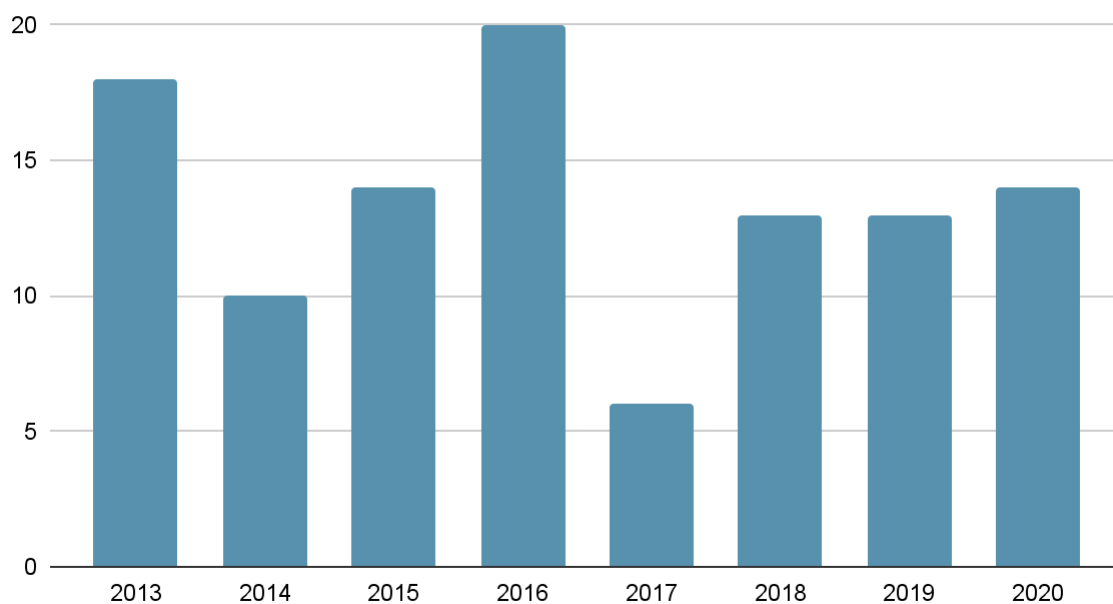


UPSC 2021 Preparation

Year-Wise Economy Questions in IAS Prelims

The IAS Prelims Economy Questions from 2013 to 2020 for [UPSC 2021](#) are given below:

UPSC Prelims Economics Questions



2020 UPSC Prelims Economy Questions

What is the importance of the term “Interest Coverage Ratio” of a firm in India?

- (1) It helps in understanding the present risk of a firm that a bank is going to give a loan to.
- (2) It helps in evaluating the emerging risk of a firm that a bank is going to give a loan to.
- (3) The higher a borrowing firm’s level of Interest Coverage Ratio, the worse is its ability to service its debt.

Select the correct answer using the code given below:

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

Which of the following factors/policies were affecting the price of rice in India in the recent past?

- (1) Minimum Support Price
- (2) Government’s trading
- (3) Government’s stockpiling

(4) Consumer subsidies

Select the correct answer using the code given below:

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

Under the Kisan Credit Card scheme, short-term credit support is given to farmers for which of the following purposes ?

- (1) Working capital for maintenance of farm assets harvesters,
- (2) Purchase of combine tractors and mini trucks requirements of farm
- (3) Consumption households
- (4) Post-harvest expenses
- (5) Construction of family house and setting up of village cold storage facility

Select the correct answer using the code given below:

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

Consider the following statements :

- (1) The weightage of food in Consumer Price Index (CPI) is higher than that in Wholesale Price Index (WPI).
- (2) The WPI does not capture changes in the prices of services, which CPI does.
- (3) The Reserve Bank of India has now adopted WPI as its key measure of inflation and to decide on changing the key policy rates.

Which of the statements given above is/are correct?

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

In India, which of the following can be considered as public investment in agriculture ?

- (1) Fixing Minimum Support Price for agricultural produce of all crops
- (2) Computerization of Primary Agricultural Credit Societies
- (3) Social Capital development
- (4) Free electricity supply to farmers

(5) Waiver of agricultural loans by the banking system
Setting up of cold storage facilities by the governments.

Select the correct answer using the code given below:

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

With reference to the Indian economy, consider the following statements :

- (1) Commercial Paper is a short-term unsecured promissory note.
- (2) Certificate of Deposit is a long-term Instrument issued by RBI to a corporation.
- (3) 'Call Money' is short-term finance used for interbank transactions.
- (4) "Zero-Coupon Bonds' are the interest-bearing short-term bonds issued by the Scheduled Commercial Banks to corporations.

Which of the statements given above is/are correct?

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

With reference to the international trade of India at present, which of the following statements is/are correct?

- (1) India's merchandise exports are less than its merchandise imports.
- (2) India's imports of iron and steel, chemicals, fertilisers and machinery have decreased in recent years.
- (3) India's exports of services are more than its imports of services.
- (4) India suffers from an overall trade/current account deficit.

Select the correct answer using the code given below:

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

In the context of the Indian economy, non-financial debt includes which of the following?

- (1) Housing loans owed by households
- (2) Amounts outstanding on credit cards
- (3) Treasury bills

Select the correct answer using the code given below :

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

With reference to Trade-Related Investment Measures (TRIMS), which of the following statements is/are correct?

- (1) Quantitative restrictions on imports by foreign investors are prohibited.
- (2) They apply to investment measures related to trade in both goods and services.
- (3) They are not concerned with the regulation of foreign investment.

Select the correct answer using the code given below:

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

If the RBI decides to adopt an expansionist monetary policy, which of the following would it not do?

- (1) Cut and optimize the Statutory Liquidity Ratio
- (2) Increase the Marginal Standing Facility Rate
- (3) Cut the Bank Rate and Repo Rate

Select the correct answer using the code given below:

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

With reference to the Indian economy after the 1991 economic liberalization, consider the following statements :

- (1) Worker productivity (Rs per worker at 2004-05 prices) increased in urban areas while it decreased in rural areas.
- (2) The percentage share of rural areas in the workforce steadily increased.
- (3) In rural areas, the growth in the non-farm economy increased.
- (4) The growth rate in rural employment decreased.

Which of the statements given above is/are correct?

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

(d) 1, 2 and 4 only

Consider the following statements:

(1) In terms of short-term credit delivery to the agriculture sector, District Central Cooperative Banks (DCCBs) deliver more credit in comparison to Scheduled Commercial Banks and Regional Rural Banks.

(2) One of the most important functions of DCCBs is to provide funds to the Primary Agricultural Credit Societies.

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

If another global financial crisis happens in the near future, which of the following actions/policies are most likely to give some immunity to India?

(1) Not depending on short-term foreign borrowings

(2) Opening up to more foreign banks

(3) Maintaining full capital account convertibility

Select the correct answer using the code given below :

(a) 1 only

(b) 1 and 2 only

(c) 3 only

(d) 1, 2 and 3

If you withdraw 1,00,000 in cash from your Demand Deposit Account at your bank, the immediate effect on aggregate money supply in the economy will be

(a) to reduce it by 1,00,000

(b) to increase it by 1,00,000

(c) to increase it by more than 1,00,000

(d) to leave it unchanged

Candidates can get the notes on the relevant articles from where the economy questions were asked in IAS Prelims 2020:

[Money Supply in India](#)

[Economic Contagion](#)

[List of Cooperative Banks in India](#)

[Types of Banks in India](#)

[Monetary Policy](#)

[India and WTO](#)

Financial Market	Investment Models
Wholesale Price Index (WPI)	Consumer Price Index (CPI)
Kisan Credit Card Scheme	Economic Survey 2021

2019 IAS Prelims Economy Questions

1. In a given year in India, official poverty lines are higher in some states than in others because
(a) poverty rates vary from State to State

(b) price levels vary from State to State

(c) Gross State Product varies from State to State

(d) quality of public distribution varies from State to State

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

(a) Increase in the cash reserve ratio

(b) Increase in the banking habit of the population

(c) Increase in the statutory liquidity ratio

(d) Increase in the population of the country

3. Consider the following statements:

The Reserve Bank of India's recent directives relating to 'Storage of Payment System Data', popularly known as data diktat, command the payment system providers that

(1) they shall ensure that entire data relating to payment systems operated by them are stored in a system only in India

(2) they shall ensure that the systems are owned and operated by public sector enterprises

(3) they shall submit the consolidated system audit report to the Comptroller and Auditor General of India by the end of the calendar year

Which of the statements given above is/are correct?

(a) 1 only

(b) 1 and 2 only

(c) 3 only

(d) 1, 2 and 3

4. Which one of the following is not the most likely measure the Government/RBI takes to stop the slide of Indian rupee?

(a) Curbing imports of non-essential goods and promoting exports

(b) Encouraging Indian borrowers to issue rupee-denominated Masala Bonds

(c) Easing conditions relating to external commercial borrowing

(d) Following an expansionary monetary policy

5. Consider the following statements

(1) Purchasing Power Parity (PPP) exchange rates are calculated by comparing the prices of the same basket of goods and services in different countries.

(2) In terms of PPP dollars, India is the sixth-largest economy in the world.

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

6. With reference to India's Five-Year Plans, which of the following statements is/are correct?

(1) From the Second Five-Year Plan, there was a determined thrust towards substitution of basic and capital good industries.

(2) The Fourth Five-Year Plan adopted the objective of correcting the earlier trend of increased concentration of wealth and economic power.

(3) In the Fifth Five-Year Plan, for the first time, the financial sector was included as an integral part of the Plan.

Select the correct answer using the code given below.

(a) 1 and 2 only

(b) 2 only

(c) 3 only

(d) 1, 2 and 3

7. Which of the following is issued by registered foreign portfolio investors to overseas investors who want to be part of the Indian stock market without registering themselves directly?

(a) Certificate of Deposit

(b) Commercial Paper

(c) Promissory Note

(d) Participatory Note

8. In the context of India, which of the following factors is/are contributors to reducing the risk of a currency crisis?

(1) The foreign currency earnings of India's IT sector

(2) Increasing the government expenditure

(3) Remittances from Indians abroad

Select the correct answer using the code given below.

(a) 1 only

(b) 1 and 3 only

(c) 2 only

(d) 1, 2 and 3

9. Which of the following is not included in the assets of a commercial bank in India?

(a) Advances

(b) Deposits

(c) Investments

(d). Money at call and short notice

10. Consider the following statements:

(1) Most of India's external debt is owed by governmental entities.

(2) All of India's external debt is denominated in US dollars.

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

11. The economic cost of food grains to the Food Corporation of India is Minimum Support Price and bonus (if any) paid to the farmers plus

(a) transportation cost only

(b) interest cost only

(c) procurement incidentals and distribution cost

(d) procurement incidentals and charges for godowns

12. The Chairman of public sector banks are selected by the

(a) Banks Board Bureau

(b) Reserve Bank of India

(c) Union Ministry of Finance

(d) Management of concerned bank

13. What was the purpose of the Inter Creditor Agreement signed by Indian banks and financial institutions recently?

(a) To lessen the Government of India's perennial burden of fiscal deficit and current account deficit

(b) To support the infrastructure projects of Central and State Governments

(c) To act as independent regulator in case of applications for loans of Rs. 50 crore or more

(d) To aim at faster resolution of stressed assets of Rs. 50 crore or more which are-under consortium lending

Candidates can get the notes on the relevant articles from where the economy questions were asked in IAS Prelims 2019:

Causes of Poverty	GDP of India
Cash Reserve Ratio (CRR)	Statutory Liquidity Ratio (SLR)
Reserve Bank of India (RBI)	Undervaluation of Currency
Difference Between Economic Survey and Union Budget	Economic Planning in India
Food Corporation of India	Bank Board Bureau (BBB)

2018 IAS Prelims Economy Questions

1. Which one of the following best describes the term “Merchant Discount Rate” sometimes seen in the news?

- (a) The incentive given by a bank to a merchant for accepting payments through debit cards pertaining to that bank.
- (b) The amount paid back by banks to their customers when they use debit cards for financial transactions for purchasing goods or services.
- (c) The charge to a merchant by a bank for accepting payments from his customers through the bank’s debit cards.
- (d) The incentive given by the Government, to merchants for promoting digital payments by their customers through Point of Sale (PoS) machines and debit cards.

2. 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 Governments.
- (2) The Central Government has domestic liabilities of 21% of GDP as compared to that of war of GDP of the State 2 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.

Which of the statements given above is/are correct?

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

3. Consider the following statements

- (1) The quantity of imported edible oils is more than the domestic production of edible oils in the last five years.

(2) The Government does not impose any customs duty on all the imported edible oils a special case.

Which of two statements given above is/are correct

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

4. Which one of the following links all the ATMs in India ?

- (a) Indian banks' Association
- (b) National Securities Depository Limited
- (c) National Payments Corporation of India
- (d) Reserve Bank of India

5. Which one of the following statements correctly describes the meaning of legal tender money ?

- (a) The money which is tendered in courts of law to defray the fee of legal cases
- (b) The money which a creditor is under compulsion to accept in settlement of his claims
- (c) The bank money in the form of cheques, drafts, bills of exchange, etc.
- (d) The metallic money in circulation in a country

6. If a commodity is provided free to the public by the Government, then

- (a) the opportunity cost is zero.
- (b) the opportunity cost is ignored.
- (c) the opportunity cost is transferred from the consumers of the product to the tax-paying public.
- (d) the opportunity cost is transferred from the consumers of the product to the Government.

7. Increase in absolute and per capita real GNP do not connote a higher level of economic development, if

- (a) industrial output fails to keep pace with agricultural output.
- (b) agricultural output fails to keep pace with industrial output.
- (c) poverty and unemployment increase.
- (d) imports grow faster than exports.

8. Consider the following statements: Human capital formation as a concept is better explained in terms of a process, which enables

- (1) individuals of a country to accumulate more capital.
- (2) increasing the knowledge, skill levels and capacities of the people of the country.
- (3) accumulation of tangible wealth.
- (4) accumulation of intangible wealth.

Which of the statements given above is/are correct?

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

9. Despite being a high saving economy, capital formation may not result in significant increase in output due to

- (a) weak administrative machinery
- (b) illiteracy
- (c) high population density
- (d) high capital-output ratio

10. Consider the following statements:

- (1) The Reserve Bank of India manages and services Government of India Securities but not any State Government Securities.
- (2) Treasury bills are issued by the Government of India and there are no treasury bills issued by the State Governments.
- (3) Treasury bills offered are issued at a discount from the par value.

Which of the statements given above is/are correct?

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

11. Consider the following statements:

- (1) Capital Adequacy Ratio (CAR) is the amount that banks have to maintain in the form of their own funds to offset any loss that banks incur if the account-holders fail to repay dues.
- (2) CAR is decided by each individual bank.

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

12. With reference to digital payments, consider the following statements:

- (1) BHIM app allows the user to transfer money to anyone with a UPI-enabled bank account.

(2) While a chip-pin debit card has four factors of authentication, BHIM app has only two factors of authentication.

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

13. With reference to the governance of public sector banking in India, consider the following statements

(1) Capital infusion into public sector banks by the Government of India has steadily increased in the last decade.

(2) To put the public sector banks in order, the merger of associate banks with the parent State Bank of India has been affected.

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

Candidates can get the notes on the relevant articles from where the economy questions were asked in IAS Prelims 2018:

Cashless Economy in India	Fiscal Responsibility and Budget Management (FRBM)
NK Singh Committee	National Payments Corporation of India (NPCI)
Types of Monetary System	SEBI
Treasury Bill	Capital Adequacy Ratio (CAR)
Bharat Interface for Money (BHIM)	

2017 IAS Prelims Economy Questions

1. With reference to 'National Investment and Infrastructure Fund', which of the following statements is/are correct?

- (1) It is an organ of NITI Aayog.
- (2) It has a corpus of Rs. 4, 00,000 crore at present.

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

2. What is/are the most likely advantages of implementing 'Goods and Services Tax (GST)'?

(1) It will replace multiple taxes collected by multiple authorities and will thus create a single market in India.

(2) It will drastically reduce the 'Current Account Deficit' of India and will enable it to increase its foreign exchange reserves.

(3) It will enormously increase the growth and size of the economy of India and will enable it to overtake China in the near future.

Select the correct answer using the code given below:

(a) 1 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

3. Consider the following statements :

(1) Tax revenue as a percent of GDP of India has steadily increased in the last decade.

(2) Fiscal deficit as a percent of GDP of India has steadily increased in the last decade.

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

4. What is the purpose of setting up Small Finance Banks (SFBs) in India?

(1) To supply credit to small business units

(2) To supply credit to small and marginal farmers

(3) To encourage young entrepreneurs to set up business particularly in rural areas.

Select the correct answer using the code given below:

(a) 1 and 2 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

5. Which of the following is the most likely consequence of implementing the 'Unified Payments Interface (UPI)'?

(a) Mobile wallets will not be necessary for online payments.

(b) Digital currency will totally replace the physical currency in about two decades.

- (c) FDI inflows will drastically increase.
- (d) Direct transfer of subsidies to poor people will become very effective.
6. Which of the following statements is/are correct regarding the Monetary Policy Committee (MPC)?
- (1) It decides the RBI's benchmark interest rates.
- (2) It is a 12-member body including the Governor of RBI and is reconstituted every year.
- (3) It functions under the chairmanship of the Union Finance Minister.

Select the correct answer using the code given below :

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

Candidates can get the notes on the relevant articles from where the economy questions were asked in IAS Prelims 2017:

National Investment and Infrastructure Fund (NIIF)	GST
Fiscal Deficit	Tax and Non-Tax Revenue
Small Finance Banks	Unified Payments Interface (UPI)
Monetary Policy Committee (MPC)	RBI Governors List

IAS Prelims Economy Questions 2016

1. The term 'Core Banking Solutions' is sometimes seen in the news. Which of the following statements best describes/describe this term?

- (1) It is a networking of a bank's branches that enables customers to operate their accounts from any branch of the bank on its network regardless of where they open their accounts.
- (2) It is an effort to increase RBI's control over commercial banks through computerization.
- (3) It is a detailed procedure by which a bank with huge non-performing assets is taken over by another bank.

Select the correct answer using the code given below.

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

2. With reference to pre-packaged items in India, it is mandatory to the manufacturer to put which of the following information on the main label, as per the Food Safety and Standards (Packaging and Labelling) Regulations, 2011?

- (1) List of ingredients including additives
- (2) Nutrition information
- (3) Recommendations, if any, made by the medical profession about the possibility of any allergic reactions
- (4) Vegetarian/non-vegetarian

Select the correct answer using the code given below.

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

3. India's ranking in the 'Ease of Doing Business Index' is sometimes seen in the news. Which of the following has declared that ranking?

- (a) Organization for Economic Cooperation and Development (OECD)
- (b) World Economic Forum
- (c) World Bank
- (d) World Trade Organization (WTO)

4. What is/are the purpose/purposes of the 'Marginal Cost of Funds based Lending Rate (MCLR)' announced by RBI?

- (1) These guidelines help improve the transparency in the methodology followed by banks for determining the interest rates on advances.
- (2) These guidelines help ensure availability of bank credit at interest rates which are fair to the borrowers as well as the banks.

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

5. With reference to 'Financial Stability and Development Council', consider the following statements :

- (1) It is an organ of NITI Aayog.
- (2) It is headed by the Union Finance Minister.
- (3) It monitors macroprudential supervision of the economy.

Which of the statements given above is/are correct?

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

(d) 1, 2 and 3

6. The term 'Base Erosion and Profit Shifting' is sometimes seen in the news in the context of

- (a) mining operation by multinational companies in resource-rich but backward areas
- (b) curbing of the tax evasion by multinational companies
- (c) exploitation of genetic resources of a country by multinational companies
- (d) lack of consideration of environmental costs in the planning and implementation of developmental projects

7. Recently, India's first 'National Investment and Manufacturing Zone' was proposed to be set up in [From Current Affairs of 2015-16]

- (a) Andhra Pradesh
- (b) Gujarat
- (c) Maharashtra
- (d) Uttar Pradesh

8. With reference to 'Bitcoins', sometimes seen in the news, which of the following statements is/are correct?

- (1) Bitcoins are tracked by the Central Banks of the countries.
- (2) Anyone with a Bitcoin address can send and receive Bitcoins from anyone else with a Bitcoin address.
- (3) Online payments can be sent without either side knowing the identity of the other.

Select the correct answer using the code given below.

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

9. What is/are the purpose/purposes of the Government's 'Sovereign Gold Bond Scheme' and 'Gold Monetization Scheme'?

- (1) To bring the idle gold lying with Indian households into the economy
- (2) To promote FDI in the gold and jewellery sector
- (3) To reduce India's dependence on gold imports

Select the correct answer using the code given below.

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

10. 'Global Financial Stability Report' is prepared by the

- (a) European Central Bank

- (b) International Monetary Fund
- (c) International Bank for Reconstruction and Development
- (d) Organization for Economic Cooperation and Development

11. The term 'Regional Comprehensive Economic Partnership' often appears in the news in the context of the affairs of a group of countries known as

- (a) G20
- (b) ASEAN
- (c) SCO
- (d) SAARC

12. On which of the following can you find the Bureau of Energy Efficiency Star Label?

- (1) Ceiling fans
- (2) Electric geysers
- (3) Tubular fluorescent lamps

Select the correct answer using the code given below.

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

13. 'European Stability Mechanism', sometimes seen in the news, is an

- (a) agency created by EU to deal with the impact of millions of refugees arriving from Middle East
- (b) agency of EU that provides financial assistance to eurozone countries
- (c) agency of EU to deal with all the bilateral and multilateral agreements on trade
- (d) agency of EU to deal with the conflicts arising among the member countries

14. There has been a persistent deficit budget year after year. Which action/actions of the following can be taken by the Government to reduce the deficit?

- (1) Reducing revenue expenditure
- (2) Introducing new welfare schemes
- (3) Rationalizing subsidies
- (4) Reducing import duty

Select the correct answer using the code given below.

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

(d) 1, 2, 3 and 4

15. The establishment of 'Payment Banks' is being allowed in India to promote financial inclusion. Which of the following statements is/are correct in this context?

(1) Mobile telephone companies and supermarket chains that are owned and controlled by residents are eligible to be promoters of Payment Banks.

(2) Payment Banks can issue both credit cards and debit cards.

(3) Payment Banks cannot undertake lending activities.

Select the correct answer using the code given below.

(a) 1 and 2 only

(b) 1 and 3 only

(c) 2 only

(d) 1, 2 and 3

16. With reference to 'IFC Masala Bonds', sometimes seen in the news, which of the statements given below is/are correct?

(1) The International Finance Corporation, which offers these bonds, is an arm of the World Bank.

(2) They are the rupee-denominated bonds and are a source of debt financing for the public and private sector.

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

17. Which of the following is/are included in the capital budget of the Government of India?

(1) Expenditure on acquisition of assets like roads, buildings, machinery, etc.

(2) Loans received from foreign governments

(3) Loans and advances granted to the States and Union Territories

Select the correct answer using the code given below.

(a) 1 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

18. Recently, which one of the following currencies has been proposed to be added to the basket of the IMF's SDR? [From Current Affairs 2015-16]

(a) Rouble

- (b) Rand
- (c) Indian Rupee
- (d) Renminbi

19. With reference to the International Monetary and Financial Committee (IMFC), consider the following statements :

- (1) IMFC discusses matters of concern affecting the global economy and advises the International Monetary Fund (IMF) on the direction of its work.
- (2) The World Bank participates as an observer in IMFC's meetings.

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

20. Which of the following best describes the term 'import cover', sometimes seen in the news?

- (a) It is the ratio of value of imports to the Gross Domestic Product of a country
- (b) It is the total value of imports of a country in a year
- (c) It is the ratio between the value of exports and that of imports between two countries
- (d) It is the number of months of imports that could be paid for by a country's international reserves

Candidates can get the notes on the relevant articles from where the economy questions were asked in IAS Prelims 2016:

Functions of Bank	Non-Performing Assets (NPAs)
FSSAI	Ease of Doing Business Report
World Bank	WTO
Niti Aayog	Financial Stability And Development Council
Special Drawing Rights (SDR)	Base Erosion and Profit Sharing
Bitcoin	Sovereign Gold Bond Scheme
Global Financial Stability Report	ASEAN
Payment Banks	Masala Bonds
International Monetary Fund (IMF)	–

IAS Prelims Economy Questions 2015

1. 'Basel III Accord' or simply 'Basel III', often seen in the news, seeks to
 - (a) develop national strategies for the conservation and sustainable use of biological diversity
 - (b) improve banking sector's ability to deal with financial and economic stress and improve risk management
 - (c) reduce the greenhouse gas emissions but places a heavier burden on developed countries
 - (d) transfer technology from developed countries to poor countries to enable them to replace the use of chlorofluorocarbons in refrigeration with harmless chemicals
2. With reference to the Indian economy, consider the following statements:
 - (1) The rate of growth of Real Gross Domestic Product has steadily increased in the last decade.
 - (2) The Gross Domestic Product at market prices (in rupees) has steadily increased in the last decade.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
3. With reference to the Indian economy, consider the following
 - (1) Bank rate
 - (2) Open market operations
 - (3) Public debt
 - (4) Public revenueWhich of the above is/are component/ components of Monetary Policy?
 - (a) 1 only
 - (b) 2, 3 and 4
 - (c) 1 and 2
 - (d) 1, 3 and 4
4. With reference to inflation in India, which of the following statements is correct?
 - (a) Controlling the inflation in India is the responsibility of the Government of India only
 - (b) The Reserve Bank of India has no role in controlling the inflation
 - (c) Decreased money circulation helps in controlling the inflation
 - (d) Increased money circulation helps in controlling the inflation
5. The problem of international liquidity is related to the non-availability of
 - (a) goods and services
 - (b) gold and silver
 - (c) dollars and other hard currencies

(d) exportable surplus

6. There has been a persistent deficit budget year after year. Which of the following actions can be taken by the government to reduce the deficit?

- (1) Reducing revenue expenditure
- (2) Introducing new welfare schemes
- (3) Rationalizing subsidies
- (4) Expanding industries

Select the correct answer using the code given below.

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

7. A decrease in tax to GDP ratio of a country indicates which of the following?

- (1) Slowing economic growth rate
- (2) Less equitable distribution of national income

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

8. In the 'Index of Eight Core Industries', which one of the following is given the highest weight?

- (a) Coal production
- (b) Electricity generation
- (c) Fertilizer production
- (d) Steel production

9. The Fair and Remunerative Price (FRP) of sugarcane is approved by the

- (a) Cabinet Committee on Economic Affairs
- (b) Commission for Agricultural Costs and Prices
- (c) Directorate of Marketing and Inspection, Ministry of Agriculture
- (d) Agricultural Produce Market Committee

10. Which one of the following issues the 'Global Economic Prospects' report periodically?

- (a) The Asian Development Bank
- (b) The European Bank for Reconstruction and Development

(c) The US Federal Reserve Bank

(d) The World Bank

11. When the Reserve Bank of India reduces the Statutory Liquidity Ratio by 50 basis points, which of the following is likely to happen?

(a) India's GDP growth rate increases drastically

(b) Foreign Institutional Investors may bring more capital into our country

(c) Scheduled Commercial Banks may cut their lending rates

(d) It may drastically reduce the liquidity to the banking system

12. In India, markets in agricultural products are regulated under the

(a) Essential Commodities Act, 1955

(b) Agricultural Produce Market Committee Act enacted by States

(c) Agricultural Produce (Grading and Marking) Act, 1937

(d) Food Products Order, 1956 and Meat and Food Products Order, 1973

13. Which of the following brings out the 'Consumer Price Index Number for Industrial Workers'?

(a) The Reserve Bank of India

(b) The Department of Economic Affairs

(c) The Labour Bureau

(d) The Department of Personnel and Training

14. Convertibility of rupee implies

(a) being able to convert rupee notes into gold

(b) allowing the value of the rupee to be fixed by market forces

(c) freely permitting the conversion of rupee to other currencies and vice versa

(d) developing an international market for currencies in India

Candidates can get the notes on the relevant articles from where the economy questions were asked in IAS Prelims 2015:

Basel-III Norms	Bank Rate
Open Market Operations (OMOs)	Important Economic Terms related to Union Budget
Debt-to-GDP Ratio	Index of Eight Core Industries
MSP	Essential Commodities Act

IAS Prelims Economy Questions 2014

1. The sales tax you pay while purchasing a toothpaste is a

- (a) tax imposed by the Central Government
 - (b) tax imposed by the Central Government but collected by the State Government
 - (c) tax imposed by the State Government but collected by the Central Government
 - (d) tax imposed and collected by the State Government
2. What does venture capital mean?
- (a) A short-term capital provided to industries
 - (b) A long-term start-up capital provided to new entrepreneurs
 - (c) Funds provided to industries at times of incurring losses
 - (d) Funds provided for replacement and renovation of industries
3. The main objective of the 12th Five-Year Plan is
- (a) inclusive growth and poverty reductions
 - (b) inclusive and sustainable growth
 - (c) sustainable and inclusive growth to reduce unemployment
 - (d) faster, sustainable and more inclusive growth.
4. With reference to Balance of Payments, which of the following constitutes/constitute the Current Account?
- (1) Balance of trade
 - (2) Foreign assets
 - (3) Balance of invisibles
 - (4) Special Drawing Rights
- Select the correct answer using the code given below.
- (a) 1 only
 - (b) 2 and 3
 - (c) 1 and 3
 - (d) 1, 2 and 4
5. The terms 'Marginal Standing Facility Rate' and 'Net Demand and Time Liabilities', sometimes appearing in news, are used in relation to
- (a) banking operations
 - (b) communication networking
 - (e) military strategies
 - (d) supply and demand of agricultural products
6. What is/are the facility/facilities the beneficiaries can get from the services of Business Correspondent (Bank Saathi) in branchless areas?
- (1) It enables the beneficiaries to draw their subsidies and social security benefits in their villages.

(2) It enables the beneficiaries in the rural areas to make deposits and withdrawals.

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. In the context of Indian economy; which of the following is/are the purpose/purposes of 'Statutory Reserve Requirements'?

- (1) To enable the Central Bank to control the amount of advances the banks can create
- (2) To make the people's deposits with banks safe and liquid
- (3) To prevent the commercial banks from making excessive profits
- (4) To force the banks to have sufficient vault cash to meet their day-to-day requirements

Select the correct answer using the code given below.

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

8. If the interest rate is decreased in an economy, it will

- (a) decrease the consumption expenditure in the economy
- (b) increase the tax collection of the Government
- (c) increase the investment expenditure in the economy
- (d) increase the total savings in the economy

9. Which of the following organizations brings out the publication known as 'World Economic Outlook'?

- (a) The International Monetary Fund
- (b) The United Nations Development Programme
- (c) The World Economic Forum
- (d) The World Bank

10. With reference to Union Budget, which of the following is/are covered under Non-Plan Expenditure?

- (1) Defence expenditure
- (2) Interest payments
- (3) Salaries and pensions
- (4) Subsidies,

Select the correct answer using the code given below.

- (a) 1 only
- (b) 2 and 3 only
- (c) 1, 2, 3 and 4
- (d) None

Candidates can get the notes on the relevant articles from where the economy questions were asked in IAS Prelims 2014:

[Taxation in India](#)

[Venture Capital](#)

[Balance of Payments](#)

[Banking Correspondents in India – Bank Saathi](#)

[World Economic Outlook](#)

IAS Prelims Economy Questions 2013

1. The balance of payments of a country is a systematic record of
 - (a) all import and transactions of a during a given period normally a year
 - (b) goods exported from a country during a year
 - (c) economic transaction between the government of one country to another
 - (d) capital movements from one country to another
2. The Reserve Bank of India regulates the commercial banks in matters of
 - (1) liquidity of assets
 - (2) branch expansion
 - (3) merger of banks
 - (4) winding-up of banks

Select the correct answer using the codes given below.

 - (a) 1 and 4 only
 - (b) 2, 3 and 4 only
 - (c) 1, 2 and 3 only
 - (d) 1, 2, 3 and 4
3. An increase in the Bank Rate generally indicates that the
 - (a) market rate of interest is likely to fall
 - (b) Central Bank is no longer making loans to commercial banks
 - (c) Central Bank is following an easy money policy
 - (d) Central Bank is following a tight money policy
4. In India, deficit financing is used for raising resources for
 - (a) economic development

- (b) redemption of public debt
- (c) adjusting the balance of payments
- (d) reducing the foreign debt

5. Which of the following constitute Capital Account?

- (1) Foreign Loans
- (2) Foreign Direct Investment
- (3) Private Remittances
- (4) Portfolio Investment

Select the correct answer using the codes given below.

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

6. Consider the following statements :

- (1) Inflation benefits the debtors.
- (2) Inflation benefits the bond-holders.

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

7. Disguised unemployment generally means

- (a) large number of people remain unemployed
- (b) alternative employment is not available
- (c) marginal productivity of labour is zero
- (d) productivity of workers is low

8. Consider the following liquid assets:

- (1) Demand deposits with the banks
- (2) Time deposits with the banks
- (3) Savings deposits with the banks
- (4) Currency

The correct sequence of these decreasing order of Liquidity is

- (a) 1-4-3-2

(b) 4-3-2-1

(c) 2-3-1-4

(d) 4-1-3-2

9. In the context of Indian economy, Open Market Operations' refers to

- (a) borrowing by scheduled banks from the RBI
- (b) lending by commercial banks to industry and trade
- (c) purchase and sale of government securities by the RBI
- (d) None of the above

10. Priority Sector Lending by banks in India constitutes the lending to

- (a) agriculture
- (b) micro and small enterprises
- (c) weaker sections
- (d) All of the above

11. To obtain full benefits of demographic dividend, what should India do?

- (a) Promoting skill development
- (b) Introducing more social security schemes
- (c) Reducing infant mortality rate
- (d) Privatization of higher education

12. A rise in general level of prices may be caused by

- (1) an increase in the money supply
- (2) a decrease in the aggregate level of output
- (3) an increase in the effective demand

Select the correct answer using the codes given below.

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

13. Which one of the following groups of items is included in India's foreign-exchange reserves?

- (a) Foreign-currency assets, Special Drawing Rights (SDRs) and loans from foreign countries
- (b) Foreign-currency assets, gold holdings of the RBI and SDRs
- (c) Foreign-currency assets, loans from the World Bank and SDRs
- (d) Foreign-currency assets, gold holdings of the RBI and loans from the World Bank

14. Which one of the following is likely to be the most inflationary in its effect?

- (a) Repayment of public debt
(b) Borrowing from the public to finance a budget deficit
(c) Borrowing from banks to finance a budget deficit
(d) Creating new money to finance a budget deficit
15. Supply of money remaining the same when there is an increase in demand for money, there will be
(a) a fall in the level of prices
(b) an increase in the rate of interest
(c) a decrease in the rate of interest
(d) an increase in the level of income and employment
16. Economic growth in country X will necessarily have to occur if
(a) there is technical progress in the world economy
(b) there is population growth in X
(c) there is capital formation in X
(d) the volume of trade grows in the world economy
17. The national income of a country for a given period is equal to the
(a) total value of goods and services produced by the nationals
(b) sum of total consumption and investment expenditure
(c) sum of personal income of all individuals
(d) money value of final goods and services produced
18. Which of the following grants/ grant direct credit assistance to rural households?
(1) Regional Rural Banks
(2) National Bank for Agriculture and Rural Development
(3) Land Development Banks
- Select the correct answer using the codes given below:
(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

Candidates can get the notes on the relevant articles from where the economy questions were asked in IAS Prelims 2013:

[Economic Growth and Development](#)

[Inflation in Economy](#)

[Regional Rural Banks in India](#)

[National Income](#)

Unemployment in India	NABARD
Demographic Dividend	Forex Reserve

UPSC Prelims Economy Answers [2013-2020]

The answers to UPSC Economy Questions asked in Prelims from the year 2013 to 2020 are given in the tables below:

UPSC Prelims 2020 Economy Answers	
1. C	8. D
2. D	9. C
3. B	10. B
4. A	11. B
5. C	12. B
6. C	13. A
7. D	14. C
UPSC Prelims 2019 Economy Answers	
1. B	8. B
2. B	9. B
3. A	10. D
4. D	11. C
5. A	12. A
6. A	13. D
7. D	
UPSC Prelims 2018 Economy Answers	

1. C	8. B
2. C	9. D
3. A	10. C
4. C	11. A
5. B	12. A
6. D	13. C
7. C	

UPSC Prelims 2017 Economy Answers

1. D	4. A
2. A	5. A
3. D	6. A

UPSC Prelims 2016 Economy Answers

1. A	11. B
2. C	12. D
3. C	13. B
4. C	14. C
5. C	15. B
6. B	16. C
7. A	17. D
8. B	18. D
9. C	19. C
10. B	20. D

UPSC Prelims 2015 Economy Answers

1. B	8. B
2. C	9. A
3. C	10. D
4. C	11. C
5. C	12. B
6. A	13. C
7. B	14. C

UPSC Prelims 2014 Economy Answers

1. D	6. C
2. B	7. A
3. D	8. C
4. C	9. A
5. A	10. C

UPSC Prelims 2013 Economy Answers

1. A	10. D
2. D	11. A
3. D	12. D
4. A	13. B
5. D	14. D
6. A	15. B
7. C	16. C

8. D	17. A
9. C	18. C

