



1000+ MCQs ON INDIAN ECONOMY

- ✓ Coverage of entire syllabus of Indian Economy
- ✓ Detailed Error-free Explanations
- ✓ Question Hacks for Strategic Guessing
- ✓ Structured & Systematic Arrangement of Content
- ✓ Practice & Revision-Friendly Book

FOR UPSC CSE & STATE PCS EXAMS

From the Founder's Desk

Dear Aspirants,

We extend our heartfelt gratitude to all of you for the immense support and appreciation we received for our previous publications. Our books have been on the best sellers list for Amazon and Flipkart in the UPSC segment for over a year.

Your encouragement has been a driving force behind our relentless efforts to empower students with quality educational resources. It is with great pleasure and enthusiasm that we present the latest addition to our collection, "Indian Economy 1000+MCQs."

The foundation of this book lies in understanding the concerns aspirants face while preparing for competitive exams, especially in the domain of the Indian Economy. We acknowledge the pivotal role of practicing and comprehending Multiple-Choice Questions (MCQs) in achieving mastery over the subject and excelling in various competitive examinations, including UPSC CSE, State PCS, and other similar exams. However, the availability of reliable and comprehensive MCQ resources remains a challenge for many aspirants.

Special Features of This Book

- **Comprehensive Coverage:** The book encompasses a vast array of topics, ranging from macroeconomics and fiscal policies to financial markets and economic reforms.
- **Error-free Explanations:** Each MCQ is accompanied by a detailed and accurate explanation, ensuring clarity and understanding of the concepts.
- **Relevant and Updated Content:** Our content is up-to-date and relevant, incorporating the latest developments and changes in the Indian Economy.
- **Structured Organization:** The book is thoughtfully divided into sections, enabling easy navigation through different facets of the Indian Economy.
- **Practice and Revision-Friendly:** Our book is designed to aid both practice and revision, facilitating a thorough grasp of essential economic concepts.

As a team, we are committed to providing students with a reliable and authoritative source for their exam preparation. Our aspiration is to make the learning experience seamless, efficient, and effective for every aspiring economist and competitive exam candidate.

We extend our best wishes to all the readers and sincerely hope that "Indian Economy 1000+MCQs" will serve as a valuable asset in your journey towards academic excellence and career success.

Mohit Jindal, IIT-Bombay
Co-Founder, Study IQ Education,
Mentoring UPSC CSE Aspirants for past 8 years

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SAMPLE PAGES

Basics of Economics

1. Which of the following condition has emerged in India as a result of globalization?
 (a) Monopoly market (b) Monopsony market
 (c) Buyer's market (d) Seller's market
2. Which one of the following best describes the 'Veblen effect'?
 (a) Demand for a non-luxury product increases when the price increases
 (b) Demand for a certain good is inversely proportional to the income level of consumers
 (c) Demand for a commodity increases as the number of people buying it increases
 (d) Demand for a luxury product good increases along with price
3. Which of the following are the characteristics of monopolistic competition?
 1. Similar competing products
 2. Products differentiation through pricing and marketing strategies
 3. High barriers to entry
 4. Low demand elasticity
 Select the correct answer using the code given below:
 (a) 1 and 2 only (b) 2 and 3 only
 (c) 3 and 4 only (d) 1 and 4 only
4. Tobin tax, a term commonly seen in news, refers to
 (a) a tax levied on financial institutions on short-term currency transactions
 (b) a tax on a market transaction that creates a negative externality or an additional cost
 (c) a tax levied only on certain products or services that are deemed non-essential
 (d) a tax levied on goods or services that are considered to be harmful or costly to society
5. Under which of the following cases GDP of an India may exceed her GVA?
 1. Subsidies are high and taxes are low
 2. Imports exceeds export
 Select the correct answer using the code given below.
 (a) 1 only (b) 2 only
 (c) Both 1 and 2 (d) Neither 1 nor 2
6. Which of the following statements is/are correct in case of liquidity trap?
 1. Speculative demand for money is infinitely elastic.
 2. Investment in bond increases.
 Select the correct answer using the code given below:
 (a) 1 only (b) 2 only
 (c) Both 1 and 2 (d) Neither 1 nor 2

7. Consider the following pairs:

List-I	List-II
Inventory to be consumed within one year	Current Asset
Patents and copyrights	Tangible Liabilities
Wages Payable but not yet received	Intangible Liabilities
Interest Payable within a year	Short-Term Liabilities

How many pairs given above is/are correct?

- (a) Only one pairs (b) Only two pairs
 (c) Only three pairs (d) All four pairs

8. With reference to the GDP Deflator, consider the following statements:
 1. Changes in consumption patterns or the introduction of goods and services are reflected in the GDP deflator.
 2. It is released every quarter by the Ministry of Statistics and Programme Implementation (MOSPI).
 Which of the above-given statements is/are correct?
 (a) 1 only (b) 2 only
 (c) Both 1 and 2 (d) Neither 1 nor 2
9. Which one of the following conditions normally gives rise to the problem of choice in an economy?
 (a) Too little resources (b) Too many resources
 (c) Too much spending (d) Too little spending
10. 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 increase
 4. its price falls
 How many of the above statements are correct?
 (a) Only one (b) Only two
 (c) Only three (d) All four
11. Consider the following statements:
 1. Dollarisation is converting capital assets into dollars to shore up foreign exchange during recession.
 2. Cryptocurrencies have the potential to be a medium of exchange and replace the rupee in financial transactions.
 Which of the statements given above is/are correct?
 (a) 1 only (b) 2 only
 (c) Both 1 and 2 (d) Neither 1 nor 2

Answer Key: Basics of Economics

1. (c)	2. (d)	3. (a)	4. (a)	5. (d)	6. (a)	7. (b)	8. (c)	9. (a)	10. (b)
11. (b)	12. (d)	13. (c)	14. (b)	15. (c)	16. (b)	17. (c)	18. (c)	19. (b)	20. (a)
21. (b)	22. (a)	23. (d)	24. (a)	25. (d)	26. (b)	27. (d)	28. (a)	29. (c)	30. (a)
31. (a)	32. (a)	33. (a)	34. (d)	35. (a)	36. (a)	37. (a)	38. (a)	39. (d)	40. (b)
41. (a)	42. (b)	43. (c)	44. (d)	45. (a)	46. (b)	47. (a)	48. (b)	49. (c)	50. (b)
51. (b)	52. (b)	53. (c)	54. (a)	55. (b)	56. (c)	57. (a)	58. (c)	59. (c)	60. (b)
61. (b)	62. (a)	63. (b)	64. (c)						



Statement 3 is incorrect: While both WPI and CPI are used to measure inflation in India, many economists consider CPI to be a better indicator of inflation because it measures changes in prices at the consumer level while WPI measures changes at the wholesale level. **WPI uses Financial Year as a reference, CPI uses the calendar year. (The base year for WPI is 2011-12 while the base year for CPI is 2012)**

44. Answer: (c)

Option (c) is correct: The Food and Agriculture Organisation (FAO) Food Price Index (FFPI) is a measure of the monthly change in international prices of a basket of food commodities. It consists of the average of 5 commodity group price indices – cereals, oilseeds, dairy products, meat and sugar – weighted by the average export shares of each of the groups. FAO's food price index (FFPI), which tracks the most globally traded food commodities, averaged 136.3 points in September versus a revised 137.9 for August. The August figure was previously put at 138.0. The index has fallen from a record of 159.7 in March. Despite the new decline, the FFPI remained 5.5 per cent above its value in the corresponding month in 2021.

45. Answer: (b)

Statement 1 and 2 are correct: The Index of Industrial Production (IIP) is an index that indicates the performance of various industrial sectors of the Indian economy. It is a composite indicator of the general level of industrial activity in the economy. **The Quick Estimates of Index of Industrial Production (IIP) are released on 12th of every month (or previous working day if 12th is a holiday) with a six weeks lag and compiled with data received from source agencies, which in turn receive the data from the producing factories/establishments. It is released by Central Statistical Organisation, which operates under the Ministry of Statistics and Programme Implementation (MoSPI).**

Statement 3 is incorrect: The combined Index of Eight Core Industries increased by 0.1 per cent (provisional) in October 2022 as compared to the Index of October 2021. The production of Fertilizers, Steel, Coal and Electricity generation increased in October 2022 over the corresponding month of last year. **The Eight Core Industries comprise 40.27 percent of the weight of items included in the Index of Industrial Production (IIP).** The eight core sector industries in decreasing order of their weightage are- Refinery Products> Electricity> Steel> Coal> Crude Oil> Natural Gas> Cement> Fertilizers.

46. Answer: (a)

Statement 1 is correct: A real interest rate is a lending interest rate that has been adjusted to remove the effects of inflation. It reflects the real cost of funds to a borrower and the real yield to a lender or to an investor.

This interest rate provides insight into the actual return received by a lender or investor after a rate of inflation is acknowledged.

Statement 2 is incorrect: Nominal interest rate is the lending interest rate before taking inflation into account ie. these interest rates do not account for inflation. It can also refer to the advertised or stated interest rate on a loan, without taking into account any fees or compounding of interest. Central banks set short-term nominal interest rates, which form the basis for other interest rates charged by banks and financial institutions.

47. Answer: (a)

Statement 1 is incorrect: The base effect refers to the impact of the rise in the price level in the previous year (i.e. last year's inflation) over the corresponding rise in price levels in the current year (i.e., current inflation). If the price index had risen at a high rate in the corresponding period of the previous year leading to a high inflation rate, some of the potential rise is already factored in, therefore a similar absolute increase in the Price index in the current year will lead to relatively lower inflation rates. On the other hand, if the inflation rate was too low in the corresponding period of the previous year, even a relatively smaller rise in the Price Index will arithmetically give a high rate of current inflation.

Statement 2 is correct: The Economic Survey 2022-23 identifies that the **double-digit Wholesale price inflation** in India in recent times has been **partly due to base effects.**

48. Answer: (c)

Statement 1 is correct: **Producer Price Index (PPI)** measures the average change in the price a producer receives for his goods and services sold in the domestic market and exports. The PPI is a measure of wholesale inflation, while the Consumer Price Index measures the prices paid by consumers.

Statement 2 is correct: **India does not use Producer Price Index for the measure of inflation. The government has set up a working group** under Niti Aayog member Ramesh Chand to revise the current series of Wholesale Price Index (WPI) with base 2011-12 and **devise a new Producer Price Index (PPI).** In contrast to Consumer Price Index (CPI), Producer Price Index measures price changes from the perspective of the seller. Sellers' and purchasers' prices differ due to government subsidies, sales and excise taxes, and distribution costs.

49. Answer: (b)

Statement 1 is incorrect: The Urijit Patel Committee was largely responsible for modifying and enhancing the RBI's Monetary Policy Framework. **It recommended using Consumer Price Index as a means to measure inflation in the country, not the Wholesale Price Index.** It said that "The headline Consumer Price Index (CPI) should be

29. Consider the following statements with reference to the States Taxes:
1. Value added tax (VAT) on petrol is levied by the state.
 2. State legislature can levy tax on the sale of goods taking place outside the state.
- Which of the statements given above is/are correct?
- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2
30. Which of the following are sources of income for a village Panchayat?
1. Devolution of Central funds as per Finance Commission's recommendations
 2. Grants-in-aid to the panchayats from the consolidated fund of the State.
 3. Taxes levied by the Panchayat with permission of the Governor.
- Select the correct answer from the code given below:
- (a) 1 and 2 only (b) 2 and 3 only
(c) 1 and 3 only (d) 1, 2 and 3
31. With reference to the Indian economy, what happens if budget is not passed in the parliament?
- (a) It is sent to the President for his assent.
(b) Government will need to prove majority on the floor.
(c) The budget is presented again in the Parliament.
(d) Finance minister is asked to resign.
32. With reference to the Cess and Surcharge, consider the following statements:
1. Cess is tax additionally levied as a percentage of existing tax amount.
 2. Surcharge is a tax on tax which is not imposed for any specific purpose.
 3. The revenue earned by levy of surcharge is shared between center and States.
- How many of the above statements are correct?
- (a) Only one (b) Only two
(c) All three (d) None
33. With reference to the Public Finance in India, consider the following statements:
1. Both Union and state governments have power to make laws with respect to GST in the course of inter-state trade.
 2. Integrated Goods and Services Tax is levied on all inter-State transactions of taxable goods or services.
- Which of the statements given above is/are correct?
- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2
34. With reference to the Indian economy, consider the following statements:
1. A share of the household financial savings goes towards government borrowings.
 2. Dated securities issued at market-related rates in auctions form a large component of internal debt.
- Which of the above statements is/are correct?
- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2
35. With reference to the Unions right to taxation consider the following statements:
1. Union Government has exclusive powers to impose residuary taxes.
 2. Both Parliament and State Legislatures can make laws governing goods and services tax.
- Which of the statements given above is/are correct?
- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2
36. With reference to the taxes levied by Union, consider the following statements:
1. It has the powers to levy excise duty on opium and narcotics.
 2. It has powers to levy excise duty on medicinal and toilet preparations containing alcohol or narcotic drug.
- Which of the statements given above is/are correct?
- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2
37. Which of the following is not a part of capital expenditure of the government?
- (a) Buy metro coach. (b) Building Railway Bridge.
(c) Loan repayment. (d) Loan interest payment.
38. Which of the following creates a liability or reduces an asset of the government of India?
- (a) Revenue receipts
(b) Capital receipts
(c) Planned Capital Expenditure
(d) Non-debt creating capital receipts
39. Consider the following statements:
1. The Fiscal Responsibility and Budget Management (FRBM) Review Committee Report has recommended a debt-to-GDP ratio of 60% for the general (combined) government by 2023, comprising 40% for the Central Government and 20% for the State Government.
 2. The Central Government has domestic liabilities of 21% of GDP as compared to that of 49% of GDP of the State Governments.
 3. As per the Constitution of India, it is mandatory for a State to take the Central Government's consent for raising any loan if the former owes any outstanding liabilities to the latter.