the "Recession" phase, these economic indicators show a downward trend, signaling a contraction or slowdown in the economy.

Q286 Text Solution:

The correct answer is option (d) "Promoting Exports". The primary objectives of the Reserve Bank of India's monetary policy include controlling inflation, supporting economic growth, and ensuring financial stability. Promoting exports is not explicitly one of these objectives and typically falls under the domain of trade and fiscal policies, rather than monetary policy.

Q287 Text Solution:

The Reserve Bank of India uses the Statutory Liquidity Ratio (SLR) to regulate the portion of bank deposits that must be held in liquid assets like government bonds. The Base Rate sets a floor on the lending rates that banks can offer, ensuring that banks do not lend below a certain rate.

Q288 Text Solution:

Contractionary Fiscal Policy aims at controlling inflation and reducing budget deficits. This is often achieved by decreasing government spending and/or increasing taxes.

Q289 Text Solution:

The NK Singh Committee was constituted in 2016 to review the FRBM Act. One of its key recommendations was the establishment of an autonomous fiscal council to independently assess government forecasts, compliance, and fiscal policies. Another significant recommendation was to provide escape clauses that allow for deviations from the stipulated fiscal targets during extraordinary circumstances such

as natural calamities or issues affecting national security.

Q290 Text Solution:

The correct answer is option (c) "Gross Domestic Product (GDP)". According to the System of National Accounts (SNA) in India, GDP represents the total value of all the goods and services produced within the country. It does not consider the depreciation of assets or the value of goods and services sold to and bought from other countries.

Q291 Text Solution:

Nominal GDP is used to measure the total value of all finished goods and services in an economy at current prices, thus reflecting the current economic value. However, it can be influenced by changes in prices, including inflation and deflation.

GDP at Market Price, on the other hand, is the sum of Gross Value Added (GVA) at Basic Price plus all taxes on products minus all subsidies on products.

Q292 Text Solution:

Revenue Receipts are regular and recurring funds that the government receives and do not create any liability for the government. These are funds that the government expects to receive without incurring a debt.

Capital Receipts, on the other hand, are the funds received by the government that either create a liability or reduce financial assets. These are generally in the form of loans or other forms of financing that have to be repaid, thus creating a liability, or they are receipts that reduce the government's financial assets, such as disinvestment receipts.

Q293 Text Solution:

The Revenue Deficit reflects the actual shortfall in government's revenue receipts for meeting current expenditures, while excluding

expenditures that are spent on creating capital assets.

Q294 Text Solution:

The Insolvency and Bankruptcy Code (IBC) was introduced as a comprehensive solution to address the concerns of Non-Performing Assets (NPAs) and to aid the recovery of bad loans.

Q295 Text Solution:

The correct answer is option (c) "Credit Creation". Credit creation is a specific function of banking that involves the expansion of the money supply through the multiplication of deposits. When banks provide loans, they essentially create new deposits in the banking system, thereby increasing the overall money supply. This process is distinct from accepting deposits, facilitating payments, or offering investment services.

Q296 Text Solution:

The Liberalization and Reforms phase from 1991 onwards saw several pivotal changes in the Indian banking sector. International banking standards were introduced through Prudential Norms and Basel Accords. These standards aimed to regulate and stabilize the financial market.

The same phase also emphasized financial inclusion, which involved making financial services accessible at affordable costs to all individuals, regardless of their net worth or income level.

Q297 Text Solution:

Chapter II of the Reserve Bank of India Act, 1934, talks about the incorporation of the RBI, its capital, management, and the kind of business it can undertake. It essentially outlines how the RBI is set up and how it functions, which is why 'Incorporation' is the correct term for the first blank.

Chapter IV elaborates on the Local Boards and Local Committees within the RBI, focusing on their setting up and functions. These groups work in different parts of the country and assist the main group in executing the central bank's mandate, thereby filling the second blank with 'Local Boards and Local Committees'.

Q298 Text Solution:

The correct answer is option (c) "Balanced Regional Development." Development Financial Institutions aim for balanced regional development to narrow the economic disparities between different regions within a country. This involves promoting investment in underdeveloped regions to ensure that growth and development are evenly distributed. Unlike Export Promotion, Innovation and Technology Development, or Environmental Sustainability, Balanced Regional Development focuses on minimizing regional inequalities.

Q299 Text Solution:

The correct answer is option (c) "Mobile Banking." Mobile Banking is a technology-driven model that utilizes mobile phones to provide microfinance services. This method is particularly useful for extending services to remote and inaccessible areas where traditional banking facilities may not be available. It allows for greater financial inclusion by making financial services more accessible to low-income populations who might otherwise be excluded from formal financial systems.

Q300 Text Solution:

In Model III of the SHG-Bank Linkage Programme, NGOs serve as financial intermediaries. They borrow from banks and on-lend to the Self-Help Groups (SHGs). In this model, NGOs handle all financial transactions, including both savings and credit, on behalf of the SHGs.



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