

ECONOMY UPSC PRE 2021

1. Consider the following statements:

1. The Governor of the Reserve bank of India (RBI) is appointed by the Central Government.
 2. Certain provisions in the Constitution of India give the Central Government the right to issue directions to the RBI in public interest.
 3. The Governor of the RBI draws his power from the RBI Act. Which of the above statements are correct?
- (a) 1 and 2 only (b) 2 and 3 only
(c) 1 and 3 only (d) 1, 2 and 3

Answer-c

2. Which among the following steps is most likely to be taken at the time of an economic recession?

- (a) Cut in tax rates accompanied by increase in interest rate
- (b) Increase in expenditure on public projects
- (c) Increase in tax rates accompanied by reduction of interest rate.
- (d) Reduction of expenditure on public projects

Answer-b

3. Consider the following statements: Other things remaining unchanged, market demand for a good might increase if

1. price of its substitute increases
 2. price of its complement increases
 3. the good is an inferior good and income of the consumers increases
 4. its price falls
- Which of the above statements are correct?
- (a) 1 and 4 only (b) 2, 3 and 4
(c) 1, 3 and 4 (d) 1, 2 and 3

Answer-a

4. With reference to 'Urban Cooperative banks' in India consider the following statements:

1. They are supervised and regulated by local boards set up by the State Governments.
2. They can issue equity shares and preference shares.
3. They were brought under the purview of the Banking Regulation Act, 1949 through an Amendment in 1966. Which of the statements given above is/are correct?

Answer-d

9. Which one of the following is likely to be the most inflationary in its effects?

- (a) Repayment of public debt
- (b) Borrowing from the public to finance a budget deficit
- (c) Borrowing from the banks to finance a budget deficit
- (d) Creation of new money to finance a budget deficit

Answer-d

10. The money multiplier in an economy increases with which one of the following?

- (a) Increase in the Cash Reserve Ratio in the banks
- (b) Increase in the Statutory Liquidity Ratio in the banks
- (c) Increase in the banking habit of the people
- (d) Increase in the population of the country

Answer-c

11. With reference to Indian economy, demand-pull inflation can be caused/increased by which of the following?

- 1. Expansionary policies
 - 2. Fiscal stimulus
 - 3. Inflation-indexing wages
 - 4. Higher purchasing power
 - 5. Rising interest rates
- Select the correct answer using the code given below.

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

5 Answer-a

12. With reference to India, consider the following statements:

- 1. Retail investors through demat account can invest in 'Treasury Bills' and 'Government of India Debt Bonds' in primary market.
- 2. The 'Negotiated Dealing System-Order Matching' is a government securities trading platform of the Reserve Bank of India.
- 3. The 'Central Depository Services Ltd' is jointly promoted by the Reserve Bank of India and the Bombay Stock Exchange. Which of the statements given above is/are correct?

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

Answer-b

13. With reference to 'Water Credit', consider the following statements:

1. It puts microfinance tools to work in the water and sanitation sector.
 2. It is a global initiative launched under the aegis of the World Health Organization and the World Bank.
 3. It aims to enable the poor people to meet their water need without depending on subsidies.
- Which of the statements given above are correct?

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

Answer-c

14. In India, the central bank's function as the 'lender of last resort' usually refers to which of the following?

1. Lending to trade and industry bodies when they fail to borrow from other sources
 2. Providing liquidity to the banks having a temporary crisis
 3. Lending to governments to finance budgetary deficits
- Select the correct answer using the code given below.

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

Answer-b