



### TEST -21 (Economy + CA) Answers Key

**Question 1. Answer: (B)** Only 1 and 2

- **Explanation:** Statement 1 is correct because when the repo rate is reduced, funds become cheaper for banks, enabling them to lend more. Statement 2 is also correct because a '**Neutral Stance**' implies inflation is within the target. Statement 3 is incorrect because changes in repo rate do not transmit immediately and mandatorily to MCLR; there is a time lag.

**Question 2. Answer: (D)** 1, 2 and 3

- **Explanation:** Monetary policy transmission means passing the benefit of RBI rate changes to the public. High NPAs discourage banks from taking risks. Higher interest rates on small savings schemes (**like PPF**) reduce bank deposits, preventing rate cuts. Absence of an external benchmark reduces transparency. Hence, all three statements are correct.

**Question 3. Answer: (D)** 1, 2 and 3

- **Explanation:** Statement 1 is correct because contractionary policy (**raising rates**) reduces demand to control inflation. Statement 2 is correct because lowering rates supports growth. Statement 3 is correct because even when domestic inflation falls, RBI may maintain status quo due to geopolitical risks such as global conflicts or oil price shocks.

**Question 4. Answer: (C)** Both 1 and 2

- **Explanation:** Statement 1 is correct as GDP growth requires private consumption and investment (**GFCF**). Statement 2 is correct because if RBI lowers inflation projection, real interest rates (**Nominal Rate – Inflation**) increase provided lending rates remain unchanged.

**Question 5. Answer: (B)**

- **Explanation:** '**Status Quo**' means keeping policy rates unchanged. This is adopted when there is uncertainty and RBI wants to avoid risking growth or triggering inflation.

**Question 6. Answer: (C)** All three pairs

- **Explanation:** All three pairs are correctly matched:
  1. **Accommodative:** Cutting rates to promote growth.
  2. **Calibrated Tightening:** Rates may only rise or remain unchanged (**no possibility of reduction**).
  3. **Neutral:** Rates may move in either direction depending on conditions.

**Question 7. Answer: (D)** 1, 2 and 3

- **Explanation:** During '**imported inflation**' (e.g., due to **expensive crude oil**), RBI may raise rates to reduce demand, sell dollars to strengthen rupee (**use forex reserves**), and absorb excess liquidity through OMO.

**Question 8. Answer: (B)** Only 1 and 2

- **Explanation:** Statements 1 and 2 are correct. Government capital expenditure improves infrastructure and encourages private investment (**crowding-in**), not crowding-out. Statement 3 is incorrect because rural demand has also improved in recent years and limiting it to urban areas is an exaggeration.

**Question 9. Answer: (D)** 1, 2 and 3

- **Explanation:** All three are global headwinds. Rate hikes in developed economies (e.g., **US Fed**) can cause capital outflows from India. Supply chain fragmentation and crude oil volatility directly affect the Indian economy.

**Question 10. Answer: (A)** Only 1 and 2

- **Explanation:** Capital expenditure increases productive capacity and generates employment (**Statements 1 and 2 correct**). Statement 3 is incorrect because capex requires heavy investment and may initially increase fiscal deficit rather than reduce it.

**Question 11. Answer: (D)** 1, 2 and 3

- **Explanation:** All three factors pose risks to growth. Global slowdown reduces exports, rising input costs squeeze manufacturing margins, and declining FDI weakens investment cycles.

**Question 12. Answer: (C)** Both 1 and 2

- **Explanation:** Economic resilience is the ability to absorb shocks. India's large domestic market reduces reliance on external demand and strong forex reserves stabilize the rupee.

**Question 13. Answer: (B)**

- **Explanation:** GST rationalization means rationalizing tax rates. It reduces cascading effect (**tax on tax**), eases business operations, and ultimately contributes to GDP growth.

**Question 14. Answer: (C)** Only 1 and 3

- **Explanation:** Statement 1 is correct because lower inflation provides space for RBI to cut interest rates. Statement 3 is correct as stable prices increase purchasing power. Statement 2 is incorrect because decline in headline inflation may be due to only one component; fuel prices need not be stable.

**Question 15. Answer: (B)** Only 2 and 3

- **Explanation:** Statement 1 is incorrect because core inflation excludes both food and fuel from headline inflation as they are volatile. Statements 2 and 3 are correct because it reflects underlying demand conditions better.

**Question 16. Answer: (B)** Only 2 and 3

- **Explanation:** Statement 1 is incorrect because RBI's primary objective is price stability, not growth. Statement 2 is correct (**CPI adopted in 2014**). Statement 3 is correct because accountability is triggered after failure for three consecutive quarters.

**Question 17. Answer: (B)** Only 2 and 3

- **Explanation:** Statement 1 is incorrect because Phillips Curve suggests an inverse relationship, not direct. Statement 2 is correct as lower rates boost investment and employment. Statement 3 is correct since stagflation breaks this relationship.

**Question 18. Answer: (C)** Only 1 and 3

- **Explanation:** Statement 1 is correct as food weight in CPI (~45%) is higher than WPI. Statement 2 is incorrect because



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monetary policy cannot fix supply shocks. Statement 3 is correct.

**Question 19. Answer: (D)** 1, 2 and 3

- **Explanation:** Lower inflation raises real interest rates (**Statement 1**). It increases currency's internal value strengthening rupee (**Statement 2**). It creates certainty encouraging private investment (**Statement 3**).

**Question 20. Answer: (C)** Both 1 and 2

- **Explanation:** 'Base Effect' is a statistical phenomenon. If last year's prices were unusually high, current growth appears lower. It affects calculation and is important in economic analysis.

**Question 21. Answer: (B)**

- **Explanation:** 'Policy easing' means reducing interest rates. This is done when there is a 'negative output gap' in the economy (i.e., the economy is producing below its capacity). Lower rates make borrowing cheaper, which encourages aggregate demand and investment.

**Question 22. Answer: (C)** Both 1 and 2

- **Explanation:** Statement 1 is correct because WPI focuses only on prices of goods, whereas CPI includes services such as food, housing, and healthcare. Statement 2 is also correct because WPI reflects the wholesale market level and CPI reflects the final consumer retail level.

**Question 23. Answer: (B)** Only 2 and 3

- **Explanation:** Statement 1 is incorrect because increasing the repo rate is a 'monetary measure', not fiscal. Fiscal measures are undertaken by the government, such as reducing taxes (**excise duty**) or increasing supply (**buffer stock**). Hence statements 2 and 3 fall under fiscal measures.

**Question 24. Answer: (C)** Only 1 and 3

- **Explanation:** Statement 1 is correct because tariffs reduce exports, which may widen the Current Account Deficit (**CAD**). Statement 3 is also correct because trade uncertainty discourages foreign investors (**FDI**). Statement 2 is incorrect because trade diversion is not always beneficial; it often reduces efficiency and raises costs in global trade.

**Question 25. Answer: (B)** Only 1 and 2

- **Explanation:** Statements 1 and 2 are correct. A fall in exports directly reduces the net export component ( $X - M$ ) of GDP ( $C + I + G + (X - M)$ ) and lowers capacity utilization in factories. Statement 3 is incorrect because bodies like ADB analyse geopolitical, social, and monetary indicators in addition to fiscal factors.

**Question 26. Answer: (A)** Only 1 and 2

- **Explanation:** Statement 1 is correct because if imports (such as crude oil) become expensive, the deficit may rise despite export growth. Statement 2 is correct because 'invisibles' like software exports and remittances offset trade deficit. Statement 3 is incorrect because currency depreciation does not bring immediate gains; this is known as the 'J-Curve Effect', where deficit may initially increase.

**Question 27. Answer: (D)** 1, 2 and 3

- **Explanation:** 'External vulnerability' means susceptibility to external shocks. High short-term debt (**Statement 1**), capital outflows due to higher rates abroad (**Statement 2**),

and declining forex reserves (**Statement 3**) all pose serious risks to India's economy.

**Question 28. Answer: (D)** 1, 2 and 3

- **Explanation:** All three are tools of protectionism. Non-tariff barriers include standards and quality requirements (**Statement 1**) and local content rules (**Statement 3**). Anti-dumping duty, though a tax, is used to protect domestic industry.

**Question 29. Answer: (B)** Only 1 and 2

- **Explanation:** Retaliatory tariffs make imported goods costlier (**Statement 1**) and trade disputes between countries increase cases in WTO (**Statement 2**). Statement 3 is incorrect because trade wars create uncertainty leading to currency depreciation rather than permanent appreciation.

**Question 30. Answer: (C)** Both 1 and 2

- **Explanation:** Statement 1 is correct because lower logistics cost makes Indian goods cheaper abroad, offsetting tariff burden. Statement 2 is correct because a higher REER indicates loss of competitiveness and costlier exports.

**Question 31. Answer: (A)**

- **Explanation:** 'Dutch Disease' refers to a situation where heavy foreign exchange inflows from one sector (like natural resources) strengthen domestic currency excessively, causing other manufacturing sectors to lose export competitiveness.

**Question 32. Answer: (B)** Only 1 and 2

- **Explanation:** The primary benefit of FTAs is reducing tariffs (**Statement 1**) and securing mutual trade during uncertain times (**Statement 2**). Statement 3 is incorrect because adopting a common currency is a feature of a 'monetary union', not FTAs.

**Question 33. Answer: (A)** Only 1 and 2

- **Explanation:** Forex reserves help RBI prevent rupee depreciation and enhance India's global credibility. Statement 3 is incorrect because reserves also rise due to foreign investments and external borrowing, not just trade surplus.

**Question 34. Answer: (D)** 1, 2 and 3

- **Explanation:** 'Spillover effects' refer to impact of events in one country on another. Global slowdown reduces service exports (**Statement 1**), cheaper oil lowers CAD (**Statement 2**), and uncertainty may cause capital outflows (**Statement 3**).

**Question 35. Answer: (B)**

- **Explanation:** 'Global monetary divergence' occurs when major central banks adopt different policy directions. For example, if the US raises rates while India lowers them, it is termed divergence.

**Question 36. Answer: (B)** Only 2 and 3

- **Explanation:** Global slowdown contracts trade (**Statement 2**) and makes export-led growth difficult (**Statement 3**). Statement 1 is incorrect because strong domestic demand can allow India to maintain growth despite global slowdown (**decoupling**).



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**Question 37. Answer: (C)** Both 1 and 2

- **Explanation:** Statement 1 is correct because lower rates in developed countries encourage investors to invest in emerging markets like India. Statement 2 is correct because lack of policy clarity creates fear among investors causing market volatility.

**Question 38. Answer: (D)** 1, 2 and 3

- **Explanation:** Geopolitical tensions disrupt supply chains causing inflation (**Statement 1**), create trade blocs causing fragmentation (**Statement 2**), and shift spending from social sectors to defence (**Statement 3**).

**Question 39. Answer: (A)**

- **Explanation:** 'Currency war' or 'race to the bottom' occurs when countries deliberately weaken their currency to make exports cheaper and more competitive globally.

**Question 40. Answer: (A)**

- **Explanation:** 'Soft landing' is the ideal central bank objective — reducing inflation gradually through interest rates without pushing the economy into recession.

**Question 41. Answer: (A)** Only 1 and 2

- **Explanation:** India's "economic resilience" rests on its strong domestic demand (**Domestic Consumption**) and the government's investment in infrastructure (**Capex**). Statement 3 is incorrect because India's current account balance (**CAD**) usually remains in deficit, not surplus; however, this deficit is within manageable limits.

**Question 42. Answer: (A)** Only 1 and 2

- **Explanation:** A reduction in global liquidity means that the availability of dollars in the world has decreased and become more expensive. This makes external borrowing (**ECB**) costlier and investors withdraw dollars, putting pressure on the rupee. Statement 3 is incorrect because reduced liquidity leads to a decline in FI, not an increase.

**Question 43. Answer: (B)**

- **Explanation:** "Slowbalization" refers to the trend where the pace of global trade slows down. Its main cause is trade restrictions and protectionism imposed by nations in the name of "national security" and "self-reliance."

**Question 44. Answer: (A)** Only 1 and 2

- **Explanation:** OMO is a long-term instrument of liquidity management. In "Operation Twist," the RBI purchases long-term securities so that long-term interest rates fall and investment increases (**Statement 2 correct**). Statement 3 is incorrect because the purchase of securities increases liquidity in the market, leading to lower interest rates, not higher.

**Question 45. Answer: (A)** Only 1

- **Explanation:** M1 includes only currency and demand deposits, therefore it is narrow (**Statement 1 correct**). Statement 2 is incorrect because post office deposits are part of M2 and M4, not M3. Statement 3 is incorrect because when CRR increases, banks lend less, causing the money multiplier to decrease, not increase.

**Question 46. Answer: (B)** Only two pairs

- **Explanation:** Pairs 1 and 2 are correctly matched. Treasury bills have maturity of less than 1 year and commercial

papers are unsecured short-term debt. Pair 3 is incorrect because zero coupon bonds can be both short-term (**like T-Bills**) and long-term.

**Question 47. Answer: (D)** 1, 2 and 3

- **Explanation:** All three statements are correct. CBDC is a digital rupee issued by the central bank and is legal tender. Unlike private cryptocurrencies, it is not volatile because it carries sovereign guarantee.

**Question 48. Answer: (A)** Only 1 and 2

- **Explanation:** SEBI is a quasi-judicial body and preventing insider trading is one of its major functions. Statement 3 is incorrect because appeals against SEBI decisions are first made to the Securities Appellate Tribunal (**SAT**), not directly to the Supreme Court.

**Question 49. Answer: (B)**

- **Explanation:** The Capital Adequacy Ratio (**CAR**) acts as a "safety shield" for banks. It ensures that banks maintain sufficient own capital in proportion to risk-weighted assets (**like loans**) so that even in losses they do not become insolvent and depositors' funds remain safe. It is based on Basel standards.

**Question 50. Answer: (C)** 1, 2 and 3

- **Explanation:** All three features of UPI are correct. Technologies like UPI Lite and UPI Lite X enable small-value transactions even without internet (**offline**), which is important for digital financial inclusion.

**Question 51. Answer: (A)**

- **Explanation:** The primary market is where companies raise capital by issuing securities (**such as IPOs**) for the first time. In contrast, the secondary market or stock exchange is where investors trade already issued securities among themselves.

**Question 52. Answer: (C)**

- **Explanation:** The Financial Stability Report (**FSR**) is released twice a year by the Reserve Bank of India (**RBI**). It analyzes the strength of the banking system and risks to the economy.

**Question 53. Answer: (B)**

- **Explanation:** A "Bad Bank" (**such as NARCL**) takes over stressed assets (**NPA**) of banks so that banks can focus on lending. It attempts to recover or sell these assets in the market.

**Question 54. Answer: (A)** Only 1 and 3

- **Explanation:** Statement 1 is correct because domestic borrowing reduces default risk, but excessive government borrowing crowds out private investment. Statement 2 is incorrect because high deficit does not necessarily cause inflation if excess capacity exists. Statement 3 is correct because fiscal slippage harms the country's credibility.

**Question 55. Answer: (B)** Only 1 and 2

- **Explanation:** Statement 1 is correct (**Tax Buoyancy > 1 means tax revenue grows faster than GDP**). Statement 2 is correct because indirect taxes affect rich and poor equally and may increase inequality. Statement 3 is incorrect because tax expenditure refers to revenue foregone due to tax exemptions or concessions.



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**Question 56. Answer: (D)** 1, 2 and 3

- **Explanation:** All three statements are technically correct. Grants given to states for capital creation are treated as revenue expenditure for the Centre. Effective Revenue Deficit subtracts such grants. Recovery of loans reduces financial assets, so it is treated as capital receipt.

**Question 57. Answer: (C)** Both 1 and 2

- **Explanation:** Primary Deficit = Fiscal Deficit – Interest Payments. A low primary deficit indicates current expenditure control while overall deficit reflects past debt burden (**Statement 1**). It is considered the purest measure of fiscal discipline (**Statement 2**).

**Question 58. Answer: (A)** Only 1 and 2

- **Explanation:** The escape clause allows deviation from deficit targets by 0.5% in extraordinary situations (**Statement 1 correct**). FRBM envisages central debt at 40% of GDP (**Statement 2 correct**). Statement 3 is incorrect because a Fiscal Council is not yet constitutionally mandatory.

**Question 59. Answer: (A)** Only 1

- **Explanation:** Spending on education and health is revenue expenditure though it builds human capital (**Statement 1 correct**). Statement 2 is incorrect because subsidies on merit goods aim to generate positive externalities, not merely increase consumption.

**Question 60. Answer: (B)** Only 1 and 3

- **Explanation:** The Finance Commission determines both vertical (**Centre–State**) and horizontal (**inter-state**) distribution (**Statement 1 correct**). The 15th Finance Commission included demographic performance with weight of 12.5% (**Statement 3 correct**). Statement 2 is incorrect because cess and surcharge revenues are not mandatorily shared with states.

**Question 61. Answer: (c)**

- **Explanation:** 'Non-Debt Capital Receipts' include disinvestment and recovery of loans. These are not borrowings for the government, therefore they do not increase the interest burden. They provide funds to the government for investment without taking loans.

**Question 62. Answer: (c)** Both 1 and 2

- **Explanation:** Fiscal Multiplier indicates how much GDP increases when government expenditure increases. Capital expenditure (**road, bridge construction**) provides long-term benefits, hence its multiplier is higher. During recession, when the private sector is sluggish, the impact of government spending (**Multiplier**) becomes even deeper.

**Question 63. Answer: (b)** Only 1 and 3

- **Explanation:** Fiscal Consolidation means reducing deficits permanently. Expanding the tax base and adopting '**Zero-Based Budgeting**' (where every expenditure is justified afresh) are structural reforms. Only cutting development expenditure (**Statement 2**) is a short-term and negative measure that can harm future growth.

**Question 64. Answer: (a)** Only 1 and 2

- **Explanation:** Due to the U.S. blocking appointments, the WTO Appellate Body is currently non-functional. WTO decisions are binding on member countries, therefore Statement 3 is incorrect. If a country violates rules, the affected country

may impose retaliatory tariffs.

**Question 65. Answer: (b)** Only 1 and 2

- **Explanation:** SDR is an artificial currency (**asset**). Its basket includes 5 currencies (**Yuan was included in 2016**). Statement 3 is incorrect because SDR allocation is based on IMF quota of each country, not only trade share.

**Question 66. Answer: (a)** Only 1 and 2

- **Explanation:** In FDI the investor has control and it is considered long-term. In India, a 10% threshold is used to distinguish between FDI and FPI. Statement 3 is incorrect because FPI is called '**hot money**' as investors can withdraw it quickly during instability, whereas FDI is stable.

**Question 67. Answer: (b)**

- **Explanation:** In the World Bank Group, IBRD lends to middle-income countries at market rates, while IDA provides concessional or interest-free loans to the poorest countries. India has graduated from IDA and mainly borrows from IBRD.

**Question 68. Answer: (b)**

- **Explanation:** David Ricardo's '**Theory of Comparative Advantage**' states that if a country can produce a good at lower opportunity cost compared to another country, it should export that good, even if the other country is efficient in producing both goods.

**Question 69. Answer: (b)** Only 1 and 3

- **Explanation:** G20 has no headquarters. The '**Troika**' includes the past, present, and next chair countries (**e.g., Indonesia, India, Brazil**). Statement 3 is correct because the African Union was admitted as a member at the New Delhi Summit (**2023**). Statement 2 is incorrect because G20 also discusses climate, energy, and development issues.

**Question 70. Answer: (b)**

- **Explanation:** These are part of WTO's Agreement on Agriculture:
  1. **Green Box:** Non-trade-distorting subsidies (**e.g., research, environment**).
  2. **Amber Box:** Trade-distorting subsidies (**e.g., MSP**), subject to limits.
  3. **Blue Box:** Amber subsidies with production-limiting conditions.

**Question 71. Answer: (a)** Only 1 and 4

- **Explanation:** Capital account of BoP includes transactions changing assets or liabilities (**foreign loans, investments, banking capital**). Trade in services (**Statement 2**) and remittances/gifts (**Statement 3**) belong to Current Account.

**Question 72. Answer: (c)**

- **Explanation:** '**World Economic Outlook**' is issued by IMF, not WEF. The other three reports (**Gender Gap, Risk Report, Tourism Competitiveness**) are published by WEF.

**Question 73. Answer: (b)**

- **Explanation:** BEPS refers to the OECD-G20 initiative aimed at preventing multinational corporations from shifting profits artificially to tax haven countries to reduce tax liability.

**Question 74. Answer: (b)** Only 2 and 3

- **Explanation:** Statement 1 is incorrect because CACP only



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recommends; announcement is made by the government (CCEA). Statement 2 is correct (A2+FL method). Statement 3 is also correct; for sugarcane FRP is announced instead of MSP and mills must pay it.

**Question 75. Answer: (a)** Only 1 and 3

- **Explanation:** Dependence on moneylenders at high interest rates still causes rural distress (Statement 1). Statement 3 is correct; KCC is multipurpose. Statement 2 is incorrect because PACS mainly provide short-term loans, not long-term.

**Question 76. Answer: (b)** Only 1 and 3

- **Explanation:** e-NAM reduces information asymmetry and creates an 'integrated national market'. Statement 2 is incorrect because it increases competition rather than creating monopoly.

**Question 77. Answer: (B)** Only 1 and 2

- **Explanation:** India and Pakistan joined in 2017 and RATS headquarters is in Tashkent. Statement 3 is incorrect because India never supported China's BRI due to sovereignty concerns (via CPEC).

**Question 78. Answer: (b)** Only 1 and 3

- **Explanation:** Buffer stock is managed by FCI and grains are procured at MSP. Statement 2 is incorrect because a major purpose of buffer stock is also price stabilization.

**Question 79. Answer: (b)**

- **Explanation:** Financial Inclusion means delivering banking services to the last person. Business Correspondent model and rural outlets play the most effective role.

**Question 80. Answer: (a)** Only 1

- **Explanation:** Lorenz Curve shows inequality (Statement 1 correct). Statements 2 and 3 are incorrect because Gini coefficient '0' means perfect equality and '1' means perfect inequality. Higher coefficient implies higher inequality.

**Question 81. Answer: (A)** Only 1 and 2

- **Explanation:** Organic farming reduces dependence on fertilizers and improves soil health. Statement 3 is incorrect because the market price of organic products is generally higher compared to conventional products, as their demand is higher and production cost (due to certification, etc.) may also be higher.

**Question 82. Answer: (B)** Only 2 and 3

- **Explanation:** SWAGAT is a portal of the Government of Gujarat (now widely used) meant for grievance redressal of the general public, not only for FDI investors (therefore statement 1 is incorrect). It has also received recognition from the United Nations for its transparency.

**Question 83. Answer: (C)** Only 1, 2 and 4

- **Explanation:** SEBI has mandated KPIs for transparency and tightened 'price band' rules to prevent price manipulation. Statement 3 is incorrect because the 90-day lock-in period for anchor investors applies only to 50% of shares, not 100%.

**Question 84. Answer: (C)** Only 1, 3 and 4

- **Explanation:** 'Bima Sugam' is a one-stop digital platform. Statement 2 is incorrect because, besides purchasing new

policies, it will also provide facilities for claim settlement and renewal.

**Question 85. Answer: (D)** 1, 2 and 3

- **Explanation:** All three statements are correct. UPS (Unified Pension Scheme) guarantees 50% pension after 25 years of service. OPS was fully non-contributory, whereas NPS is based on market risk.

**Question 86. Answer: (A)** Only 1 and 2

- **Explanation:** Statements 1 and 2 are correct. Statement 3 is incorrect because there is an inverse relationship between interest rates and bond prices. When market interest rates rise, the prices of older bonds (with lower interest) fall.

**Question 87. Answer: (A)** Only 1 and 2

- **Explanation:** NIPL is expanding UPI internationally and Singapore's PayNow was the first partner. Statement 3 is incorrect because UPI is an open-source architecture capable of independently integrating with any modern banking system (e.g., France, UAE).

**Question 88. Answer: (A)** Only 1 and 2

- **Explanation:** No interest is paid on digital rupee (e-Rupee) so that people do not withdraw money from banks and keep it only in wallets (Disintermediation). Statement 3 is incorrect because China has also chosen not to pay interest on its digital currency to maintain banking stability.

**Question 89. Answer: (D)** 1, 2 and 3

- **Explanation:** 'Intermediation cost' is the difference between deposit and lending rates. If banks improve operational efficiency, they can provide cheaper loans. RBI has mandated 'external benchmark' (EBLR) for transparency.

**Question 90. Answer: (A)** Only 1, 2 and 3

- **Explanation:** HDI has three main dimensions (statement 1 correct). IHDI adjusts for inequality (statement 2 correct). According to the 2025 report, India's rank is around 130 (statement 3 correct). Statement 4 is incorrect because HDI values social and health indicators as well, not only economic growth.

**Question 91. Answer: (B)** Only 2 and 3

- **Explanation:** Statement 1 is incorrect because the role of 'Lender of Last Resort' is not limited to commercial banks; in crises the central bank (RBI) may support other financial institutions. Statement 2 is correct as banks create credit, increasing money supply. Statement 3 is correct; 'Narrow Banking' involves investing only in safe government securities to reduce risk.

**Question 92. Answer: (B)** Only 1 and 3

- **Explanation:** Statement 1 is correct (Section 45-ZA of RBI Act). Statement 3 is correct as the Banking Ombudsman resolves customer grievances. Statement 2 is incorrect because MSS is used to absorb excess liquidity, not inject it.

**Question 93. Answer: (B)** Only 2 and 3

- **Explanation:** Statement 1 is incorrect because the Narasimham Committee recommended reduction, not increase, in SLR and CRR. Statements 2 and 3 are correct; Basel norms enhance safety and 'Indradhanush' scheme aimed at reviving public banks.



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**Question 94. Answer: (B)** Only 2 and 3

- **Explanation:** Statement 1 is incorrect because remittances are part of the current account, not capital account. Statement 2 is correct as it balances statistical discrepancies. Statement 3 is correct; profit repatriation is recorded in current account.

**Question 95. Answer: (B)** Only 1 and 2

- **Explanation:** Statement 1 is correct; REER above 100 shows currency overvaluation and export loss. Statement 2 is correct (**NEER + inflation adjustment = REER**). Statement 3 is incorrect because in managed float RBI intervenes to reduce volatility.

**Question 96. Answer: (A)** Only 1 and 2

- **Explanation:** Statements 1 and 2 are correctly matched. Statement 3 is incorrect because currency manipulation usually involves devaluing the currency to make exports cheaper.

**Question 97. Answer: (D)** 1, 2 and 3

- **Explanation:** All three are correct. Without Appropriation Bill funds cannot be withdrawn. Finance Bill deals with taxation. Parliament may reduce or reject demands for grants but cannot increase them.

**Question 98. Answer: (B)** Only 1 and 2

- **Explanation:** Charged expenditure is non-votable (**statement 1 correct**). Salaries of constitutional authorities are included (**statement 2 correct**). Statement 3 incorrect because other expenditures besides debt repayment may also be charged.

**Question 99. Answer: (A)** Only 1 and 2

- **Explanation:** Statement 1 correct (**expansion effective Jan 2024**). Statement 2 correct; NDB headquartered in Shanghai and admits non-BRICS members. Statement 3 incorrect as India supported expansion with conditions.

**Question 100. Answer: (D)** 1, 2 and 3

- **Explanation:** India was first to invoke Peace Clause (**statement 1 correct**). It applies to pre-2013 programs (**statement 2 correct**). Transparency and proof of non-distortion are required (**statement 3 correct**).