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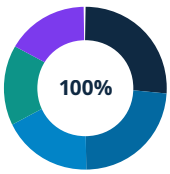
IUC ACADEMY NOTES

Complete Syllabus • Conceptual Flowcharts • Comparative Tables • Solved Practice Questions

INDIAN ECONOMY, FISCAL-MONETARY POLICY & DEVELOPMENT — NOTES

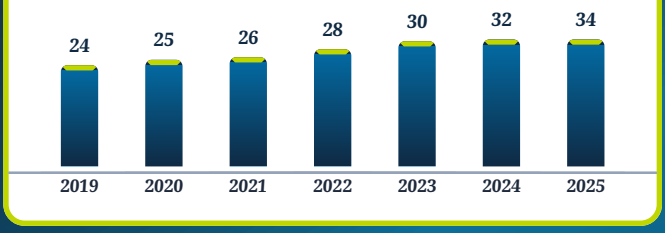
National Income Accounting, RBI Monetary Policy, Banking Reforms, Union Budget & Taxation (GST), FRBM Act, Agriculture & MSP, External Sector (BoP), NITI Aayog & Economic Survey

Topic-Wise Exam Weightage Distribution (%)



Money	26%
Public Finance	24%
National Income	18%
External Sector	16%
Agriculture	16%

Previous Years' Question Trend Analysis



Target Competitive, Entrance & Departmental Examinations

UPSC CSE • State PCS • RBI Grade B • IBPS/SBI PO • SSC CGL/CHSL • UPSC EPFO • NABARD • UGC-NET

Core Syllabus Pillars & Exam Question Weightage (%)

- Money, Banking, RBI Monetary Policy (Repo, SDF, CRR, SLR) & Inflation (26%)
- Public Finance, Union Budget Deficits, FRBM Act & GST Architecture (24%)
- National Income Accounting (GDP, GVA, NNP), Poverty & Unemployment (18%)
- External Sector: Balance of Payments (BoP), Forex, WTO, IMF & World Bank (16%)
- Agriculture (MSP, PDS, e-NAM), Industrial Policy, PLI & Infrastructure (16%)

Complete Theory
NCERT & Official Sources

Visual Flowcharts
Comparative Matrices

Memory Tricks
Exam Trap Alerts

75+ Solved MCQs
One-Liner Capsules

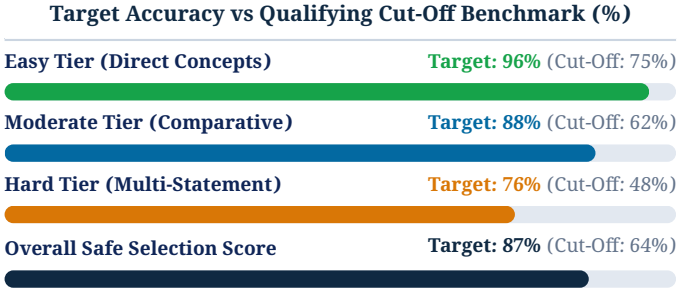
Preface, Exam Weightage Dashboard & Study Strategy — INDIAN ECONOMY, FISCAL-MONETARY POLICY & DEVELOPMENT — NOTES

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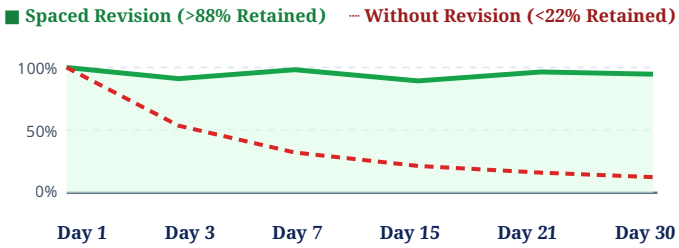
Dear Aspirants,

Modern competitive, entrance, and departmental promotion examinations demand a combination of deep conceptual clarity, statutory precision, and rapid revision tools. Prepared by **Inclusive Universal Careers Academy (IUC Academy — www.iucacademy.com)**, these comprehensive English-medium study notes integrate **structured chapter theory, 4-node conceptual process flowcharts, multi-column comparative tables, inline mathematical/scientific formulas, 'Did You Know?' boxes, 'Exam Trap Alert' callouts, 'Memory Trick' mnemonics, Chapter-End Analytical Synthesis Matrices, 75+ Step-by-Step Solved MCQs, and Rapid-Fire One-Liner Revision Capsules**.

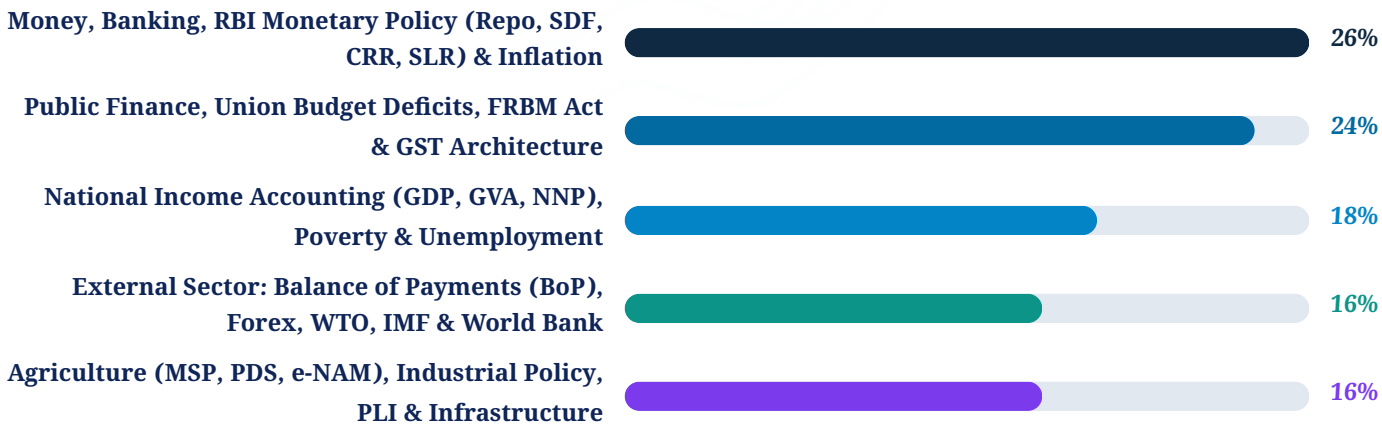
Target Accuracy vs Qualifying Cut-Off Benchmark (%)



Spaced Revision (1-3-7-21 Day Rule) & Retention Curve



Topic-Wise Exam Question Weightage Index (%)



Verified Official Curriculum & Statutory Reference Portals

- Reserve Bank of India (RBI) (https://www.rbi.org.in/)
- Union Budget & Economic Survey Portal (https://www.indiabudget.gov.in/)
- IUC Academy Official Portal (https://www.iucacademy.com)

Detailed Table of Contents & Chapter Architecture

INDIAN ECONOMY, FISCAL-MONETARY POLICY & DEVELOPMENT — NOTES • Complete Chapters, Comparative Matrices, Solved MCQs & Rapid Revision

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- 1.1 Concepts of National Income: GDP, GNP, NDP, NNP, GVA & Per Capita Income
- 1.2 Nominal vs. Real GDP, GDP Deflator, ICOR & Global Development Indices

2. Chapter 2: Reserve Bank of India (RBI), Monetary Policy Committee, Money Supply & Inflation Dynamics

- 2.1 Reserve Bank of India (RBI) & Statutory Monetary Policy Framework
- 2.2 Quantitative and Qualitative Instruments of Monetary Policy & Money Supply Aggregates

3. Chapter 3: Indian Banking System, Basel-III Norms, NPAs, Priority Sector Lending & Financial Market Regulators

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- 6.2 Poverty Estimation Committees & Typology of Unemployment in India

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- 8.1 Industrial Policy Evolution, Maharatna/Navratna CPSEs & Revised MSME Classification
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9. Solved Exam Practice Questions (MCQs)

10. Extended Comparative & Analytical Practice Set (Questions 36–75)

11. Rapid-Fire Last-Minute One-Liner Revision Capsule

Study Module Portal: IUC Academy Indian Economy Study Module | **Primary Official References:** Reserve Bank of India (RBI) | Union Budget & Economic Survey Official Portal

Chapter 1: National Income Accounting, GDP, GVA, Economic Growth vs. Development & Human Development Indices

Chapter Key Study Pillars — Chapter 1: National Income Accounting, GDP, GVA, Economic Growth vs. Development & Human Development Indices

Key Study Pillar 1
Concepts of National Income: GDP, GNP, NDP, NNP, GVA & Per Capita Income

Key Study Pillar 2
Nominal vs. Real GDP, GDP Deflator, ICOR & Global Development Indices

1.1 Concepts of National Income: GDP, GNP, NDP, NNP, GVA & Per Capita Income

• **Historical Pioneer Estimates in India: Dadabhai Naoroji** prepared the first scientific estimate of India's National Income and Per Capita Income (₹20 per annum) for the year **1867–68** in his classic work *Poverty and Un-British Rule in India* (propounding the **Drain of Wealth Theory**). Later, **Prof. V.K.R.V. Rao** conducted the first scientific methodological accounting of National Income in **1931–32** (estimating Per Capita Income at ₹62), and post-independence, the Government of India appointed the **National Income Committee in 1949** chaired by **Prof. P.C. Mahalanobis** (with D.R. Gadgil and V.K.R.V. Rao as members), leading to the establishment of the **Central Statistical Organisation (CSO)** in 1951 (merged with NSSO in **May 2019** to form the **National Statistical Office — NSO** under the Ministry of Statistics and Programme Implementation) (Union Budget & Economic Survey).

• **Core Macroeconomic Aggregates & Identities:**

• **Gross Domestic Product (GDP):** Total monetary value of all **final goods and services** produced **within the domestic territory** of a country (by both residents and non-residents) during a financial year (April 1 to March 31).

• **Gross National Product (GNP):** GNP = GDP + Net Factor Income from Abroad (NFIA), where $NFIA = (Factor income earned by Indian residents from rest of the world) - (Factor income earned by non-residents within India)$. For India, since net factor outflow exceeds inflow, **NFIA is negative**, making GDP > GNP.

• **Net Domestic Product (NDP) & Net National Product (NNP):** Obtained by subtracting **Depreciation (Consumption of Fixed Capital)**: NDP = GDP - Depreciation and NNP = GNP - Depreciation.

• **National Income (NI):** Defined officially as **Net National Product at Factor Cost (NNP_{FC})**, where NNP_{FC} = NNP_{MP} - Net Indirect Taxes (Indirect Taxes - Subsidies).

• **Gross Value Added (GVA) & Basic Prices Linkage:** Since January 2015, NSO measures sector-wise output using **GVA at Basic Prices**, linked to GDP at Market Prices via the identity:

$$GDP at Market Prices = Σ GVA at Basic Prices + (Product Taxes - Product Subsidies)$$

While **GVA at Factor Cost** excludes all taxes and subsidies, **GVA at Basic Prices** includes **Production Taxes** (like land revenue, stamp duty, registration fees, which are independent of the volume of output) and subtracts **Production Subsidies** (Union Budget & Economic Survey).

• **Three Methods of Computing National Income:** (1) **Product / Value Added Method** (Σ Value of Output - Intermediate Consumption), (2) **Income Method** (Rent + Wages + Interest + Profit + Mixed Income of Self-Employed), and (3) **Expenditure Method** (GDP = C + I + G + (X - M), where C is Private Final Consumption Expenditure, I is Gross Capital Formation, G is Government Final Consumption Expenditure, and (X - M) is Net Exports). **Transfer payments** (old-age pensions, scholarships, unemployment allowances), windfall gains (lottery prizes), second-hand goods sales (except brokerage commission), and intermediate goods are **excluded** from National Income to prevent double counting (IUC Academy).

1.2 Nominal vs. Real GDP, GDP Deflator, ICOR & Global Development Indices

• **Nominal GDP, Real GDP, and GDP Deflator: Nominal GDP** is evaluated at current market prices (reflecting both output growth and price inflation), whereas **Real GDP** is evaluated at constant base-year prices (reflecting pure physical volume of output growth). The **GDP Deflator** is the most comprehensive measure of economy-wide inflation (covering all goods and services produced domestically):

$GDP Deflator = ((Nominal GDP / Real GDP)) × 100$

• **Incremental Capital Output Ratio (ICOR):** Measures the additional units of capital investment required to produce one additional unit of output (ICOR = (Δ K / Δ Y) = (Investment Rate / GDP Growth Rate)). A **lower ICOR** signifies **higher capital efficiency and productivity** (Union Budget & Economic Survey).

• **Human Development Index (HDI) & Multidimensional Poverty Index (MPI):** Developed in **1990** by **Mahbub ul Haq** and **Amartya Sen** and published annually by the **United Nations Development Programme (UNDP)**, the **HDI** is the geometric mean of **3 dimensions and 4 indicators**: (1) **Health** (Life Expectancy at Birth), (2) **Education** (Mean Years of Schooling for adults aged ≥ 25 + Expected Years of Schooling for children), and (3) **Standard of Living** (Gross National Income per capita at Purchasing Power Parity — PPP USD). In India, **NITI Aayog** computes the **National Multidimensional Poverty Index (National MPI)** across **3 equally weighted dimensions** (Health, Education, Standard of Living) and **12 indicators** (adding Maternal Health and Bank Account to the global OPHI-UNDP 10 indicators) (Union Budget & Economic Survey).

1.3 Process Flowchart: Progression from Gross Value Added at Factor Cost to National Income (NNP_{FC})

Step-by-Step Conceptual Process Flowchart

STEP 1
GVA at Factor Cost + Net Production Taxes (Production Taxes minus Production Subsidies) = GVA at Basic Prices

STEP 2
GVA at Basic Prices + Net Product Taxes (Product Taxes minus Product Subsidies) = GDP at Market Prices

STEP 3
GDP at Market Prices + Net Factor Income from Abroad (NFIA) = GNP at Market Prices

STEP 4
GNP at Market Prices minus Depreciation minus Net Indirect Taxes = NNP at Factor Cost (National Income)

1.4 Comparative Table: Macroeconomic Curves, Elasticities & National Income Concepts

Economic Concept / Curve	Economist / Originator	Mathematical Relationship / Axes	Core Economic Interpretation for Competitive Exams	Official Verification Source
Lorenz Curve & Gini Coefficient	Max O. Lorenz (1905) & Corrado Gini (1912)	Cumulative % of Income vs. Cumulative % of Population	Measures **Income Inequality**; Gini ranges from **0 (Perfect Equality)** to **1 (Perfect Inequality)**	Union Budget & Economic Survey
Kuznets Curve & Environmental Kuznets Curve	Simon Kuznets	Inequality (or Pollution) on Y-axis vs. Per Capita Income on X-axis	**Inverted U-shaped curve**: inequality/pollution initially rises with economic growth and falls after a threshold	Union Budget & Economic Survey
Phillips Curve	A.W. Phillips	Rate of Inflation (Y-axis) vs. Rate of Unemployment (X-axis)	Shows a **short-run inverse trade-off** between inflation and unemployment (breaks down during **Stagflation**)	Reserve Bank of India
Laffer Curve	Arthur Laffer	Total Tax Revenue (Y-axis) vs. Tax Rate from 0% to 100% (X-axis)	**Inverted U-shaped curve**: raising tax rates beyond an optimal threshold reduces tax revenue by discouraging work/compliance	Union Budget & Economic Survey
Engel's Curve & Engel's Law	Ernst Engel	Household Income vs. Proportion of Expenditure on Food	As household income rises, the **percentage share of income spent on food declines**, even if absolute food spending rises	IUC Academy
Okun's Law	Arthur Okun	Change in Unemployment Rate vs. Real GDP Growth Rate	Inverse empirical relationship showing how every 1% increase in unemployment above natural rate reduces Real GDP	Reserve Bank of India

Did You Know?: Under the **Press Release of the Reserve Bank of India (2025–26)** and the Ministry of Statistics and Programme Implementation (MoSPI), India is transitioning its **National Accounts (GDP) and Consumer Price Index (CPI) base year** to a revised **2024=100 / 2022–23 series** (updating the 2011–12 GDP base series and 2012=100 CPI base series) to capture digital economy growth, GST datasets, and updated household consumption patterns (Reserve Bank of India).

Exam Trap Alert: Distinguish carefully between **Production Taxes** and **Product Taxes**: **Production Taxes** (land revenue, stamp duty, profession tax) are paid regardless of the volume of actual production and are included in **GVA at Basic Prices**, whereas **Product Taxes** (GST, Excise Duty, Customs Duty, Service Tax) are levied per unit of product and are added to **GVA at Basic Prices** to arrive at **GDP at Market Prices** (Union Budget & Economic Survey).

★ **Memory Trick:** Remember the three National Income adjustments using **G-N, D-N, MP-FC**:

- **G**ross →{-Depreciation} **N**et;
- **D**omestic →{+NFIA} **N**ational;

Step-by-Step Conceptual Process Flowchart

STEP 1
- Market Price

STEP 2
{-Net Indirect Taxes} Factor Cost (IUC Academy).

Chapter *1* Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Concepts of National Income: GDP, GNP, NDP, NNP, GVA & Per Capita Income	**Historical Pioneer Estimates in India**	**Dadabhai Naoroji** prepared the first scientific estimate of India's National Income and Per Capita Income (₹20 per annum) for the year **1867–68** in his classic work *Poverty and Un-British Rule in India* (propounding the **Drain of Wealth Theory**). Later, **Prof. V.K.R.V. Rao** conducted the first scientific methodological accounting of National Income in **1931–32** (estimating Per Capita Income at ₹62), and post-independence, the Government of India appointed the **National Income Committee in 1949** chaired by **Prof. P.C. Mahalanobis** (with D.R. Gadgil and V.K.R.V. Rao as members), leading to the establishment of the **Central Statistical Organisation (CSO)** in 1951 (merged with NSSO in **May 2019** to form the **National Statistical Office — NSO** under the Ministry of Statistics and Programme Implementation) (Union Budget & Economic Survey).
Nominal vs. Real GDP, GDP Deflator, ICOR & Global Development Indices	**Gross Domestic Product (GDP)**	Total monetary value of all **final goods and services** produced **within the domestic territory** of a country (by both residents and non-residents) during a financial year (April 1 to March 31).
Process Flowchart: Progression from Gross Value Added at Factor Cost to National Income (NNP_{FC})	**Gross National Product (GNP)**	GNP = GDP + Net Factor Income from Abroad (NFIA), where $NFIA = (Factor income earned by Indian residents from rest of the world) - (Factor income earned by non-residents within India)$. For India, since net factor outflow exceeds inflow, **NFIA is negative**, making GDP > GNP.
Comparative Table: Macroeconomic Curves, Elasticities & National Income Concepts	**Net Domestic Product (NDP) & Net National Product (NNP)**	Obtained by subtracting **Depreciation (Consumption of Fixed Capital)**: NDP = GDP - Depreciation and NNP = GNP - Depreciation.
Concepts of National Income: GDP, GNP, NDP, NNP, GVA & Per Capita Income	**National Income (NI)**	Defined officially as **Net National Product at Factor Cost (NNP_{FC})**, where NNP_{FC} = NNP_{MP} - Net Indirect Taxes (Indirect Taxes - Subsidies).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Nominal vs. Real GDP, GDP Deflator, ICOR & Global Development Indices	**Gross Value Added (GVA) & Basic Prices Linkage**	Since January 2015, NSO measures sector-wise output using **GVA at Basic Prices**, linked to GDP at Market Prices via the identity:
Process Flowchart: Progression from Gross Value Added at Factor Cost to National Income (NNP_{FC})	**Three Methods of Computing National Income**	(1) **Product / Value Added Method** (Σ Value of Output - Intermediate Consumption), (2) **Income Method** (Rent + Wages + Interest + Profit + Mixed Income of Self-Employed), and (3) **Expenditure Method** (GDP = C + I + G + (X - M), where C is Private Final Consumption Expenditure, I is Gross Capital Formation, G is Government Final Consumption Expenditure, and (X - M) is Net Exports). **Transfer payments** (old-age pensions, scholarships, unemployment allowances), windfall gains (lottery prizes), second-hand goods sales (except brokerage commission), and intermediate goods are **excluded** from National Income to prevent double counting (IUC Academy).
Comparative Table: Macroeconomic Curves, Elasticities & National Income Concepts	**Nominal GDP, Real GDP, and GDP Deflator**	**Nominal GDP** is evaluated at current market prices (reflecting both output growth and price inflation), whereas **Real GDP** is evaluated at constant base-year prices (reflecting pure physical volume of output growth). The **GDP Deflator** is the most comprehensive measure of economy-wide inflation (covering all goods and services produced domestically):
Concepts of National Income: GDP, GNP, NDP, NNP, GVA & Per Capita Income	**Incremental Capital Output Ratio (ICOR)**	Measures the additional units of capital investment required to produce one additional unit of output (ICOR = (Δ K / Δ Y) = (Investment Rate / GDP Growth Rate)). A **lower ICOR** signifies **higher capital efficiency and productivity** (Union Budget & Economic Survey).
Nominal vs. Real GDP, GDP Deflator, ICOR & Global Development Indices	**Human Development Index (HDI) & Multidimensional Poverty Index (MPI)**	Developed in **1990** by **Mahbub ul Haq** and **Amartya Sen** and published annually by the **United Nations Development Programme (UNDP)**, the **HDI** is the geometric mean of **3 dimensions and 4 indicators**: (1) **Health** (Life Expectancy at Birth), (2) **Education** (Mean Years of Schooling for adults aged ≥ 25 + Expected Years of Schooling for children), and (3) **Standard of Living** (Gross National Income per capita at Purchasing Power Parity — PPP USD). In India, **NITI Aayog** computes the **National Multidimensional Poverty Index (National MPI)** across **3 equally weighted dimensions** (Health, Education, Standard of Living) and **12 indicators** (adding Maternal Health and Bank Account to the global OPHI-UNDP 10 indicators) (Union Budget & Economic Survey).

Chapter *1* Multi-Statement Exam Verification Drills

Chapter 1 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Historical Pioneer Estimates in India): Dadabhai Naoroji prepared the first scientific estimate of India's National Income and Per Capita Income (₹20 per annum) for the year **1867–68** in his classic work *Poverty and Un-British Rule in India* (propounding the **Drain of Wealth Theory**). Later, **Prof. V.K.R.V. Rao** conducted the first scientific methodological accounting of National Income in **1931–32** (estimating Per Capita Income at ₹62), and post-independence, the Government of India appointed the **National Income Committee in 1949** chaired by **Prof. P.C. Mahalanobis** (with D.R. Gadgil and V.K.R.V. Rao as members), leading to the establishment of the **Central Statistical Organisation (CSO)** in *1951* (merged with NSSO in **May 2019** to form the **National Statistical Office — NSO** under the Ministry of Statistics and Programme Implementation) (Union Budget & Economic Survey).

Statement-II (Gross Domestic Product (GDP)): Total monetary value of all **final goods and services** produced **within the domestic territory** of a country (by both residents and non-residents) during a financial year (April 1 to March 31).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 1 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Gross National Product (GNP)): GNP = GDP + Net Factor Income from Abroad (NFIA), where $NFIA = (Factor income earned by Indian residents from rest of the world) - (Factor income earned by non-residents within India)$. For India, since net factor outflow exceeds inflow, **NFIA is negative**, making GDP > GNP.

Statement-II (Net Domestic Product (NDP) & Net National Product (NNP)): Obtained by subtracting **Depreciation (Consumption of Fixed Capital)**: NDP = GDP - Depreciation and NNP = GNP - Depreciation.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 1 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (National Income (NI)): Defined officially as **Net National Product at Factor Cost (NNP_{FC})**, where NNP_{FC} = NNP_{MP} - Net Indirect Taxes (Indirect Taxes - Subsidies).

Statement-II (Gross Value Added (GVA) & Basic Prices Linkage): Since January *2015*, NSO measures sector-wise output using **GVA at Basic Prices**, linked to GDP at Market Prices via the identity:

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 1 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Three Methods of Computing National Income): (1) **Product / Value Added Method** (Σ Value of Output - Intermediate Consumption), (2) **Income Method** (Rent + Wages + Interest + Profit + Mixed Income of Self-Employed), and (3) **Expenditure Method** (GDP = C + I + G + (X - M), where C is Private Final Consumption Expenditure, I is Gross Capital Formation, G is Government Final Consumption Expenditure, and (X - M) is Net Exports). **Transfer payments** (old-age pensions, scholarships, unemployment allowances), windfall gains (lottery prizes), second-hand goods sales (except brokerage commission), and intermediate goods are **excluded** from National Income to prevent double counting (IUC Academy).

Statement-II (Nominal GDP, Real GDP, and GDP Deflator): Nominal GDP is evaluated at current market prices (reflecting both output growth and price inflation), whereas **Real GDP** is evaluated at constant base-year prices (reflecting pure physical volume of output growth). The **GDP Deflator** is the most comprehensive measure of economy-wide inflation (covering all goods and services produced domestically):

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 1 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (Incremental Capital Output Ratio (ICOR)): Measures the additional units of capital investment required to produce one additional unit of output (ICOR = (Δ K / Δ Y) = (Investment Rate / GDP Growth Rate)). A **lower ICOR** signifies **higher capital efficiency and productivity** (Union Budget & Economic Survey).

Statement-II (Human Development Index (HDI) & Multidimensional Poverty Index (MPI)): Developed in **1990** by **Mahbub ul Haq** and **Amartya Sen** and published annually by the **United Nations Development Programme (UNDP)**, the **HDI** is the geometric mean of **3 dimensions and 4 indicators**: (1) **Health** (Life Expectancy at Birth), (2) **Education** (Mean Years of Schooling for adults aged ≥ 25 + Expected Years of Schooling for children), and (3) **Standard of Living** (Gross National Income per capita at Purchasing Power Parity — PPP USD). In India, **NITI Aayog** computes the **National Multidimensional Poverty Index (National MPI)** across **3 equally weighted dimensions** (Health, Education, Standard of Living) and **12 indicators** (adding Maternal Health and Bank Account to the global OPHI-UNDP 10 indicators) (Union Budget & Economic Survey).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 2: Reserve Bank of India (RBI), Monetary Policy Committee, Money Supply & Inflation Dynamics

Chapter Key Study Pillars — Chapter 2: Reserve Bank of India (RBI), Monetary Policy Committee, Money Supply & Inflation Dynamics

Key Study Pillar 1
Reserve Bank of India (RBI) & Statutory Monetary Policy Framework

Key Study Pillar 2
Quantitative and Qualitative Instruments of Monetary Policy & Money Supply Aggregates

2.1 Reserve Bank of India (RBI) & Statutory Monetary Policy Framework

• **Establishment & Evolution of RBI:** Established on **April 1, 1935** under the **Reserve Bank of India Act, 1934** on the recommendation of the **Hilton Young Commission (Royal Commission on Indian Currency and Finance, 1926)**. Initially set up in Calcutta with private share capital of ₹5 crore, its headquarters permanently moved to **Mumbai in 1937**, and it was **nationalized on January 1, 1949** via the RBI (Transfer to Public Ownership) Act, 1948. **Sir Osborne Smith** was the first Governor of RBI (1935–37), and **Sir C.D. Deshmukh** was the first Indian Governor of RBI (1943–49) (Reserve Bank of India).

• **Monetary Policy Committee (MPC) — Section 45ZB of the Amended RBI Act, 1934:** Constituted on the recommendation of the **Urjit Patel Committee (2014)** via the Finance Act, 2016, the **MPC** is a **6-member statutory committee** (3 internal RBI members: **RBI Governor as ex-officio Chairperson**, Deputy Governor in charge of Monetary Policy, and 1 RBI officer nominated by the Central Board; plus **3 external members appointed by the Central Government for a 4-year non-renewable term**). The MPC is mandated to meet **at least 4 times a year** with a **quorum of 4 members**, takes decisions by majority vote (with the **RBI Governor holding a second or casting vote** in the event of a tie), and follows the **Flexible Inflation Targeting (FIT)** mandate to maintain headline **CPI-Combined (NSO) inflation at 4% with a tolerance band of ± 2\% (i.e., 2% to 6%)**. Under Section 45ZN, "failure to achieve the inflation target" occurs if average CPI inflation remains **above 6% or below 2% for three consecutive quarters** (Reserve Bank of India).

2.2 Quantitative and Qualitative Instruments of Monetary Policy & Money Supply Aggregates

• **Quantitative (General) Monetary Policy Instruments (LAF Corridor & Reserve Ratios):**

• **Repo Rate (Policy Rate):** The interest rate at which the RBI provides **short-term overnight/term liquidity to Scheduled Commercial Banks against the collateral of approved Government Securities (G-Secs)** under the Liquidity Adjustment Facility (LAF) (cannot use client securities).

• **Standing Deposit Facility (SDF — Introduced in April 2022 under Section 17 of RBI Act):** The **collateral-free liquidity absorption window** that forms the **floor (lower bound) of the LAF corridor** (positioned 25 bps below the Repo Rate), replacing the Fixed Rate Reverse Repo as the floor of the LAF corridor.

• **Marginal Standing Facility (MSF — Introduced in 2011) & Bank Rate: MSF** is the penal overnight window under which banks can borrow up to a specified percentage of their Net Demand and Time Liabilities (NDTL) by dipping into their **Statutory Liquidity Ratio (SLR) portfolio**; MSF and the **Bank Rate** (long-term rediscounting rate under Section 49) serve as the **ceiling (upper bound) of the LAF corridor** (positioned 25 bps above the Repo Rate).

• **Cash Reserve Ratio (CRR — Section 42(1) of RBI Act, 1934):** The share of **NDTL** that banks must maintain in **pure cash balances with the RBI** on a fortnightly average basis (earns **zero interest** from RBI; has no statutory floor or ceiling after the 2006 Amendment).

• **Statutory Liquidity Ratio (SLR — Section 24 of Banking Regulation Act, 1949):** The share of **NDTL** that banks must maintain with themselves in liquid assets (**Cash, Gold, or unencumbered RBI-approved Government Securities**; statutory ceiling is **40%**).

• **Open Market Operations (OMOs) & Market Stabilisation Scheme (MSS, 2004):** Outright purchase and sale of Government Securities by the RBI to inject or absorb durable liquidity (**Reserve Bank of India**).

• **Money Supply Aggregates (M_0, M_1, M_2, M_3, M_4) & Money Multiplier:**

• **M_0 (Reserve Money / High-Powered Money / Monetary Base):** Currency in Circulation + Bankers' Deposits with RBI + Other Deposits with RBI.

• **M_1 (Narrow Money — Most Liquid):** $Currency with the Public + Demand Deposits with the Banking System (CASA) + Other Deposits with RBI$.

• **M_3 (Broad Money — Most commonly used aggregate for Money Supply):** M_3 = M_1 + Time Deposits (Fixed/Recurring Deposits) with the Banking System.

• **Money Multiplier (m):** Defined as the ratio of **Broad Money to Reserve Money** (m = (M_3 / M_0)); decreases when the **Cash Reserve Ratio (CRR)** or the public's currency-deposit ratio increases (**Reserve Bank of India**).

2.3 Process Flowchart: Monetary Policy Transmission Mechanism (Combatting Demand-Pull Inflation)

Step-by-Step Conceptual Process Flowchart

STEP 1
Headline CPI Inflation Breaches Target Trajectory; MPC Votes to Hike the Policy Repo Rate

STEP 2
Upward Shift in the Entire LAF Corridor (SDF Floor & MSF/Bank Rate Ceiling Rise by Equal Basis Points)

STEP 3
Commercial Banks Raise External Benchmark Lending Rates (EBLR), MCLR, and Deposit Rates

STEP 4
Moderation in Credit Growth and Aggregate Demand Anchors Inflation Back Toward the 4% Midpoint Target

2.4 Comparative Table: Quantitative Instruments, Money Aggregates & Price Indices in India

Instrument / Price Index	Statutory Provision / Compiling Agency	Rate / Weightage Structure	Impact of Increase / Key Exam Distinction	Official Verification Source
Cash Reserve Ratio (CRR)	Section 42(1), RBI Act, 1934	Maintained in **Cash only** with RBI (0% interest paid by RBI)	Increasing CRR directly reduces banks' lendable resources and **lowers the Money Multiplier (M_3/M_0)**	Reserve Bank of India
Statutory Liquidity Ratio (SLR)	Section 24, Banking Regulation Act, 1949	Maintained in **Cash, Gold, or Approved G-Secs** with the bank itself (Max 40%)	Ensures bank solvency and creates a captive institutional market for Government Securities	Reserve Bank of India
LAF Corridor (SDF – Repo – MSF)	Section 45ZB & Section 17, RBI Act, 1934	Symmetric 50 bps corridor: **SDF (Repo - 0.25%) < Repo < MSF (Repo + 0.25%)**	**SDF** absorbs liquidity without G-Sec collateral; **MSF** allows overnight borrowing by dipping into SLR quota	Reserve Bank of India
CPI-Combined (Rural + Urban)	Compiled monthly by **NSO (MoSPI)**	Highest weight to **Food & Beverages (~45.86%)**; includes **Services**	Official nominal anchor for **Flexible Inflation Targeting (4% ± 2%)** by the RBI MPC	Reserve Bank of India
Wholesale Price Index (WPI)	Compiled monthly by **Office of the Economic Adviser (DPIIT, Ministry of Commerce & Industry)**	Base 2011–12: **Manufactured Products (64.2%)**, Primary Articles (22.6%), Fuel & Power (13.2%)	Covers **Goods ONLY (excludes Services)** and excludes indirect taxes in basic WPI price	Union Budget & Economic Survey
CPI-IW, CPI-AL, and CPI-RL	Compiled monthly by **Labour Bureau (Ministry of Labour & Employment)**	**CPI-IW Base Year: 2016=100**; CPI-AL & CPI-RL Base Year: 1986–87=100	**CPI-IW (Industrial Workers)** is used to calculate **Dearness Allowance (DA)** for Central/ State Government employees	Union Budget & Economic Survey

Did You Know?: India operates under the **Minimum Reserve System (since 1956/1957)** for currency issuance under Section 33 of the RBI Act, 1934, whereby the RBI can print an unlimited volume of currency notes provided it maintains a **minimum reserve of ₹200 crore** at all times, comprising **at least ₹115 crore in Gold bullion/coin** and **₹85 crore in Foreign Currency Assets/Securities** (Reserve Bank of India).

Exam Trap Alert: All currency notes in India (₹2, ₹5, ₹10, ₹20, ₹50, ₹100, ₹200, ₹500) are issued by the **Reserve Bank of India** under Section 22 of the RBI Act and bear the signature of the **RBI Governor**, EXCEPT the **₹1 Currency Note and all Coins**, which are issued by the **Government of India (Ministry of Finance)** under the Coinage Act, 2011 and bear the signature of the **Union Finance Secretary** (Reserve Bank of India).

Step-by-Step Conceptual Process Flowchart

STEP 1
Memory Trick: Rank the Liquidity vs. Broadness of Money Aggregates using 1 > 2 > 3 > 4: Liquidity decreases from M_1**

STEP 2
M_2

STEP 3
M_3

STEP 4
M_4 (M_1 is the Most Liquid and Narrowest, whereas M_4 is the Least Liquid and Broadest, with M_2 and M_4 adding Post Office savings deposits) (IUC Academy).

Chapter *2* Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Reserve Bank of India (RBI) & Statutory Monetary Policy Framework	**Establishment & Evolution of RBI**	Established on **April 1, 1935** under the **Reserve Bank of India Act, 1934** on the recommendation of the **Hilton Young Commission (Royal Commission on Indian Currency and Finance, 1926)**. Initially set up in Calcutta with private share capital of ₹5 crore, its headquarters permanently moved to **Mumbai in 1937**, and it was **nationalized on January 1, 1949** via the RBI (Transfer to Public Ownership) Act, 1948. **Sir Osborne Smith** was the first Governor of RBI (1935–37), and **Sir C.D. Deshmukh** was the first Indian Governor of RBI (1943–49) (Reserve Bank of India).
Quantitative and Qualitative Instruments of Monetary Policy & Money Supply Aggregates	**Monetary Policy Committee (MPC) — Section 45ZB of the Amended RBI Act, 1934**	Constituted on the recommendation of the **Urjit Patel Committee (2014)** via the Finance Act, 2016, the **MPC** is a **6-member statutory committee** (3 internal RBI members: **RBI Governor as ex-officio Chairperson**, Deputy Governor in charge of Monetary Policy, and 1 RBI officer nominated by the Central Board; plus **3 external members appointed by the Central Government for a 4-year non-renewable term**). The MPC is mandated to meet **at least 4 times a year** with a **quorum of 4 members**, takes decisions by majority vote (with the **RBI Governor holding a second or casting vote** in the event of a tie), and follows the **Flexible Inflation Targeting (FIT)** mandate to maintain headline **CPI-Combined (NSO) inflation at 4% with a tolerance band of ± 2\% (i.e., 2% to 6%)**. Under Section 45ZN, "failure to achieve the inflation target" occurs if average CPI inflation remains **above 6% or below 2% for three consecutive quarters** (Reserve Bank of India).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Process Flowchart: Monetary Policy Transmission Mechanism (Combatting Demand-Pull Inflation)	**Repo Rate (Policy Rate)**	The interest rate at which the RBI provides **short-term overnight/term liquidity to Scheduled Commercial Banks against the collateral of approved Government Securities (G-Secs)** under the Liquidity Adjustment Facility (LAF) (cannot use client securities).
Comparative Table: Quantitative Instruments, Money Aggregates & Price Indices in India	**Standing Deposit Facility (SDF — Introduced in April 2022 under Section 17 of RBI Act)**	The **collateral-free liquidity absorption window** that forms the **floor (lower bound) of the LAF corridor** (positioned 25 bps below the Repo Rate), replacing the Fixed Rate Reverse Repo as the floor of the LAF corridor.
Reserve Bank of India (RBI) & Statutory Monetary Policy Framework	**Marginal Standing Facility (MSF — Introduced in 2011) & Bank Rate**	**MSF** is the penal overnight window under which banks can borrow up to a specified percentage of their Net Demand and Time Liabilities (NDTL) by dipping into their **Statutory Liquidity Ratio (SLR) portfolio**; MSF and the **Bank Rate** (long-term rediscounting rate under Section 49) serve as the **ceiling (upper bound) of the LAF corridor** (positioned 25 bps above the Repo Rate).
Quantitative and Qualitative Instruments of Monetary Policy & Money Supply Aggregates	**Cash Reserve Ratio (CRR — Section 42(1) of RBI Act, 1934)**	The share of **NDTL** that banks must maintain in **pure cash balances with the RBI** on a fortnightly average basis (earns **zero interest** from RBI; has no statutory floor or ceiling after the 2006 Amendment).
Process Flowchart: Monetary Policy Transmission Mechanism (Combatting Demand-Pull Inflation)	**Statutory Liquidity Ratio (SLR — Section 24 of Banking Regulation Act, 1949)**	The share of **NDTL** that banks must maintain with themselves in liquid assets (**Cash, Gold, or unencumbered RBI-approved Government Securities**; statutory ceiling is **40%**).
Comparative Table: Quantitative Instruments, Money Aggregates & Price Indices in India	**Open Market Operations (OMOs) & Market Stabilisation Scheme (MSS, 2004)**	Outright purchase and sale of Government Securities by the RBI to inject or absorb durable liquidity (Reserve Bank of India).
Reserve Bank of India (RBI) & Statutory Monetary Policy Framework	**M_0 (Reserve Money / High-Powered Money / Monetary Base)**	Currency in Circulation + Bankers' Deposits with RBI + Other Deposits with RBI.

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Quantitative and Qualitative Instruments of Monetary Policy & Money Supply Aggregates	**M_1 (Narrow Money — Most Liquid)**	$Currency with the Public + Demand Deposits with the Banking System (CASA) + Other Deposits with RBI$.
Process Flowchart: Monetary Policy Transmission Mechanism (Combatting Demand-Pull Inflation)	**M_3 (Broad Money — Most commonly used aggregate for Money Supply)**	M_3 = M_1 + Time Deposits (Fixed/Recurring Deposits) with the Banking System.
Comparative Table: Quantitative Instruments, Money Aggregates & Price Indices in India	**Money Multiplier (m)**	Defined as the ratio of **Broad Money to Reserve Money** (m = (M_3 / M_0)); decreases when the **Cash Reserve Ratio (CRR)** or the public's currency-deposit ratio increases (Reserve Bank of India).

Chapter 2 Multi-Statement Exam Verification Drills

Chapter 2 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Establishment & Evolution of RBI): Established on **April 1, 1935** under the **Reserve Bank of India Act, 1934** on the recommendation of the **Hilton Young Commission (Royal Commission on Indian Currency and Finance, 1926)**. Initially set up in Calcutta with private share capital of ₹5 crore, its headquarters permanently moved to **Mumbai in 1937**, and it was **nationalized on January 1, 1949** via the RBI (Transfer to Public Ownership) Act, 1948. **Sir Osborne Smith** was the first Governor of RBI (1935–37), and **Sir C.D. Deshmukh** was the first Indian Governor of RBI (1943–49) (Reserve Bank of India).

Statement-II (Monetary Policy Committee (MPC) — Section 45ZB of the Amended RBI Act, 1934): Constituted on the recommendation of the **Urjit Patel Committee (2014)** via the Finance Act, 2016, the **MPC** is a **6-member statutory committee** (3 internal RBI members: **RBI Governor as ex-officio Chairperson**, Deputy Governor in charge of Monetary Policy, and 1 RBI officer nominated by the Central Board; plus **3 external members appointed by the Central Government for a 4-year non-renewable term**). The MPC is mandated to meet **at least 4 times a year** with a **quorum of 4 members**, takes decisions by majority vote (with the **RBI Governor holding a second or casting vote** in the event of a tie), and follows the **Flexible Inflation Targeting (FIT)** mandate to maintain headline **CPI-Combined (NSO) inflation at 4% with a tolerance band of ± 2\% (i.e., 2% to 6%)**. Under Section 45ZN, "failure to achieve the inflation target" occurs if average CPI inflation remains **above 6% or below 2% for three consecutive quarters** (Reserve Bank of India).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 2 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Repo Rate (Policy Rate)): The interest rate at which the RBI provides **short-term overnight/term liquidity to Scheduled Commercial Banks against the collateral of approved Government Securities (G-Secs)** under the Liquidity Adjustment Facility (LAF) (cannot use client securities).

Statement-II (Standing Deposit Facility (SDF — Introduced in April 2022 under Section 17 of RBI Act)): The **collateral-free liquidity absorption window** that forms the **floor (lower bound) of the LAF corridor** (positioned 25 bps below the Repo Rate), replacing the Fixed Rate Reverse Repo as the floor of the LAF corridor.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 2 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (Marginal Standing Facility (MSF — Introduced in 2011) & Bank Rate): MSF is the penal overnight window under which banks can borrow up to a specified percentage of their Net Demand and Time Liabilities (NDTL) by dipping into their **Statutory Liquidity Ratio (SLR) portfolio**; MSF and the **Bank Rate** (long-term rediscounting rate under Section 49) serve as the **ceiling (upper bound) of the LAF corridor** (positioned 25 bps above the Repo Rate).

Statement-II (Cash Reserve Ratio (CRR — Section 42(1) of RBI Act, 1934)): The share of **NDTL** that banks must maintain in **pure cash balances with the RBI** on a fortnightly average basis (earns **zero interest** from RBI; has no statutory floor or ceiling after the 2006 Amendment).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 2 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Statutory Liquidity Ratio (SLR — Section 24 of Banking Regulation Act, 1949)): The share of **NDTL** that banks must maintain with themselves in liquid assets (**Cash, Gold, or unencumbered RBI-approved Government Securities**; statutory ceiling is **40%**).

Statement-II (Open Market Operations (OMOs) & Market Stabilisation Scheme (MSS, 2004)): Outright purchase and sale of Government Securities by the RBI to inject or absorb durable liquidity (**Reserve Bank of India**).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 2 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (M_0 (Reserve Money / High-Powered Money / Monetary Base)): Currency in Circulation + Bankers' Deposits with RBI + Other Deposits with RBI.

Statement-II (M_1 (Narrow Money — Most Liquid)): $Currency with the Public + Demand Deposits with the Banking System (CASA) + Other Deposits with RBI$.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 2 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (M_3 (Broad Money — Most commonly used aggregate for Money Supply)): M_3 = M_1 + Time Deposits (Fixed/Recurring Deposits) with the Banking System.

Statement-II (Money Multiplier (m)): Defined as the ratio of **Broad Money to Reserve Money** (m = (M_3 / M_0)); decreases when the **Cash Reserve Ratio (CRR)** or the public's currency-deposit ratio increases (**Reserve Bank of India**).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 3: Indian Banking System, Basel-III Norms, NPAs, Priority Sector Lending & Financial Market Regulators

Chapter Key Study Pillars — Chapter 3: Indian Banking System, Basel-III Norms, NPAs, Priority Sector Lending & Financial Market Regulators

Key Study Pillar 1
Evolution of Indian Banking, Nationalization, Mergers & Differentiated Banks

Key Study Pillar 2
Priority Sector Lending (PSL), Non-Performing Assets (NPAs), IBC 2016 & Financial Regulators

3.1 Evolution of Indian Banking, Nationalization, Mergers & Differentiated Banks

• **Banking Nationalization and Public Sector Consolidation:**

• **Imperial Bank of India (formed in 1921** by merging the Presidency Banks of Bengal, Bombay, and Madras) was nationalized on **July 1, 1955** on the recommendation of the **All-India Rural Credit Survey Committee (Gorwala Committee)** to create the **State Bank of India (SBI)**.

• **14 Major Commercial Banks** (with deposits ≥ ₹50 crore) were nationalized on **July 19, 1969**, followed by **6 more Commercial Banks** (with deposits ≥ ₹200 crore) on **April 15, 1980**.

• **Narasimham Committee-I (1991) & Narasimham Committee-II (1998):** Recommended phased reduction of SLR/CRR, entry of private sector banks, Capital Adequacy Ratio (CRAR), 90-day income recognition norm for Non-Performing Assets (NPAs), and bank consolidation. Following large-scale mergers (2017–2020), India currently has **12 Public Sector Banks (PSBs)** (SBI + 11 Nationalized Banks) (Reserve Bank of India).

• **Regional Rural Banks (RRBs), NABARD & Differentiated Banks (Payments Banks vs. Small Finance Banks):**

• **Regional Rural Banks (RRBs):** First 5 RRBs established on **October 2, 1975** (starting with **Prathama Bank** in Moradabad, UP) on the recommendation of the **Narasimham Working Group (1975)** under the RRB Act, 1976, with joint ownership in the exact ratio of **50% Central Government : 35% Sponsor Bank : 15% State Government**.

• **NABARD (National Bank for Agriculture and Rural Development):** Established on **July 12, 1982** under the NABARD Act, 1981 on the recommendation of the **B. Sivaraman Committee (CRAFICARD, 1979)**.

• **Payments Banks (Nachiket Mor Committee, 2014) vs. Small Finance Banks (Usha Thorat Committee):** **Payments Banks** can accept demand deposits up to **₹2 lakh per customer**, issue ATM/debit cards, and invest 75% of deposits in SLR G-Secs, but **CANNOT lend (cannot grant loans) and CANNOT issue credit cards**. Conversely, **Small Finance Banks (SFBs)** can both accept all types of deposits and **grant loans**, provided they extend **75% of their Adjusted Net Bank Credit (ANBC) to Priority Sector Lending (PSL)** and at least 50% of their loan portfolio comprises loans up to ₹25 lakh (Reserve Bank of India).

3.2 Priority Sector Lending (PSL), Non-Performing Assets (NPAs), IBC 2016 & Financial Regulators

• **Priority Sector Lending (PSL) Targets:** Under RBI Master Directions, **Domestic Scheduled Commercial Banks** (and Foreign Banks with ≥ 20 branches) must allocate **40% of ANBC** to the Priority Sector across **8**

categories (Agriculture, MSMEs, Export Credit, Education, Housing, Social Infrastructure, Renewable Energy, and Others), including mandatory sub-targets of **18% for Agriculture** (with 10% for Small and Marginal Farmers) and **7.5% for Micro Undertakings**. For **Regional Rural Banks (RRBs)** and **Small Finance Banks (SFBs)**, the mandatory PSL target is **75% of ANBC** (Reserve Bank of India).

• **Non-Performing Assets (NPAs), SARFAESI Act, IBC 2016, NARCL & Basel-III Norms:**

• **NPA Classification:** A loan becomes an **NPA** when interest or principal remains **overdue for more than 90 days** (or for agricultural loans: **2 crop seasons for short-duration crops** and **1 crop season for long-duration crops**). NPAs are further classified into **Sub-Standard Assets** (NPA for ≤ 12 months), **Doubtful Assets** (Sub-Standard for > 12 months), and **Loss Assets**. Before turning NPA, stressed accounts are tagged as **Special Mention Accounts**: **SMA-0** (1–30 days overdue), **SMA-1** (31–60 days overdue), and **SMA-2** (61–90 days overdue).

• **SARFAESI Act, 2002, IBC, 2016 & NARCL ("Bad Bank"):** The **SARFAESI Act, 2002** empowers banks to seize and auction secured residential/commercial collateral (excluding agricultural land) without court intervention. The **Insolvency and Bankruptcy Code (IBC), 2016** introduced a time-bound **Corporate Insolvency Resolution Process (CIRP)** adjudicated by the **NCLT** (for companies/LLPs) and regulated by the **IBBI**. **NARCL (National Asset Reconstruction Company Ltd.)** coupled with **IDRCL** resolves stressed legacy assets via a **15% Cash + 85% Government-Guaranteed Security Receipts** model.

• **Basel-III Capital Adequacy Norms (BCBS, Basel, Switzerland):** Based on **3 Pillars** (Minimum Capital Requirements, Supervisory Review, Market Discipline); while the global Basel-III minimum **Capital to Risk-Weighted Assets Ratio (CRAR)** is 8%, the **RBI mandates a minimum CRAR of 9% for Indian Scheduled Commercial Banks** (plus a **2.5% Capital Conservation Buffer**, totaling **11.5%**) (Reserve Bank of India).

3.3 Process Flowchart*:* Stressed Asset Recognition & Corporate Insolvency Resolution under IBC*, 2016*

Step-by-Step Conceptual Process Flowchart

STEP 1
Early Stress Flagging via SMA-0 (1–30 Days), SMA-1 (31–60 Days), and SMA-2 (61–90 Days Overdue)

STEP 2
Account Classified as Non-Performing Asset (NPA) After >90 Days Overdue (Sub-Standard -> Doubtful -> Loss)

STEP 3
Financial or Operational Creditor Initiates CIRP Before NCLT under Insolvency and Bankruptcy Code, 2016

STEP 4
Committee of Creditors (CoC) Approves Resolution Plan by 66% Voting Share within Statutory Timeline or Orders Liquidation

3.4 Comparative Table*:* All-India Financial Institutions *(AIFIs)* & Financial Sector Regulators

Institution / Regulator	Year & Governing Statute / Committee	Headquarters	Core Regulatory / Refinance Mandate	Official Verification Source
Reserve Bank of India (RBI)	April 1, 1935 (RBI Act, 1934; Hilton Young Commission)	Mumbai	Monetary authority, issuer of currency, banker to Govt & banks, regulator of banks/ NBFCs/payment systems	Reserve Bank of India

Institution / Regulator	Year & Governing Statute / Committee	Headquarters	Core Regulatory / Refinance Mandate	Official Verification Source
SEBI (Securities and Exchange Board of India)	Set up 1988; Statutory on **Jan 30, 1992** (SEBI Act, 1992)	Mumbai	Regulates **Capital Markets** (stock exchanges, mutual funds, FPIs, credit rating agencies, commodity derivatives)	Union Budget & Economic Survey
IRDAI (Insurance Regulatory & Development Authority)	**1999 / 2000** (IRDA Act, 1999; **Malhotra Committee**)	**Hyderabad**	Regulates life, general, and health insurance companies across India	Union Budget & Economic Survey
PFRDA (Pension Fund Regulatory & Development Authority)	Set up 2003; Statutory in **2013** (PFRDA Act, 2013; OASIS Project)	New Delhi	Regulates the **National Pension System (NPS)** and **Atal Pension Yojana (APY)**	Union Budget & Economic Survey
Five All-India Financial Institutions (AIFIs) under RBI	**EXIM Bank (1982), NABARD (1982), NHB (1988), SIDBI (1990), NaBFID (2021)**	Mumbai (EXIM, NABARD, NaBFID); New Delhi (NHB); **Lucknow (SIDBI)**	Apex development and refinance institutions regulated and supervised by the **Reserve Bank of India**	Reserve Bank of India
NPCI (National Payments Corporation of India)	**2008** (Payment and Settlement Systems Act, 2007; Section 8 Not-for-Profit)	Mumbai	Operates **UPI (2016), RuPay, IMPS,BHIM, AEPS, NACH, Bharat BillPay, and FASTag**	Reserve Bank of India

Did You Know?: Under the **Deposit Insurance and Credit Guarantee Corporation (DICGC)**—a wholly-owned subsidiary of the RBI established under the DICGC Act, 1961—each depositor in a Scheduled Commercial Bank, RRB, Small Finance Bank, Payments Bank, or Co-operative Bank is insured up to a maximum of **₹5,00,000 (₹5 Lakh)** for both principal and interest combined (Reserve Bank of India).

Exam Trap Alert: Watch out for headquarters and ownership traps among All-India Financial Institutions: **SIDBI (Small Industries Development Bank of India, 1990)** is headquartered in **Lucknow** (NOT Mumbai), **IRDAI** is headquartered in **Hyderabad** (NOT Mumbai or New Delhi), and the **National Housing Bank (NHB, 1988)** is now **100% owned by the Government of India** after the RBI divested its entire stake in 2019 (Reserve Bank of India).

★ **Memory Trick:** Remember the **Three Domestic Systemically Important Banks (D-SIBs)** designated by the RBI ("Too Big To Fail") via **S-H-I**: **S**tate Bank of India (SBI), **H**DFC Bank, and **I**CICI Bank (Reserve Bank of India).

Chapter 3 Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Evolution of Indian Banking, Nationalization, Mergers & Differentiated Banks	**Imperial Bank of India (formed in 1921**	by merging the Presidency Banks of Bengal, Bombay, and Madras) was nationalized on **July 1, 1955** on the recommendation of the **All-India Rural Credit Survey Committee (Gorwala Committee)** to create the **State Bank of India (SBI)**.
Priority Sector Lending (PSL), Non-Performing Assets (NPAs), IBC 2016 & Financial Regulators	**14 Major Commercial Banks**	(with deposits ≥ ₹50 crore) were nationalized on **July 19, 1969**, followed by **6 more Commercial Banks** (with deposits ≥ ₹200 crore) on **April 15, 1980**.
Process Flowchart: Stressed Asset Recognition & Corporate Insolvency Resolution under IBC, 2016	**Narasimham Committee-I (1991) & Narasimham Committee-II (1998)**	Recommended phased reduction of SLR/CRR, entry of private sector banks, Capital Adequacy Ratio (CRAR), 90-day income recognition norm for Non-Performing Assets (NPAs), and bank consolidation. Following large-scale mergers (2017–2020), India currently has **12 Public Sector Banks (PSBs)** (SBI + 11 Nationalized Banks) (Reserve Bank of India).
Comparative Table: All-India Financial Institutions (AIFIs) & Financial Sector Regulators	**Regional Rural Banks (RRBs)**	First 5 RRBs established on **October 2, 1975** (starting with **Prathama Bank** in Moradabad, UP) on the recommendation of the **Narasimham Working Group (1975)** under the RRB Act, 1976, with joint ownership in the exact ratio of **50% Central Government : 35% Sponsor Bank : 15% State Government**.
Evolution of Indian Banking, Nationalization, Mergers & Differentiated Banks	**NABARD (National Bank for Agriculture and Rural Development)**	Established on **July 12, 1982** under the NABARD Act, 1981 on the recommendation of the **B. Sivaraman Committee (CRAFICARD, 1979)**.
Priority Sector Lending (PSL), Non-Performing Assets (NPAs), IBC 2016 & Financial Regulators	**Payments Banks (Nachiket Mor Committee, 2014) vs. Small Finance Banks (Usha Thorat Committee)**	**Payments Banks** can accept demand deposits up to **₹2 lakh per customer**, issue ATM/debit cards, and invest 75% of deposits in SLR G-Secs, but **CANNOT lend (cannot grant loans) and CANNOT issue credit cards**. Conversely, **Small Finance Banks (SFBs)** can both accept all types of deposits and **grant loans**, provided they extend **75% of their Adjusted Net Bank Credit (ANBC) to Priority Sector Lending (PSL)** and at least 50% of their loan portfolio comprises loans up to ₹25 lakh (Reserve Bank of India).
Process Flowchart: Stressed Asset Recognition & Corporate Insolvency Resolution under IBC, 2016	**Priority Sector Lending (PSL) Targets**	Under RBI Master Directions, **Domestic Scheduled Commercial Banks** (and Foreign Banks with ≥ 20 branches) must allocate **40% of ANBC** to the Priority Sector across **8 categories** (Agriculture, MSMEs, Export Credit, Education, Housing, Social Infrastructure, Renewable Energy, and Others), including mandatory sub-targets of **18% for Agriculture** (with 10% for Small and Marginal Farmers) and **7.5% for Micro Undertakings**. For **Regional Rural Banks (RRBs)** and **Small Finance Banks (SFBs)**, the mandatory PSL target is **75% of ANBC** (Reserve Bank of India).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Comparative Table: All-India Financial Institutions (AIFIs) & Financial Sector Regulators	**NPA Classification**	A loan becomes an **NPA** when interest or principal remains **overdue for more than 90 days** (or for agricultural loans: **2 crop seasons for short-duration crops** and **1 crop season for long-duration crops**). NPAs are further classified into **Sub-Standard Assets** (NPA for ≤ 12 months), **Doubtful Assets** (Sub-Standard for > 12 months), and **Loss Assets**. Before turning NPA, stressed accounts are tagged as **Special Mention Accounts**: **SMA-0** (1–30 days overdue), **SMA-1** (31–60 days overdue), and **SMA-2** (61–90 days overdue).
Evolution of Indian Banking, Nationalization, Mergers & Differentiated Banks	**SARFAESI Act, 2002, IBC, 2016 & NARCL ("Bad Bank")**	The **SARFAESI Act, 2002** empowers banks to seize and auction secured residential/commercial collateral (excluding agricultural land) without court intervention. The **Insolvency and Bankruptcy Code (IBC), 2016** introduced a time-bound **Corporate Insolvency Resolution Process (CIRP)** adjudicated by the **NCLT** (for companies/LLPs) and regulated by the **IBBI**. **NARCL (National Asset Reconstruction Company Ltd.)** coupled with **IDRCL** resolves stressed legacy assets via a **15% Cash + 85% Government-Guaranteed Security Receipts** model.
Priority Sector Lending (PSL), Non-Performing Assets (NPAs), IBC 2016 & Financial Regulators	**Basel-III Capital Adequacy Norms (BCBS, Basel, Switzerland)**	Based on **3 Pillars** (Minimum Capital Requirements, Supervisory Review, Market Discipline); while the global Basel-III minimum **Capital to Risk-Weighted Assets Ratio (CRAR)** is 8%, the **RBI mandates a minimum CRAR of 9% for Indian Scheduled Commercial Banks** (plus a **2.5% Capital Conservation Buffer**, totaling **11.5%**) (Reserve Bank of India).

Chapter 3 Multi-Statement Exam Verification Drills

Chapter 3 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Imperial Bank of India (formed in 1921): by merging the Presidency Banks of Bengal, Bombay, and Madras) was nationalized on **July 1, 1955** on the recommendation of the **All-India Rural Credit Survey Committee (Gorwala Committee)** to create the **State Bank of India (SBI)**.

Statement-II (14 Major Commercial Banks): (with deposits ≥ ₹50 crore) were nationalized on **July 19, 1969**, followed by **6 more Commercial Banks** (with deposits ≥ ₹200 crore) on **April 15, 1980**.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 3 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Narasimham Committee-I (1991) & Narasimham Committee-II (1998)): Recommended phased reduction of SLR/CRR, entry of private sector banks, Capital Adequacy Ratio (CRAR), 90-day income recognition norm for Non-Performing Assets (NPAs), and bank consolidation. Following large-scale mergers (2017–2020), India currently has **12 Public Sector Banks (PSBs)** (SBI + 11 Nationalized Banks) (Reserve Bank of India).

Statement-II (Regional Rural Banks (RRBs)): First 5 RRBs established on **October 2, 1975** (starting with **Prathama Bank** in Moradabad, UP) on the recommendation of the **Narasimham Working Group (1975)** under the RRB Act, 1976, with joint ownership in the exact ratio of **50% Central Government : 35% Sponsor Bank : 15% State Government**.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 3 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (NABARD (National Bank for Agriculture and Rural Development)): Established on **July 12, 1982** under the NABARD Act, 1981 on the recommendation of the **B. Sivaraman Committee (CRAFICARD, 1979)**.

Statement-II (Payments Banks (Nachiket Mor Committee, 2014) vs. Small Finance Banks (Usha Thorat Committee)): **Payments Banks** can accept demand deposits up to **₹2 lakh per customer**, issue ATM/debit cards, and invest 75% of deposits in SLR G-Secs, but **CANNOT lend (cannot grant loans) and CANNOT issue credit cards**. Conversely, **Small Finance Banks (SFBs)** can both accept all types of deposits and **grant loans**, provided they extend **75% of their Adjusted Net Bank Credit (ANBC) to Priority Sector Lending (PSL)** and at least 50% of their loan portfolio comprises loans up to ₹25 lakh (Reserve Bank of India).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 3 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Priority Sector Lending (PSL) Targets): Under RBI Master Directions, **Domestic Scheduled Commercial Banks** (and Foreign Banks with ≥ 20 branches) must allocate **40% of ANBC** to the Priority Sector across **8 categories** (Agriculture, MSMEs, Export Credit, Education, Housing, Social Infrastructure, Renewable Energy, and Others), including mandatory sub-targets of **18% for Agriculture** (with 10% for Small and Marginal Farmers) and **7.5% for Micro Undertakings**. For **Regional Rural Banks (RRBs)** and **Small Finance Banks (SFBs)**, the mandatory PSL target is **75% of ANBC** (Reserve Bank of India).

Statement-II (NPA Classification): A loan becomes an **NPA** when interest or principal remains **overdue for more than 90 days** (or for agricultural loans: **2 crop seasons for short-duration crops** and **1 crop season for long-duration crops**). NPAs are further classified into **Sub-Standard Assets** (NPA for ≤ 12 months), **Doubtful Assets** (Sub-Standard for > 12 months), and **Loss Assets**. Before turning NPA, stressed accounts are tagged as **Special Mention Accounts**: **SMA-0** (1–30 days overdue), **SMA-1** (31–60 days overdue), and **SMA-2** (61–90 days overdue).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 3 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (SARFAESI Act, 2002, IBC, 2016 & NARCL ("Bad Bank")): The **SARFAESI Act, 2002** empowers banks to seize and auction secured residential/commercial collateral (excluding agricultural land) without court intervention. The **Insolvency and Bankruptcy Code (IBC), 2016** introduced a time-bound **Corporate Insolvency Resolution Process (CIRP)** adjudicated by the **NCLT** (for companies/LLPs) and regulated by the **IBBI**. **NARCL (National Asset Reconstruction Company Ltd.)** coupled with **IDRCL** resolves stressed legacy assets via a **15% Cash + 85% Government-Guaranteed Security Receipts** model.

Statement-II (Basel-III Capital Adequacy Norms (BCBS, Basel, Switzerland)): Based on **3 Pillars** (Minimum Capital Requirements, Supervisory Review, Market Discipline); while the global Basel-III minimum **Capital to Risk-Weighted Assets Ratio (CRAR)** is 8%, the **RBI mandates a minimum CRAR of 9% for Indian Scheduled Commercial Banks** (plus a **2.5% Capital Conservation Buffer**, totaling **11.5%**) (Reserve Bank of India).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 4: Public Finance, Union Budget, Fiscal Deficits, FRBM Act, Taxation & GST Architecture

Chapter Key Study Pillars — Chapter 4: Public Finance, Union Budget, Fiscal Deficits, FRBM Act, Taxation & GST Architecture

Key Study Pillar 1
Structure of the Union Budget (Article 112): Revenue Account vs. Capital Account

Key Study Pillar 2
Fiscal Deficit, Primary Deficit, FRBM Act & Goods and Services Tax (GST)

4.1 Structure of the Union Budget (Article 112): Revenue Account vs. Capital Account

• **Revenue Account (Non-Asset / Non-Liability Creating Transactions):**

• **Revenue Receipts:** Receipts that neither create a liability nor reduce an asset of the Government. Divided into:

1. **Tax Revenue:** Direct Taxes (Personal Income Tax, Corporate Tax, Securities Transaction Tax, Minimum Alternate Tax) and Indirect Taxes (Goods and Services Tax, Customs Duty, Union Excise Duty on petroleum/tobacco).

2. **Non-Tax Revenue:** Interest receipts on loans given by Centre to States/UTs, **Dividends and Profits from PSUs and the Reserve Bank of India (Section 47 of RBI Act)**, spectrum auction fees, user charges, fines/penalties, and external grants-in-aid.

• **Revenue Expenditure:** Recurring operational expenditure that neither creates productive physical/financial assets nor reduces government liabilities—most notably **Interest Payments (the single largest item of Revenue Expenditure)**, Defence Revenue Services, **Major Subsidies (Food, Fertilizer, Petroleum)**, salaries, pensions, and Grants-in-Aid to States (Union Budget & Economic Survey).

• **Capital Account (Asset / Liability Altering Transactions):**

• **Capital Receipts:** Divided into **Non-Debt Capital Receipts** (Recovery of Loans and Advances + **Disinvestment / Privatization proceeds of PSUs**) and **Debt Capital Receipts** (Net market borrowings via dated G-Secs and T-Bills, external sovereign loans, Small Savings Fund, and State Provident Funds).

• **Capital Expenditure (Capex):** Expenditure that creates durable physical or financial assets (highways, railways, defence capital equipment, equity infusions, and **50-year interest-free Capex loans to States**) or reduces liabilities (repayment of loan principal). Notably, **repayment of loan principal is a Capital Expenditure**, whereas **payment of interest on loans is a Revenue Expenditure** (Union Budget & Economic Survey).

4.2 Fiscal Deficit, Primary Deficit, FRBM Act & Goods and Services Tax (GST)

• **Four Core Budgetary Deficits & Formulas:**

1. **Revenue Deficit (RD):** RD = Revenue Expenditure - Revenue Receipts (signifies government dissaving on current consumption).

2. **Effective Revenue Deficit (ERD — Introduced in 2011–12 on Rangarajan Committee advice):** ERD = Revenue Deficit - Grants-in-Aid for Creation of Capital Assets.

3. **Fiscal Deficit (FD — Introduced on Sukhamoy Chakravarty Committee recommendation):** Total borrowing requirement of the Government in a fiscal year:

$$Fiscal Deficit = Total Expenditure - (Revenue Receipts + Recovery of Loans + Disinvestment Receipts)$$

4. **Primary Deficit (PD):** Primary Deficit = Fiscal Deficit - Interest Payments (measures borrowing requirement excluding the interest burden of past debt).

• **FRBM Act, 2003 & N.K. Singh Committee (2017):** Enacted to enforce fiscal discipline and prohibit direct RBI subscription to primary issues of Central Government securities, the **Fiscal Responsibility and Budget Management (FRBM) Act, 2003** was reviewed by the **N.K. Singh Committee (2017)**, which recommended a **Debt-to-GDP ratio ceiling of 60%** (40% for the Centre and 20% for the States) and formalized an **Escape Clause (up to 0.5% of GDP deviation)** during national security shocks, structural reforms, or severe agricultural collapse (Union Budget & Economic Survey).

• **Goods and Services Tax (GST — 101st Constitutional Amendment Act, 2016; Launched July 1, 2017):** Recommended originally by the **Kelkar Task Force (2003)**, GST is a **comprehensive, multi-stage, destination-based consumption tax** with seamless **Input Tax Credit (ITC)**. Intra-state supplies attract **CGST + SGST/UTGST**, while inter-state supplies and imports attract **IGST (Article 269A)**. Under the **GST Council (Article 279A)**, the Union has a **1/3rd voting weight**, all States/UTs combined have a **2/3rd voting weight**, and every decision requires a **3/4th (75%) weighted majority**. Items kept **outside GST** include **Alcohol for human consumption** (permanently excluded under Article 366(12A)), and **5 petroleum products** (Crude Oil, High-Speed Diesel, Motor Spirit/Petrol, Natural Gas, and Aviation Turbine Fuel — to be included from a date recommended by the GST Council) (Union Budget & Economic Survey).

4.3 Process Flowchart*:* Calculation Cascade of Budgetary Deficits in Indian Public Finance

Step-by-Step Conceptual Process Flowchart

STEP 1
Revenue Expenditure minus Revenue Receipts (Tax + Non-Tax) = Revenue Deficit (RD)

STEP 2
Revenue Deficit minus Grants for Creation of Capital Assets = Effective Revenue Deficit (ERD)

STEP 3
Total Expenditure minus (Revenue Receipts + Non-Debt Capital Receipts) = Fiscal Deficit (Total Net Borrowing)

STEP 4
Fiscal Deficit minus Interest Payments on Past Debt = Primary Deficit (Current Fiscal Stance)

4.4 Comparative Table*:* Direct vs. Indirect Tax Reforms, Committees & Finance Commissions

Tax Reform / Commission	Chairperson & Year	Core Mandate & Structural Recommendation	Implementation & Constitutional Status	Official Verification Source
Tax Reforms Committee (Post-1991 LPG Reforms)	**Dr. Raja J. Chelliah (1991)**	Rationalization of direct tax slabs, reduction of customs/excise tariffs, and introduction of **Service Tax (1994)**	Laid the foundation of modern Indian tax architecture	Union Budget & Economic Survey

Tax Reform / Commission	Chairperson & Year	Core Mandate & Structural Recommendation	Implementation & Constitutional Status	Official Verification Source
Task Force on Direct & Indirect Taxes (FRBM & GST)	**Dr. Vijay Kelkar (2002–2004)**	Recommended abolition of wealth tax, TIN modernization, and a nationwide destination-based **GST**	Operationalized via **101st Amendment Act, 2016**	Union Budget & Economic Survey
GAAR & Direct Tax Administration Reform	**Parthasarathi Shome Committee (2012–14)**	Framed guidelines for **General Anti-Avoidance Rules (GAAR)** to curb aggressive tax avoidance	Implemented under the Income Tax Act from April 1, 2017	Union Budget & Economic Survey
15th Finance Commission (2020–21 to 2025–26)	**N.K. Singh** (Constituted under Art. 280)	Recommended **41% Vertical Devolution** to States (adjusted from 42% after J&K reorganization into UTs)	Horizontal weights: **Income Distance (45%)**, Area (15%), Population 2011 (15%), **Demographic Performance (12.5%)**, Forest & Ecology (10%), Tax & Fiscal Effort (2.5%)	Union Budget & Economic Survey
16th Finance Commission (2026–27 to 2030–31)	**Dr. Arvind Panagariya** (Constituted Dec 31, 2023 under Art. 280)	Mandated to recommend Union-State tax devolution, grants-in-aid, and disaster management financing for the **2026–31 award period**	Constitutional body under **Article 280**	Union Budget & Economic Survey

Did You Know?: In the **15th Finance Commission's horizontal devolution formula**, the **1971 Census population weight was completely dropped (0%)**, and the **2011 Census population (15% weight)** was paired with a **12.5% weight for Demographic Performance** (computed as the reciprocal of the Total Fertility Rate of 1971) so that states that successfully controlled population growth were rewarded rather than penalized (Union Budget & Economic Survey).

Exam Trap Alert: Students frequently misclassify **Disinvestment Receipts** and **RBI Dividend Transfers**: **Disinvestment proceeds** (sale of government equity in PSUs) are a **Non-Debt Capital Receipt** (because they reduce government financial assets), whereas **RBI Dividend/Surplus Transfers** and **PSU Dividends** are **Non-Tax Revenue Receipts** (Union Budget & Economic Survey).

★ **Memory Trick:** Memorize the **Horizontal Devolution Weights of the 15th Finance Commission (100% Total)** in descending order using **I – A – P – D – F – T**: **I**ncome Distance (**45%**), **A**rea (**15%**), **P**opulation 2011 (**15%**), **D**emographic Performance (**12.5%**), **F**orest & Ecology (**10%**), and **T**ax & Fiscal Effort (**2.5%**) (IUC Academy).

Chapter 4 Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Structure of the Union Budget (Article 112): Revenue Account vs. Capital Account	**Revenue Receipts**	Receipts that neither create a liability nor reduce an asset of the Government. Divided into:
Fiscal Deficit, Primary Deficit, FRBM Act & Goods and Services Tax (GST)	**Tax Revenue**	Direct Taxes (Personal Income Tax, Corporate Tax, Securities Transaction Tax, Minimum Alternate Tax) and Indirect Taxes (Goods and Services Tax, Customs Duty, Union Excise Duty on petroleum/tobacco).
Process Flowchart: Calculation Cascade of Budgetary Deficits in Indian Public Finance	**Non-Tax Revenue**	Interest receipts on loans given by Centre to States/UTs, **Dividends and Profits from PSUs and the Reserve Bank of India (Section 47 of RBI Act)**, spectrum auction fees, user charges, fines/penalties, and external grants-in-aid.
Comparative Table: Direct vs. Indirect Tax Reforms, Committees & Finance Commissions	**Revenue Expenditure**	Recurring operational expenditure that neither creates productive physical/financial assets nor reduces government liabilities—most notably **Interest Payments (the single largest item of Revenue Expenditure)**, Defence Revenue Services, **Major Subsidies (Food, Fertilizer, Petroleum)**, salaries, pensions, and Grants-in-Aid to States (Union Budget & Economic Survey).
Structure of the Union Budget (Article 112): Revenue Account vs. Capital Account	**Capital Receipts**	Divided into **Non-Debt Capital Receipts** (Recovery of Loans and Advances + **Disinvestment / Privatization proceeds of PSUs**) and **Debt Capital Receipts** (Net market borrowings via dated G-Secs and T-Bills, external sovereign loans, Small Savings Fund, and State Provident Funds).
Fiscal Deficit, Primary Deficit, FRBM Act & Goods and Services Tax (GST)	**Capital Expenditure (Capex)**	Expenditure that creates durable physical or financial assets (highways, railways, defence capital equipment, equity infusions, and **50-year interest-free Capex loans to States**) or reduces liabilities (repayment of loan principal). Notably, **repayment of loan principal is a Capital Expenditure**, whereas **payment of interest on loans is a Revenue Expenditure** (Union Budget & Economic Survey).
Process Flowchart: Calculation Cascade of Budgetary Deficits in Indian Public Finance	**Revenue Deficit (RD)**	RD = Revenue Expenditure - Revenue Receipts (signifies government dissaving on current consumption).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Comparative Table: Direct vs. Indirect Tax Reforms, Committees & Finance Commissions	**Effective Revenue Deficit (ERD — Introduced in 2011–12 on Rangarajan Committee advice)**	ERD = Revenue Deficit - Grants-in-Aid for Creation of Capital Assets.
Structure of the Union Budget (Article 112): Revenue Account vs. Capital Account	**Fiscal Deficit (FD — Introduced on Sukhamoy Chakravarty Committee recommendation)**	Total borrowing requirement of the Government in a fiscal year:
Fiscal Deficit, Primary Deficit, FRBM Act & Goods and Services Tax (GST)	**Primary Deficit (PD)**	Primary Deficit = Fiscal Deficit - Interest Payments (measures borrowing requirement excluding the interest burden of past debt).
Process Flowchart: Calculation Cascade of Budgetary Deficits in Indian Public Finance	**FRBM Act, 2003 & N.K. Singh Committee (2017)**	Enacted to enforce fiscal discipline and prohibit direct RBI subscription to primary issues of Central Government securities, the **Fiscal Responsibility and Budget Management (FRBM) Act, 2003** was reviewed by the **N.K. Singh Committee (2017)**, which recommended a **Debt-to-GDP ratio ceiling of 60%** (40% for the Centre and 20% for the States) and formalized an **Escape Clause (up to 0.5% of GDP deviation)** during national security shocks, structural reforms, or severe agricultural collapse (Union Budget & Economic Survey).
Comparative Table: Direct vs. Indirect Tax Reforms, Committees & Finance Commissions	**Goods and Services Tax (GST — 101st Constitutional Amendment Act, 2016; Launched July 1, 2017)**	Recommended originally by the **Kelkar Task Force (2003)**, GST is a **comprehensive, multi-stage, destination-based consumption tax** with seamless **Input Tax Credit (ITC)**. Intra-state supplies attract **CGST + SGST/UTGST**, while inter-state supplies and imports attract **IGST (Article 269A)**. Under the **GST Council (Article 279A)**, the Union has a **1/3rd voting weight**, all States/UTs combined have a **2/3rd voting weight**, and every decision requires a **3/4th (75%) weighted majority**. Items kept **outside GST** include **Alcohol for human consumption** (permanently excluded under Article 366(12A)), and **5 petroleum products** (Crude Oil, High-Speed Diesel, Motor Spirit/Petrol, Natural Gas, and Aviation Turbine Fuel — to be included from a date recommended by the GST Council) (Union Budget & Economic Survey).

Chapter 4 Multi-Statement Exam Verification Drills

Chapter 4 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Revenue Receipts): Receipts that neither create a liability nor reduce an asset of the Government. Divided into:
Statement-II (Tax Revenue): Direct Taxes (Personal Income Tax, Corporate Tax, Securities Transaction Tax, Minimum Alternate Tax) and Indirect Taxes (Goods and Services Tax, Customs Duty, Union Excise Duty on petroleum/tobacco).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 4 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Non-Tax Revenue): Interest receipts on loans given by Centre to States/UTs, **Dividends and Profits from PSUs and the Reserve Bank of India (Section 47 of RBI Act)**, spectrum auction fees, user charges, fines/penalties, and external grants-in-aid.

Statement-II (Revenue Expenditure): Recurring operational expenditure that neither creates productive physical/financial assets nor reduces government liabilities—most notably **Interest Payments (the single largest item of Revenue Expenditure)**, Defence Revenue Services, **Major Subsidies (Food, Fertilizer, Petroleum)**, salaries, pensions, and Grants-in-Aid to States (Union Budget & Economic Survey).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 4 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (Capital Receipts): Divided into **Non-Debt Capital Receipts** (Recovery of Loans and Advances + **Disinvestment / Privatization proceeds of PSUs**) and **Debt Capital Receipts** (Net market borrowings via dated G-Secs and T-Bills, external sovereign loans, Small Savings Fund, and State Provident Funds).

Statement-II (Capital Expenditure (Capex)): Expenditure that creates durable physical or financial assets (highways, railways, defence capital equipment, equity infusions, and **50-year interest-free Capex loans to States**) or reduces liabilities (repayment of loan principal). Notably, **repayment of loan principal is a Capital Expenditure**, whereas **payment of interest on loans is a Revenue Expenditure** (Union Budget & Economic Survey).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 4 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Revenue Deficit (RD)): RD = Revenue Expenditure - Revenue Receipts (signifies government dissaving on current consumption).

Statement-II (Effective Revenue Deficit (ERD — Introduced in 2011–12 on Rangarajan Committee advice)): ERD = Revenue Deficit - Grants-in-Aid for Creation of Capital Assets.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 4 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (Fiscal Deficit (FD — Introduced on Sukhamoy Chakravarty Committee recommendation)): Total borrowing requirement of the Government in a fiscal year:

Statement-II (Primary Deficit (PD)): Primary Deficit = Fiscal Deficit - Interest Payments (measures borrowing requirement excluding the interest burden of past debt).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 4 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (FRBM Act, 2003 & N.K. Singh Committee (2017)): Enacted to enforce fiscal discipline and prohibit direct RBI subscription to primary issues of Central Government securities, the **Fiscal Responsibility and Budget Management (FRBM) Act, 2003** was reviewed by the **N.K. Singh Committee (2017)**, which recommended a **Debt-to-GDP ratio ceiling of 60%** (40% for the Centre and 20% for the States) and formalized an **Escape Clause (up to 0.5% of GDP deviation)** during national security shocks, structural reforms, or severe agricultural collapse (Union Budget & Economic Survey).

Statement-II (Goods and Services Tax (GST — 101st Constitutional Amendment Act, 2016; Launched July 1, 2017)): Recommended originally by the **Kelkar Task Force (2003)**, GST is a **comprehensive, multi-stage, destination-based consumption tax** with seamless **Input Tax Credit (ITC)**. Intra-state supplies attract **CGST + SGST/UTGST**, while inter-state supplies and imports attract **IGST (Article 269A)**. Under the **GST Council (Article 279A)**, the Union has a **1/3rd voting weight**, all States/UTs combined have a **2/3rd voting weight**, and every decision requires a **3/4th (75%) weighted majority**. Items kept **outside GST** include **Alcohol for human consumption** (permanently excluded under Article 366(12A)), and **5 petroleum products** (Crude Oil, High-Speed Diesel, Motor Spirit/Petrol, Natural Gas, and Aviation Turbine Fuel — to be included from a date recommended by the GST Council) (Union Budget & Economic Survey).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 5: Indian Agriculture, Minimum Support Price (MSP), PDS, Food Security & Allied Revolutions

Chapter Key Study Pillars — Chapter 5: Indian Agriculture, Minimum Support Price (MSP), PDS, Food Security & Allied Revolutions

Key Study Pillar 1
Minimum Support Price (MSP), CACP Cost Formulas (A_2, A_2+FL, C_2) & Buffer Stock Operations

Key Study Pillar 2
Green Revolution, Land Holdings Census, E-NAM, KCC & Major Agricultural Schemes

5.1 Minimum Support Price (MSP), CACP Cost Formulas (A_2, A_2+FL, C_2) & Buffer Stock Operations

• **Commission for Agricultural Costs and Prices (CACP) & CCEA Approval:** Originally established in **January 1965** as the Agricultural Prices Commission (renamed **CACP in 1985**), CACP is an attached office of the Ministry of Agriculture and Farmers Welfare that recommends **Minimum Support Prices (MSPs) for 22 mandated crops** (7 Cereals, 5 Pulses, 7 Oilseeds, and 3 Commercial Crops) plus **Fair and Remunerative Price (FRP) for Sugarcane** (total **23 crops**). Final approval and announcement of MSPs before each sowing season is made by the **Cabinet Committee on Economic Affairs (CCEA)** chaired by the Prime Minister (Union Budget & Economic Survey).

• **Three Cost Concepts of CACP & M.S. Swaminathan Formula:**

1. **Cost A_2:** All actual paid-out expenses incurred by the farmer in cash and kind on seeds, fertilizers, pesticides, hired labour, leased-in land, fuel, and irrigation.

2. **Cost A_2 + FL:** Cost A_2 + Imputed value of unpaid Family Labour (FL). Since the Union Budget 2018–19, the Government fixes MSP for all mandated crops at a minimum of **1.5 times (150\%) of the All-India weighted average Cost A_2 + FL**.

3. **Cost C_2 (Comprehensive Cost):** $Cost A_2 + FL + Imputed rental value of owned land + Interest on value of owned fixed capital assets$ (excluding land). The **National Commission on Farmers (M.S. Swaminathan Commission, 2004–06)** had recommended fixing MSP at **C_2 + 50\%** (Union Budget & Economic Survey).

• **Food Corporation of India (FCI, 1965), National Food Security Act (NFSA, 2013) & WTO Subsidies:** Established on **January 14, 1965** under the Food Corporations Act, 1964, FCI executes open-ended procurement, maintains operational and strategic buffer stocks, and distributes foodgrains under the **National Food Security Act, 2013 (PM Garib Kalyan Anna Yojana)**—which legally entitles up to **75% of the rural population and 50% of the urban population** (approx. 81.35 crore beneficiaries) to **5 kg of foodgrains per person per month** (and **35 kg per household per month** for **Antyodaya Anna Yojana — AAY** poorest-of-the-poor households) free of cost. Under the **WTO Agreement on Agriculture (AoA)**, agricultural subsidies are classified into:

• **Green Box:** Non-trade-distorting subsidies (research, extension, direct income support like **PM-KISAN** decoupled from production, environmental programs, public stockholding for food security) — **no limit**.

• **Blue Box:** Production-limiting subsidies (Amber Box with conditions to limit production) — **no limit**.

• **Amber Box:** Trade-distorting price support and input subsidies (MSP procurement at administered prices, fertilizer/power/irrigation subsidies) — subject to the **de minimis ceiling of 10% of the total value of agricultural production for developing countries like India** (and 5% for developed countries), protected temporarily by the **Bali Peace Clause (2013)** (Union Budget & Economic Survey).

5.2 Green Revolution, Land Holdings Census, E-NAM, KCC & Major Agricultural Schemes

• **Operational Land Holdings Classification in India (Agriculture Census):**

• **Marginal Holdings:** Less than **1 hectare** (accounts for ~68.5% of all holdings in India);

• **Small Holdings: 1 to 2 hectares** (Small + Marginal farmers together constitute **~86.1% of all Indian farmers**);

• **Semi-Medium Holdings: 2 to 4 hectares**;

• **Medium Holdings: 4 to 10 hectares**;

• **Large Holdings: 10 hectares and above** (Union Budget & Economic Survey).

• **Flagship Agricultural Digital & Credit Architecture:**

• **Kisan Credit Card (KCC — Introduced August 1998):** Formulated by **NABARD** on the recommendation of the **R.V. Gupta Committee** (later extended to animal husbandry and fisheries in 2019), providing short-term crop loans up to ₹3 lakh at an effective interest rate of **4% per annum** for prompt repayment (7% base rate minus 2% interest subvention minus 3% prompt repayment incentive).

• **PM-KISAN (Launched February 2019):** 100% Central Sector Scheme transferring **₹6,000 per year in three equal installments of ₹2,000** via Direct Benefit Transfer (DBT) to all landholding farmer families.

• **PM Fasal Bima Yojana (PMFBY — Launched 2016):** Uniform farmer premium rates of **2% for all Kharif crops**, **1.5% for all Rabi crops**, and **5% for annual commercial and horticultural crops** (made voluntary for all farmers from Kharif 2020).

• **e-NAM (Electronic National Agriculture Market — Launched April 14, 2016):** Pan-India electronic trading portal operated by the **Small Farmers' Agribusiness Consortium (SFAC)** to network existing APMC mandis for "One Nation, One Market" (Union Budget & Economic Survey).

5.3 Process Flowchart*:* From CACP Cost Assessment to NFSA Public Distribution System

Step-by-Step Conceptual Process Flowchart

STEP 1
CACP Assesses Cost A2+FL Across States & Recommends MSP for 22 Crops + FRP for Sugarcane

STEP 2
Cabinet Committee on Economic Affairs (CCEA) Approves MSP at >=1.5x of All-India Weighted Cost A2+FL

STEP 3
FCI and State Agencies Conduct Open-Ended Procurement at MSP to Build Strategic Buffer Stocks

STEP 4
Distribution of Free Foodgrains via Fair Price Shops under NFSA 2013 / PMGKAY Using One Nation One Ration Card (ONORC)

5.4 Comparative Table*: 23* Mandated MSP/FRP Crops & Major Agricultural Revolutions in India

Crop Group / Agricultural Revolution	Specific Crops / Target Commodity	Key Architect / Statutory Benchmark	Exam-Critical Detail	Official Verification Source
7 Kharif & Rabi Cereals under MSP	**Kharif (5):** Paddy, Jowar, Bajra, Maize, Ragi; **Rabi (2):** Wheat, Barley	Recommended by CACP; approved by CCEA	**Paddy and Wheat** account for the overwhelming majority of FCI public procurement	Union Budget & Economic Survey
5 Pulses & 7 Oilseeds under MSP	**Pulses (5):** Arhar/Tur, Moong, Urad, Gram (Chana), Masur (Lentil); **Oilseeds (7):** Peanut (Arachis hypogaea), Rapeseed-Mustard, Soybean, Sesamum, Sunflower, Safflower, Nigerseed	Supported via **PM-AASHA** (Price Support Scheme & Price Deficiency Payment Scheme)	Note: **Castorseed and Linseed** are NOT covered under the 22 MSP crops	Union Budget & Economic Survey
4 Commercial Crops (3 MSP + 1 FRP)	**MSP (3):** Copra, Raw Cotton, Raw Jute; **FRP (1): Sugarcane**	Sugarcane **Fair & Remunerative Price (FRP)** is governed by the Sugarcane (Control) Order, 1966	Note: **Tobacco, Tea, Coffee, Rubber, and Potato** are NOT covered under MSP	Union Budget & Economic Survey
Green Revolution (Foodgrains — Wheat & Rice)	High-Yielding Variety (HYV) dwarf Mexican wheat seeds (1966–67)	**Norman Borlaug** (World) & **Dr. M.S. Swaminathan** (Father of Indian Green Revolution; awarded Bharat Ratna 2024)	Term "Green Revolution" was coined by **William S. Gaud (1968)**	IUC Academy
White Revolution (Operation Flood — Milk)	Dairy co-operative grid (Anand Pattern / AMUL) launched in **1970** by NDDB	**Dr. Verghese Kurien** ("Milkman of India")	Transformed India into the **world's #1 milk producer** (contributing ~24–25% of global milk output)	Union Budget & Economic Survey

Crop Group / Agricultural Revolution	Specific Crops / Target Commodity	Key Architect / Statutory Benchmark	Exam-Critical Detail	Official Verification Source
Yellow, Blue, Golden, Silver & Golden Fibre Revolutions	**Yellow:** Oilseeds (Sam Pitroda); **Blue:** Fisheries (Hiralal Chaudhuri); **Golden:** Horticulture/Honey (Nirpakh Tutej); **Silver:** Eggs/Poultry; **Golden Fibre:** Jute; **Silver Fibre:** Cotton	Integrated under **Krishi Unnati Yojana**, **PM Matsya Sampada Yojana (PMMSY)**, and **National Mission on Edible Oils**	**Grey Revolution:** Fertilizers; **Pink Revolution:** Onion/ Prawns; **Red Revolution:** Meat/Tomato (Vishal Tewari)	IUC Academy

Did You Know?: Under the **Shanta Kumar Committee (2015)** recommendations on restructuring the Food Corporation of India (FCI), the committee noted that FCI should hand over procurement operations in self-sufficient states (Punjab, Haryana, MP, Chhattisgarh, Andhra Pradesh, Odisha) to state agencies and focus on Eastern Indian states (UP, Bihar, West Bengal, Assam) where farmers often sell below MSP (Union Budget & Economic Survey).

Exam Trap Alert: Sugarcane does NOT have an MSP; instead, the Central Government announces a statutory **Fair and Remunerative Price (FRP)** recommended by CACP (while certain states like Uttar Pradesh additionally announce a higher **State Advised Price — SAP**). Furthermore, **e-NAM** is implemented by **SFAC (Small Farmers' Agribusiness Consortium)**, NOT by FCI or NABARD (Union Budget & Economic Survey).

Step-by-Step Conceptual Process Flowchart

STEP 1

Memory Trick: Remember the exact 2-1.5-5% farmer premium rule under PM Fasal Bima Yojana (PMFBY): Kharif = 2% (Kharif has more weather risk**

STEP 2

2%), Rabi = 1.5% (Rabi has lower risk

STEP 3

1.5%), and Commercial/Horticulture = 5% (IUC Academy).

Chapter *5* Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Minimum Support Price (MSP), CACP Cost Formulas (A_2, A_2+FL, C_2) & Buffer Stock Operations	**Commission for Agricultural Costs and Prices (CACP) & CCEA Approval**	Originally established in **January 1965** as the Agricultural Prices Commission (renamed **CACP in 1985**), CACP is an attached office of the Ministry of Agriculture and Farmers Welfare that recommends **Minimum Support Prices (MSPs) for 22 mandated crops** (7 Cereals, 5 Pulses, 7 Oilseeds, and 3 Commercial Crops) plus **Fair and Remunerative Price (FRP) for Sugarcane** (total **23 crops**). Final approval and announcement of MSPs before each sowing season is made by the **Cabinet Committee on Economic Affairs (CCEA)** chaired by the Prime Minister (Union Budget & Economic Survey).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Green Revolution, Land Holdings Census, E-NAM, KCC & Major Agricultural Schemes	**Cost A_2**	All actual paid-out expenses incurred by the farmer in cash and kind on seeds, fertilizers, pesticides, hired labour, leased-in land, fuel, and irrigation.
Process Flowchart: From CACP Cost Assessment to NFSA Public Distribution System	**Cost A_2 + FL**	Cost A_2 + Imputed value of unpaid Family Labour (FL). Since the Union Budget 2018–19, the Government fixes MSP for all mandated crops at a minimum of **1.5 times (150\%) of the All-India weighted average Cost A_2 + FL**.
Comparative Table: 23 Mandated MSP/ FRP Crops & Major Agricultural Revolutions in India	**Cost C_2 (Comprehensive Cost)**	$Cost A_2 + FL + Imputed rental value of owned land + Interest on value of owned fixed capital assets$ (excluding land). The **National Commission on Farmers (M.S. Swaminathan Commission, 2004–06)** had recommended fixing MSP at **C_2 + 50\%** (Union Budget & Economic Survey).
Minimum Support Price (MSP), CACP Cost Formulas (A_2, A_2+FL, C_2) & Buffer Stock Operations	**Food Corporation of India (FCI, 1965), National Food Security Act (NFSA, 2013) & WTO Subsidies**	Established on **January 14, 1965** under the Food Corporations Act, 1964, FCI executes open-ended procurement, maintains operational and strategic buffer stocks, and distributes foodgrains under the **National Food Security Act, 2013 (PM Garib Kalyan Anna Yojana)**—which legally entitles up to **75% of the rural population and 50% of the urban population** (approx. 81.35 crore beneficiaries) to **5 kg of foodgrains per person per month** (and **35 kg per household per month** for **Antyodaya Anna Yojana — AAY** poorest-of-the-poor households) free of cost. Under the **WTO Agreement on Agriculture (AoA)**, agricultural subsidies are classified into:
Green Revolution, Land Holdings Census, E-NAM, KCC & Major Agricultural Schemes	**Green Box**	Non-trade-distorting subsidies (research, extension, direct income support like **PM-KISAN** decoupled from production, environmental programs, public stockholding for food security) — **no limit**.
Process Flowchart: From CACP Cost Assessment to NFSA Public Distribution System	**Blue Box**	Production-limiting subsidies (Amber Box with conditions to limit production) — **no limit**.
Comparative Table: 23 Mandated MSP/ FRP Crops & Major Agricultural Revolutions in India	**Amber Box**	Trade-distorting price support and input subsidies (MSP procurement at administered prices, fertilizer/power/irrigation subsidies) — subject to the **de minimis ceiling of 10% of the total value of agricultural production for developing countries like India** (and 5% for developed countries), protected temporarily by the **Bali Peace Clause (2013)** (Union Budget & Economic Survey).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Minimum Support Price (MSP), CACP Cost Formulas (A_2, A_2+FL, C_2) & Buffer Stock Operations	**Marginal Holdings**	Less than **1 hectare** (accounts for ~68.5% of all holdings in India);
Green Revolution, Land Holdings Census, E-NAM, KCC & Major Agricultural Schemes	**Small Holdings**	**1 to 2 hectares** (Small + Marginal farmers together constitute **~86.1% of all Indian farmers**);
Process Flowchart: From CACP Cost Assessment to NFSA Public Distribution System	**Semi-Medium Holdings**	**2 to 4 hectares**;
Comparative Table: 23 Mandated MSP/ FRP Crops & Major Agricultural Revolutions in India	**Medium Holdings**	**4 to 10 hectares**;
Minimum Support Price (MSP), CACP Cost Formulas (A_2, A_2+FL, C_2) & Buffer Stock Operations	**Large Holdings**	**10 hectares and above** (Union Budget & Economic Survey).
Green Revolution, Land Holdings Census, E-NAM, KCC & Major Agricultural Schemes	**Kisan Credit Card (KCC — Introduced August 1998)**	Formulated by **NABARD** on the recommendation of the **R.V. Gupta Committee** (later extended to animal husbandry and fisheries in 2019), providing short-term crop loans up to ₹3 lakh at an effective interest rate of **4% per annum** for prompt repayment (7% base rate minus 2% interest subvention minus 3% prompt repayment incentive).

Chapter 5 Multi-Statement Exam Verification Drills

Chapter 5 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Commission for Agricultural Costs and Prices (CACP) & CCEA Approval): Originally established in **January 1965** as the Agricultural Prices Commission (renamed **CACP in 1985**), CACP is an attached office of the Ministry of Agriculture and Farmers Welfare that recommends **Minimum Support Prices (MSPs) for 22 mandated crops** (7 Cereals, 5 Pulses, 7 Oilseeds, and 3 Commercial Crops) plus **Fair and Remunerative Price (FRP) for Sugarcane** (total **23 crops**). Final approval and announcement of MSPs before each sowing season is made by the **Cabinet Committee on Economic Affairs (CCEA)** chaired by the Prime Minister (Union Budget & Economic Survey).

Statement-II (Cost A_2): All actual paid-out expenses incurred by the farmer in cash and kind on seeds, fertilizers, pesticides, hired labour, leased-in land, fuel, and irrigation.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 5 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Cost A_2 + FL): Cost A_2 + Imputed value of unpaid Family Labour (FL). Since the Union Budget 2018–19, the Government fixes MSP for all mandated crops at a minimum of **1.5 times (150\%) of the All-India weighted average Cost A_2 + FL**.

Statement-II (Cost C_2 (Comprehensive Cost)): $Cost A_2 + FL + Imputed rental value of owned land + Interest on value of owned fixed capital assets$ (excluding land). The **National Commission on Farmers (M.S. Swaminathan Commission, 2004–06)** had recommended fixing MSP at **C_2 + 50\%** (Union Budget & Economic Survey).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 5 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (Food Corporation of India (FCI, 1965), National Food Security Act (NFSA, 2013) & WTO Subsidies): Established on **January 14, 1965** under the Food Corporations Act, 1964, FCI executes open-ended procurement, maintains operational and strategic buffer stocks, and distributes foodgrains under the **National Food Security Act, 2013 (PM Garib Kalyan Anna Yojana)**—which legally entitles up to **75% of the rural population and 50% of the urban population** (approx. 81.35 crore beneficiaries) to **5 kg of foodgrains per person per month** (and **35 kg per household per month** for **Antyodaya Anna Yojana — AAY** poorest-of-the-poor households) free of cost. Under the **WTO Agreement on Agriculture (AoA)**, agricultural subsidies are classified into:

Statement-II (Green Box): Non-trade-distorting subsidies (research, extension, direct income support like **PM-KISAN** decoupled from production, environmental programs, public stockholding for food security) — **no limit**.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 5 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Blue Box): Production-limiting subsidies (Amber Box with conditions to limit production) — **no limit**.

Statement-II (Amber Box): Trade-distorting price support and input subsidies (MSP procurement at administered prices, fertilizer/power/irrigation subsidies) — subject to the **de minimis ceiling of 10% of the total value of agricultural production for developing countries like India** (and 5% for developed countries), protected temporarily by the **Bali Peace Clause (2013)** (Union Budget & Economic Survey).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 5 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (Marginal Holdings): Less than **1 hectare** (accounts for ~68.5% of all holdings in India);
Statement-II (Small Holdings): 1 to 2 hectares (Small + Marginal farmers together constitute **~86.1% of all Indian farmers**);

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 5 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (Semi-Medium Holdings): 2 to 4 hectares;
Statement-II (Medium Holdings): 4 to 10 hectares;

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter *6:* Five-Year Plans *(1*st to *12*th*)*, Economic Reforms of *1991*, NITI Aayog, Poverty & Unemployment

Chapter Key Study Pillars — Chapter 6: Five-Year Plans (1st to 12th), Economic Reforms of 1991, NITI Aayog, Poverty & Unemployment

Key Study Pillar 1
Complete Chronology of India's 12 Five-Year Plans (1951–2017) & NITI Aayog

Key Study Pillar 2
Poverty Estimation Committees & Typology of Unemployment in India

6.1 Complete Chronology of India's *12* Five-Year Plans *(1951–2017)* & NITI Aayog

• **Planning History and the 12 Five-Year Plans (Planning Commission set up March 15, 1950):**

• **Pre-Independence Blueprints:** *Planned Economy for India* (1934) by **Sir M. Visvesvaraya**; **National Planning Committee (1938)** set up by Subhas Chandra Bose under **Jawaharlal Nehru**; **Bombay Plan (1944)** by 8 leading industrialists (J.R.D. Tata, G.D. Birla, Ardeshir Dalal, etc.); **Gandhian Plan (1944)** by **Sriman Narayan Agarwal**; **People's Plan (1945)** by **M.N. Roy**; and **Sarvodaya Plan (1950)** by **Jayaprakash Narayan**.

• **1st Plan (1951–56 — Harrod-Domar Model):** Focused on **Agriculture, Irrigation, and Price Stability** (Bhakra Nangal, Hirakud, and Damodar Valley multipurpose projects initiated; IITs & UGC set up; **achieved 3.6% growth against 2.1% target**).

• **2nd Plan (1956–61 — P.C. Mahalanobis Two/Four-Sector Model):** Focused on **Rapid Heavy Industrialization** and **Industrial Policy Resolution, 1956** ("Economic Constitution of India"); established **Bhilai (USSR), Durgapur (UK), and Rourkela (West Germany)** steel plants.

• **3rd Plan (1961–66 — Gadgil Yojana / Sukhamoy Chakravarty & John Sandy Model):** Aimed at a self-reliant and self-generating economy; severely disrupted by the **1962 Sino-Indian War, 1965 Indo-Pak War, and 1965–66 severe drought** (**Bokaro Steel Plant** set up in 1964 with USSR assistance), followed by **Three Annual Plans / Plan Holiday (1966–69)** during which the **Green Revolution** was launched.

• **4th Plan (1969–74):** Focused on **"Growth with Stability and Progressive Achievement of Self-Reliance"** (14 banks nationalized in 1969; Pokhran-I Smiling Buddha nuclear test in May 1974).

• **5th Plan (1974–78 — D.P. Dhar Model):** Introduced the famous slogan ***Garibi Hatao*** **(Removal of Poverty)** and the **Minimum Needs Programme (MNP)**; terminated one year early in 1978 by the Morarji Desai Janata Government, which introduced the **Rolling Plan (1978–80)** (concept originated globally by **Gunnar Myrdal** and applied in India by **Prof. D.T. Lakdawala**).

• **6th Plan (1980–85):** Consolidated poverty alleviation programmes (**IRDP, NREP, TRYSEM, RLEGP**) and established **NABARD (1982)** and **EXIM Bank (1982)**.

• **7th Plan (1985–90):** Emphasized **Food, Work, and Productivity** and the **Jawahar Rozgar Yojana (1989)**, followed by **Two Annual Plans (1990–92)** due to the **1991 Balance of Payments (BoP) crisis** and launch of the **LPG (Liberalisation, Privatisation, Globalisation) New Economic Policy (July 1991)** under PM **P.V. Narasimha Rao** and FM **Dr. Manmohan Singh**.

• **8th Plan (1992–97 — John W. Miller Model):** Focused on **Human Resource Development** and indicative planning after the 1991 reforms; India joined the **WTO (Jan 1, 1995)**.

• **9th Plan (1997–2002):** Focused on **"Growth with Social Justice and Equity"**; **10th Plan (2002–07):** Introduced monitorable socio-economic targets; **11th Plan (2007–12 — C. Rangarajan):** Theme **"Towards Faster and More Inclusive Growth"**; **12th Plan (2012–17 — Last Five-Year Plan):** Theme **"Faster, More Inclusive and Sustainable Growth"** (Union Budget & Economic Survey).

• **NITI Aayog (National Institution for Transforming India — Established January 1, 2015):** An **executive non-constitutional, non-statutory policy think-tank** replacing the 65-year-old Planning Commission on a **"Bottom-Up Cooperative and Competitive Federalism"** approach. Unlike the Planning Commission, NITI Aayog **does NOT have the power to allocate funds** to Ministries or States (which rests with the Ministry of Finance and Finance Commission). Its **Chairperson is the Prime Minister**, and its **Governing Council** includes the PM, Chief Ministers of all States and UTs with legislatures, and Lieutenant Governors of other UTs (Union Budget & Economic Survey).

6.2 Poverty Estimation Committees & Typology of Unemployment in India

• **Chronology of Poverty Estimation Committees in India:**

1. **VM Dandekar and N. Rath (1971):** First systematic assessment based on minimum daily caloric intake (**2,250 calories/day** for both rural and urban areas) using NSSO consumer expenditure data.

2. **Y.K. Alagh Task Force (1979):** Defined the poverty line based on daily nutritional requirements of **2,400 kcal per person per day in Rural areas** and **2,100 kcal per person per day in Urban areas**.

3. **D.T. Lakdawala Expert Group (1993):** Retained the Alagh calorie norms (2400/2100 kcal) but introduced state-specific poverty lines updated using **CPI-AL (Rural)** and **CPI-IW (Urban)**.

4. **Suresh Tendulkar Committee (2009):** Shifted away from pure calorie norms to a **broad consumption basket (including private expenditure on Health and Education)**, moved from **Uniform Reference Period (URP) to Mixed Reference Period (MRP)**, and adopted the urban poverty basket as the benchmark (estimating 21.9% national poverty in 2011–12).

5. **C. Rangarajan Committee (2014):** Used **Modified Mixed Reference Period (MMRP)** with updated nutritional norms (calories, protein, and fats) plus essential non-food expenditure (estimating 29.5% poverty in 2011–12) (**Union Budget & Economic Survey**).

• **Types of Unemployment & Periodic Labour Force Survey (PLFS by NSO):**

• **Disguised Unemployment:** Where more workers are employed than actually needed so that the **Marginal Productivity of Labour is ZERO (MP_L = 0)** (widespread in **Indian agriculture**).

• **Seasonal Unemployment:** Workers find employment only during peak agricultural/harvesting or seasonal industry periods.

• **Structural Unemployment:** Caused by a long-term mismatch between the skills possessed by workers and the skills demanded by evolving industries/technology (dominant type in developing economies like India).

• **Frictional Unemployment:** Temporary transitional unemployment when workers voluntarily switch from one job to another.

• **Cyclical Unemployment:** Caused by deficiency of aggregate demand during a macroeconomic recession or depression (Keynesian unemployment, typical of advanced capitalist economies) (**Union Budget & Economic Survey**).

6.3 Process Flowchart*:* Evolution of Poverty Measurement Methodology in Independent India

Step-by-Step Conceptual Process Flowchart

STEP 1
Dandekar & Rath (1971) and Y.K. Alagh Committee (1979) Establish Calorie Norms (2400 kcal Rural / 2100 kcal Urban)

STEP 2
Lakdawala Committee (1993) Introduces State-Specific Poverty Lines Deflated by CPI-AL and CPI-IW

STEP 3
Tendulkar (2009) & Rangarajan (2014) Shift to MRP/MMRP and Include Health, Education & Protein/Fat Norms

STEP 4
NITI Aayog National Multidimensional Poverty Index (MPI) Tracks Deprivation Across 12 Indicators in Health, Education & Living Standards

6.4 Comparative Table*:* Landmark Five-Year Plans, Growth Models & KeyIndices Published by NITI Aayog

Five-Year Plan / Institution	Time Period & Architect / Model	Core Strategic Focus & Milestone	Key Indices / Institutional Features	Official Verification Source
First Five-Year Plan	1951–1956 (**Harrod-Domar Model**)	Agriculture, irrigation, community development (1952), and rehabilitation of refugees	Achieved **3.6% annual growth** vs. 2.1% target	**Union Budget & Economic Survey**
Second Five-Year Plan	1956–1961 (**P.C. Mahalanobis Model**)	Heavy and basic industries, public sector dominance (**IPR 1956**)	Established **Bhilai, Durgapur, and Rourkela** integrated steel plants	**Union Budget & Economic Survey**

Five-Year Plan / Institution	Time Period & Architect / Model	Core Strategic Focus & Milestone	Key Indices / Institutional Features	Official Verification Source
Fifth Five-Year Plan	1974–1978 (**D.P. Dhar Model**)	***Garibi Hatao* (Poverty Alleviation)**, Minimum Needs Programme, 20-Point Programme (1975), RRBs (1975)	Terminated 1 year early in 1978; followed by **Rolling Plan (1978–80)**	Union Budget & Economic Survey
Eighth Five-Year Plan	1992–1997 (**John W. Miller Model**)	Human Resource Development, indicative planning post-**1991 LPG Reforms**	Launched PM Rozgar Yojana (1993) & Mid-Day Meal Scheme (1995); achieved **6.8% growth**	Union Budget & Economic Survey
Eleventh & Twelfth Five-Year Plans	11th: 2007–12; 12th: 2012–17	**11th:** "Faster and More Inclusive Growth"; **12th:** "Faster, More Inclusive and Sustainable Growth"	12th Plan was India's **final Five-Year Plan** before NITI Aayog's 3-Year Action Agenda / 7-Year Strategy / 15-Year Vision	Union Budget & Economic Survey
NITI Aayog Indices & Flagship Programs	Established **January 1, 2015** (Executive Resolution)	**Aspirational Districts Programme (112 districts)** & **Aspirational Blocks Programme (500 blocks)**	Publishes **SDG India Index, India Innovation Index, Export Preparedness Index, Composite Water Management Index, State Health Index, and National MPI**	Union Budget & Economic Survey

Did You Know?: Under the **NationalSample Survey / Periodic Labour Force Survey (PLFS)** conducted by NSO, employment and unemployment are measured using three activity status approaches: (1) **Usual Status (ps+ss)** with a **365-day** reference period, (2) **Current Weekly Status (CWS)** with a **7-day** reference period (a person is considered employed if they worked for at least **1 hour on any one day** of the preceding 7 days), and (3) **Current Daily Status (CDS)** measuring person-days across each half-day of the reference week (Union Budget & Economic Survey).

Exam Trap Alert: Do NOT confuse the **National Development Council (NDC, set up August 6, 1952)** with a constitutional or statutory body—just like the **Planning Commission (1950)** and **NITI Aayog (2015)**, the NDC was an **extra-constitutional, non-statutory body** created by an executive resolution of the Union Cabinet (IUC Academy).

★ **Memory Trick:** Remember the **Three Steel Plants of the Second Five-Year Plan** and their partner nations using **B-I-R-U, D-U-B, R-O-G**: **B**hilai (Chhattisgarh) with **R**ussia/USSR; **D**urgapur (West Bengal) with **U**K/**B**ritain; and **R**ourkela (Odisha) with West **G**ermany (while **Bokaro** in Jharkhand was set up with USSR help during the **Third Plan in 1964**) (IUC Academy).

Chapter *6* Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Complete Chronology of India's 12 Five-Year Plans (1951–2017) & NITI Aayog	**Pre-Independence Blueprints**	*Planned Economy for India* (1934) by **Sir M. Visvesvaraya**; **National Planning Committee (1938)** set up by Subhas Chandra Bose under **Jawaharlal Nehru**; **Bombay Plan (1944)** by 8 leading industrialists (J.R.D. Tata, G.D. Birla, Ardeshir Dalal, etc.); **Gandhian Plan (1944)** by **Sriman Narayan Agarwal**; **People's Plan (1945)** by **M.N. Roy**; and **Sarvodaya Plan (1950)** by **Jayaprakash Narayan**.

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Poverty Estimation Committees & Typology of Unemployment in India	**1st Plan (1951–56 — Harrod-Domar Model)**	Focused on **Agriculture, Irrigation, and Price Stability** (Bhakra Nangal, Hirakud, and Damodar Valley multipurpose projects initiated; IITs & UGC set up; **achieved 3.6% growth against 2.1% target**).
Process Flowchart: Evolution of Poverty Measurement Methodology in Independent India	**2nd Plan (1956–61 — P.C. Mahalanobis Two/Four-Sector Model)**	Focused on **Rapid Heavy Industrialization** and **Industrial Policy Resolution, 1956** ("Economic Constitution of India"); established **Bhilai (USSR), Durgapur (UK), and Rourkela (West Germany)** steel plants.
Comparative Table: Landmark Five-Year Plans, Growth Models & KeyIndices Published by NITI Aayog	**3rd Plan (1961–66 — Gadgil Yojana / Sukhamoy Chakravarty & John Sandy Model)**	Aimed at a self-reliant and self-generating economy; severely disrupted by the **1962 Sino-Indian War, 1965 Indo-Pak War, and 1965–66 severe drought** (**Bokaro Steel Plant** set up in 1964 with USSR assistance), followed by **Three Annual Plans / Plan Holiday (1966–69)** during which the **Green Revolution** was launched.
Complete Chronology of India's 12 Five-Year Plans (1951–2017) & NITI Aayog	**4th Plan (1969–74)**	Focused on **"Growth with Stability and Progressive Achievement of Self-Reliance"** (14 banks nationalized in 1969; Pokhran-I Smiling Buddha nuclear test in May 1974).
Poverty Estimation Committees & Typology of Unemployment in India	**5th Plan (1974–78 — D.P. Dhar Model)**	Introduced the famous slogan ***Garibi Hatao*** **(Removal of Poverty)** and the **Minimum Needs Programme (MNP)**; terminated one year early in 1978 by the Morarji Desai Janata Government, which introduced the **Rolling Plan (1978–80)** (concept originated globally by **Gunnar Myrdal** and applied in India by **Prof. D.T. Lakdawala**).
Process Flowchart: Evolution of Poverty Measurement Methodology in Independent India	**6th Plan (1980–85)**	Consolidated poverty alleviation programmes (**IRDP, NREP, TRYSEM, RLEGP**) and established **NABARD (1982)** and **EXIM Bank (1982)**.
Comparative Table: Landmark Five-Year Plans, Growth Models & KeyIndices Published by NITI Aayog	**7th Plan (1985–90)**	Emphasized **Food, Work, and Productivity** and the **Jawahar Rozgar Yojana (1989)**, followed by **Two Annual Plans (1990–92)** due to the **1991 Balance of Payments (BoP) crisis** and launch of the **LPG (Liberalisation, Privatisation, Globalisation) New Economic Policy (July 1991)** under PM **P.V. Narasimha Rao** and FM **Dr. Manmohan Singh**.
Complete Chronology of India's 12 Five-Year Plans (1951–2017) & NITI Aayog	**8th Plan (1992–97 — John W. Miller Model)**	Focused on **Human Resource Development** and indicative planning after the 1991 reforms; India joined the **WTO (Jan 1, 1995)**.

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Poverty Estimation Committees & Typology of Unemployment in India	**9th Plan (1997–2002)**	Focused on **"Growth with Social Justice and Equity"**; **10th Plan (2002–07):** Introduced monitorable socio-economic targets; **11th Plan (2007–12 — C. Rangarajan):** Theme **"Towards Faster and More Inclusive Growth"**; **12th Plan (2012–17 — Last Five-Year Plan):** Theme **"Faster, More Inclusive and Sustainable Growth"** (Union Budget & Economic Survey).
Process Flowchart: Evolution of Poverty Measurement Methodology in Independent India	**NITI Aayog (National Institution for Transforming India — Established January 1, 2015)**	An **executive non-constitutional, non-statutory policy think-tank** replacing the 65-year-old Planning Commission on a **"Bottom-Up Cooperative and Competitive Federalism"** approach. Unlike the Planning Commission, NITI Aayog **does NOT have the power to allocate funds** to Ministries or States (which rests with the Ministry of Finance and Finance Commission). Its **Chairperson is the Prime Minister**, and its **Governing Council** includes the PM, Chief Ministers of all States and UTs with legislatures, and Lieutenant Governors of other UTs (Union Budget & Economic Survey).
Comparative Table: Landmark Five-Year Plans, Growth Models & KeyIndices Published by NITI Aayog	**VM Dandekar and N. Rath (1971)**	First systematic assessment based on minimum daily caloric intake (**2,250 calories/day** for both rural and urban areas) using NSSO consumer expenditure data.
Complete Chronology of India's 12 Five-Year Plans (1951–2017) & NITI Aayog	**Y.K. Alagh Task Force (1979)**	Defined the poverty line based on daily nutritional requirements of **2,400 kcal per person per day in Rural areas** and **2,100 kcal per person per day in Urban areas**.
Poverty Estimation Committees & Typology of Unemployment in India	**D.T. Lakdawala Expert Group (1993)**	Retained the Alagh calorie norms (2400/2100 kcal) but introduced state-specific poverty lines updated using **CPI-AL (Rural)** and **CPI-IW (Urban)**.

Chapter *6* Multi-Statement Exam Verification Drills

Chapter 6 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Pre-Independence Blueprints): *Planned Economy for India* (1934) by **Sir M. Visvesvaraya**; **National Planning Committee (1938)** set up by Subhas Chandra Bose under **Jawaharlal Nehru**; **Bombay Plan (1944)** by 8 leading industrialists (J.R.D. Tata, G.D. Birla, Ardeshir Dalal, etc.); **Gandhian Plan (1944)** by **Sriman Narayan Agarwal**; **People's Plan (1945)** by **M.N. Roy**; and **Sarvodaya Plan (1950)** by **Jayaprakash Narayan**.

Statement-II (1st Plan (1951–56 — Harrod-Domar Model)): Focused on **Agriculture, Irrigation, and Price Stability** (Bhakra Nangal, Hirakud, and Damodar Valley multipurpose projects initiated; IITs & UGC set up; **achieved 3.6% growth against 2.1% target**).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 6 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (2nd Plan (1956–61 — P.C. Mahalanobis Two/Four-Sector Model)): Focused on **Rapid Heavy Industrialization** and **Industrial Policy Resolution, 1956** ("Economic Constitution of India"); established **Bhilai (USSR), Durgapur (UK), and Rourkela (West Germany)** steel plants.

Statement-II (3rd Plan (1961–66 — Gadgil Yojana / Sukhamoy Chakravarty & John Sandy Model)): Aimed at a self-reliant and self-generating economy; severely disrupted by the **1962 Sino-Indian War, 1965 Indo-Pak War, and 1965–66 severe drought** (**Bokaro Steel Plant** set up in 1964 with USSR assistance), followed by **Three Annual Plans / Plan Holiday (1966–69)** during which the **Green Revolution** was launched.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 6 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (4th Plan (1969–74)): Focused on **"Growth with Stability and Progressive Achievement of Self-Reliance"** (14 banks nationalized in 1969; Pokhran-I Smiling Buddha nuclear test in May 1974).

Statement-II (5th Plan (1974–78 — D.P. Dhar Model)): Introduced the famous slogan ***Garibi Hatao*** **(Removal of Poverty)** and the **Minimum Needs Programme (MNP)**; terminated one year early in 1978 by the Morarji Desai Janata Government, which introduced the **Rolling Plan (1978–80)** (concept originated globally by **Gunnar Myrdal** and applied in India by **Prof. D.T. Lakdawala**).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 6 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (6th Plan (1980–85)): Consolidated poverty alleviation programmes (**IRDP, NREP, TRYSEM, RLEGP**) and established **NABARD (1982)** and **EXIM Bank (1982)**.

Statement-II (7th Plan (1985–90)): Emphasized **Food, Work, and Productivity** and the **Jawahar Rozgar Yojana (1989)**, followed by **Two Annual Plans (1990–92)** due to the **1991 Balance of Payments (BoP) crisis** and launch of the **LPG (Liberalisation, Privatisation, Globalisation) New Economic Policy (July 1991)** under PM **P.V. Narasimha Rao** and FM **Dr. Manmohan Singh**.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 6 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (8th Plan (1992–97 — John W. Miller Model)): Focused on **Human Resource Development** and indicative planning after the 1991 reforms; India joined the **WTO (Jan 1, 1995)**.

Statement-II (9th Plan (1997–2002)): Focused on **"Growth with Social Justice and Equity"**; **10th Plan (2002–07):** Introduced monitorable socio-economic targets; **11th Plan (2007–12 — C. Rangarajan):** Theme **"Towards Faster and More Inclusive Growth"**; **12th Plan (2012–17 — Last Five-Year Plan):** Theme **"Faster, More Inclusive and Sustainable Growth"** (Union Budget & Economic Survey).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 6 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (NITI Aayog (National Institution for Transforming India — Established January 1, 2015)): An **executive non-constitutional, non-statutory policy think-tank** replacing the 65-year-old Planning Commission on a **"Bottom-Up Cooperative and Competitive Federalism"** approach. Unlike the Planning Commission, NITI Aayog **does NOT have the power to allocate funds** to Ministries or States (which rests with the Ministry of Finance and Finance Commission). Its **Chairperson is the Prime Minister**, and its **Governing Council** includes the PM, Chief Ministers of all States and UTs with legislatures, and Lieutenant Governors of other UTs (Union Budget & Economic Survey).

Statement-II (VM Dandekar and N. Rath (1971)): First systematic assessment based on minimum daily caloric intake (**2,250 calories/day** for both rural and urban areas) using NSSO consumer expenditure data.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 7: External Sector, Balance of Payments (BoP), Exchange Rate Regimes, Foreign Trade & Global Institutions

Chapter Key Study Pillars — Chapter 7: External Sector, Balance of Payments (BoP), Exchange Rate Regimes, Foreign Trade & Global Institutions

Key Study Pillar 1
Balance of Payments (BoP): Current Account vs. Capital Account & Convertibility

Key Study Pillar 2
Foreign Exchange Reserves, NEER vs. REER & Bretton Woods / Global Financial Institutions

7.1 Balance of Payments (BoP): Current Account vs. Capital Account & Convertibility

• **Current Account of Balance of Payments:** Records all current cross-border transactions in goods, services, income, and transfers that do not alter foreign asset/liability ownership:

1. **Visible Trade (Merchandise Trade / Balance of Trade — BoT):** Exports and Imports of tangible physical goods (BoT = Exports of Goods - Imports of Goods; structurally in deficit for India due to crude oil and gold imports).

2. **Invisible Trade (Net Invisibles — Structurally in Surplus for India):** Divided into three components: (a) **Services** (Software/IT-BPM exports, business/GCC services, travel, transport, insurance), (b) **Primary Income (Investment Income)** (repatriated profits, dividends, and interest payments on external loans/FDI/FPI — usually negative for India), and (c) **Secondary Income (Unilateral Current Transfers)** (**Private Remittances from NRIs/Indian diaspora** — where India ranks **#1 globally**, receiving over USD 120+ billion annually — plus official grants and gifts).

• **Current Account Deficit (CAD) / Surplus:** When total Current Account payments exceed receipts. Since **August 1994**, the **Indian Rupee is 100% (fully) convertible on the Current Account** (accepting Article VIII obligations of the IMF) (Reserve Bank of India).

• **Capital Account of Balance of Payments & Tarapore Committee:** Records cross-border transactions that alter the external assets or liabilities of residents and the Government:

1. **Foreign Investment:** Divided into **Foreign Direct Investment (FDI)** (long-term investment involving management control, technology transfer, and ≥ 10\% equity stake in a listed company, routed via the

Automatic Route or **Government Approval Route**) and **Foreign Portfolio Investment (FPI / FII)** (short-term financial investment in equities/bonds < 10\% stake, often termed **"Hot Money"** due to sudden flight risk).

2. **External Loans & Borrowings: External Commercial Borrowings (ECBs)** (including Rupee-denominated **Masala Bonds** issued offshore, where currency exchange risk is borne by the **foreign investor**, not the Indian issuer), Sovereign External Assistance, and Short-Term Trade Credits.

3. **NRI Banking Deposits:** FCNR(B), NRE, and NRO deposits.

• On the **Capital Account**, the Indian Rupee has **partial convertibility** (following the cautious roadmap recommended by the **S.S. Tarapore Committees of *1997* and *2006***) (Reserve Bank of India).

7.2 Foreign Exchange Reserves, NEER vs. REER & Bretton Woods / Global Financial Institutions

• **Four Components of India's Foreign Exchange Reserves (Maintained by RBI):**

1. **Foreign Currency Assets (FCAs):** The **largest component** (~80–85% of total reserves), held in multi-currency assets (US Dollar, Euro, Pound Sterling, Japanese Yen, etc.) and foreign sovereign treasury bonds.

2. **Gold Reserves:** Held by the RBI in domestic vaults (Mumbai and Nagpur) and abroad.

3. **Special Drawing Rights (SDRs — "Paper Gold"):** Created by the **IMF in *1969*** as an international reserve asset (NOT a currency or a claim on the IMF); its value is based on a **basket of 5 major currencies (US Dollar, Euro, Chinese Renminbi/Yuan *[added in 2016]*, Japanese Yen, and British Pound Sterling**).

4. **Reserve Tranche Position (RTP) in the IMF:** The portion of India's mandatory quota in the IMF paid in reserve assets/foreign currency that India can draw unconditionally at any time without service fee (Reserve Bank of India).

• **Exchange Rate Concepts: Depreciation vs. Devaluation, NEER vs. REER, and J-Curve:**

• **Depreciation vs. Devaluation: Depreciation** is a market-driven fall in the external value of a currency under a floating/managed-float regime, whereas **Devaluation** is a deliberate official reduction in the value of a currency under a fixed exchange rate regime (India officially devalued the Rupee **three times**: in ***1949***, ***1966***, and **July *1991***).

• **NEER vs. REER: Nominal Effective Exchange Rate (NEER)** is the weighted geometric average of bilateral nominal exchange rates of the Rupee against a basket of 6 or 40 trading-partner currencies. **Real Effective Exchange Rate (REER)** adjusts NEER for **relative inflation differentials** between India and its trading partners. If **REER > *100***, the domestic currency is **overvalued** (making **exports less competitive** and imports cheaper) (Reserve Bank of India).

7.3 Process Flowchart: Balance of Payments Accounting & Forex Reserve Adjustment by RBI

Step-by-Step Conceptual Process Flowchart

STEP 1
Current Account Balance = Balance of Merchandise Trade (BoT Deficit) + Net Invisibles (IT Services + NRI Remittances Surplus)

STEP 2
Capital Account Balance = Net FDI + Net FPI + Net External Commercial Borrowings (ECBs) + NRI Deposits

STEP 3
Overall BoP Balance = Current Account Balance + Capital Account Balance + Net Errors & Omissions

STEP 4
RBI Absorbs BoP Surplus into Foreign Exchange Reserves (or Deploys Reserves During Deficit) to Curb Excess Volatility

7.4 Comparative Table: International Economic & Financial Organizations (IMF, World Bank, WTO, ADB, NDB, AIIB)

Organization & Founding Year	Headquarters	Core Institutional Arms / Agreements	Exam-Critical Structural Facts	Official Verification Source
International Monetary Fund (IMF — 1944/1945)	**Washington, D.C.** (Bretton Woods Conference, 1944)	Manages **SDRs** and Extended Fund Facility (EFF) for Balance of Payments crises	Publishes **World Economic Outlook (WEO)** and **Global Financial Stability Report (GFSR)**	Union Budget & Economic Survey
World Bank Group (1944/1945)	**Washington, D.C.**	**5 Institutions: IBRD** (Middle-income loans), **IDA** (1960, "Soft Loan Window" for poorest nations), **IFC** (Private sector), **MIGA** (Political risk insurance), and **ICSID**	**India is a member of 4 World Bank Group institutions (IBRD, IDA, IFC, MIGA) and is NOT a member of ICSID**	Union Budget & Economic Survey
World Trade Organization (WTO — Jan 1, 1995)	**Geneva, Switzerland** (Marrakesh Agreement, 1994; replaced GATT 1947)	Administers **GATT (Goods), GATS (Services), TRIPS (Intellectual Property), TRIMS, and AoA (Agriculture)**	Highest decision-making body is the **Ministerial Conference** (meets at least once every 2 years)	Union Budget & Economic Survey
Asian Development Bank (ADB — 1966)	**Mandaluyong (Manila), Philippines**	Regional development bank modeled on the World Bank	**Japan and the USA** are the largest shareholders, followed by China and **India**	Union Budget & Economic Survey
New Development Bank (NDB — 2014/2015)	**Shanghai, China (Fortaleza Declaration**, 6th BRICS Summit, 2014)	Founded by the **5 BRICS nations** (Brazil, Russia, India, China, South Africa; later joined by Egypt, UAE, Bangladesh, Uruguay)	**Equal voting share** among the 5 founding members (no single country has veto power); first President was **K.V. Kamath**	Union Budget & Economic Survey
Asian Infrastructure Investment Bank (AIIB — 2016)	**Beijing, China**	Multilateral infrastructure development bank	**China** is the largest shareholder, and **India is the 2nd-largest shareholder**	Union Budget & Economic Survey

Did You Know?: Under the **Marshall-Lerner Condition** and the **J-Curve Effect** in international economics, a depreciation of the domestic currency initially **worsens** the trade deficit in the very short run (because import prices rise immediately in domestic currency terms while export/import volumes take time to adjust due to existing contracts), and **improves** the trade balance only in the medium-to-long run if the sum of price elasticities of export and import demand is greater than 1 ($|e_x| + |e_m| > 1$) (Reserve Bank of India).

Exam Trap Alert: Private Remittances sent home by NRIs working abroad are recorded in the **Current Account (Secondary Income / Unilateral Transfers)** of the Balance of Payments, whereas **NRI Bank Deposits (FCNR(B), NRE, NRO)** are recorded in the **Capital Account** because bank deposits create a repayment liability for Indian banks (Reserve Bank of India).

★ **Memory Trick:** Memorize the **5 Currencies in the IMF's SDR Basket** using **U – E – C – J – P**: **U**S Dollar, **E**uro, **C**hinese Renminbi (Yuan), **J**apanese Yen, and British **P**ound Sterling (note: the Indian Rupee and Swiss Franc are NOT in the SDR basket) (IUC Academy).

Chapter 7 Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Balance of Payments (BoP): Current Account vs. Capital Account & Convertibility	**Current Account of Balance of Payments**	Records all current cross-border transactions in goods, services, income, and transfers that do not alter foreign asset/liability ownership:
Foreign Exchange Reserves, NEER vs. REER & Bretton Woods / Global Financial Institutions	**Visible Trade (Merchandise Trade / Balance of Trade — BoT)**	Exports and Imports of tangible physical goods (BoT = Exports of Goods - Imports of Goods; structurally in deficit for India due to crude oil and gold imports).
Process Flowchart: Balance of Payments Accounting & Forex Reserve Adjustment by RBI	**Invisible Trade (Net Invisibles — Structurally in Surplus for India)**	Divided into three components: (a) **Services** (Software/IT-BPM exports, business/GCC services, travel, transport, insurance), (b) **Primary Income (Investment Income)** (repatriated profits, dividends, and interest payments on external loans/FDI/FPI — usually negative for India), and (c) **Secondary Income (Unilateral Current Transfers)** (**Private Remittances from NRIs/ Indian diaspora** — where India ranks **#1 globally**, receiving over USD 120+ billion annually — plus official grants and gifts).
Comparative Table: International Economic & Financial Organizations (IMF, World Bank, WTO, ADB, NDB, AIIB)	**Current Account Deficit (CAD) / Surplus**	When total Current Account payments exceed receipts. Since **August 1994**, the **Indian Rupee is 100% (fully) convertible on the Current Account** (accepting Article VIII obligations of the IMF) (Reserve Bank of India).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Balance of Payments (BoP): Current Account vs. Capital Account & Convertibility	**Capital Account of Balance of Payments & Tarapore Committee**	Records cross-border transactions that alter the external assets or liabilities of residents and the Government:
Foreign Exchange Reserves, NEER vs. REER & Bretton Woods / Global Financial Institutions	**Foreign Investment**	Divided into **Foreign Direct Investment (FDI)** (long-term investment involving management control, technology transfer, and ≥ 10\% equity stake in a listed company, routed via the **Automatic Route** or **Government Approval Route**) and **Foreign Portfolio Investment (FPI / FII)** (short-term financial investment in equities/bonds < 10\% stake, often termed **"Hot Money"** due to sudden flight risk).
Process Flowchart: Balance of Payments Accounting & Forex Reserve Adjustment by RBI	**External Loans & Borrowings**	**External Commercial Borrowings (ECBs)** (including Rupee-denominated **Masala Bonds** issued offshore, where currency exchange risk is borne by the **foreign investor**, not the Indian issuer), Sovereign External Assistance, and Short-Term Trade Credits.
Comparative Table: International Economic & Financial Organizations (IMF, World Bank, WTO, ADB, NDB, AIIB)	**NRI Banking Deposits**	FCNR(B), NRE, and NRO deposits.
Balance of Payments (BoP): Current Account vs. Capital Account & Convertibility	**Foreign Currency Assets (FCAs)**	The **largest component** (~80–85% of total reserves), held in multi-currency assets (US Dollar, Euro, Pound Sterling, Japanese Yen, etc.) and foreign sovereign treasury bonds.
Foreign Exchange Reserves, NEER vs. REER & Bretton Woods / Global Financial Institutions	**Gold Reserves**	Held by the RBI in domestic vaults (Mumbai and Nagpur) and abroad.
Process Flowchart: Balance of Payments Accounting & Forex Reserve Adjustment by RBI	**Special Drawing Rights (SDRs — "Paper Gold")**	Created by the **IMF in 1969** as an international reserve asset (NOT a currency or a claim on the IMF); its value is based on a **basket of 5 major currencies (US Dollar, Euro, Chinese Renminbi/Yuan [added in 2016], Japanese Yen, and British Pound Sterling**).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Comparative Table: International Economic & Financial Organizations (IMF, World Bank, WTO, ADB, NDB, AIIB)	**Reserve Tranche Position (RTP) in the IMF**	The portion of India's mandatory quota in the IMF paid in reserve assets/ foreign currency that India can draw unconditionally at any time without service fee (Reserve Bank of India).
Balance of Payments (BoP): Current Account vs. Capital Account & Convertibility	**Exchange Rate Concepts**	Depreciation vs. Devaluation, NEER vs. REER, and J-Curve:**
Foreign Exchange Reserves, NEER vs. REER & Bretton Woods / Global Financial Institutions	**Depreciation vs. Devaluation**	**Depreciation** is a market-driven fall in the external value of a currency under a floating/managed-float regime, whereas **Devaluation** is a deliberate official reduction in the value of a currency under a fixed exchange rate regime (India officially devalued the Rupee **three times**: in **1949**, **1966**, and **July 1991**).

Chapter 7 Multi-Statement Exam Verification Drills

Chapter 7 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Current Account of Balance of Payments): Records all current cross-border transactions in goods, services, income, and transfers that do not alter foreign asset/liability ownership:

Statement-II (Visible Trade (Merchandise Trade / Balance of Trade — BoT)): Exports and Imports of tangible physical goods (BoT = Exports of Goods - Imports of Goods; structurally in deficit for India due to crude oil and gold imports).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 7 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Invisible Trade (Net Invisibles — Structurally in Surplus for India)): Divided into three components: (a) **Services** (Software/IT-BPM exports, business/GCC services, travel, transport, insurance), (b) **Primary Income (Investment Income)** (repatriated profits, dividends, and interest payments on external loans/FDI/FPI — usually negative for India), and (c) **Secondary Income (Unilateral Current Transfers)** (**Private Remittances from NRIs/Indian diaspora** — where India ranks **#1 globally**, receiving over USD 120+ billion annually — plus official grants and gifts).

Statement-II (Current Account Deficit (CAD) / Surplus): When total Current Account payments exceed receipts. Since **August 1994**, the **Indian Rupee is 100% (fully) convertible on the Current Account** (accepting Article VIII obligations of the IMF) (Reserve Bank of India).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 7 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (Capital Account of Balance of Payments & Tarapore Committee): Records cross-border transactions that alter the external assets or liabilities of residents and the Government:

Statement-II (Foreign Investment): Divided into **Foreign Direct Investment (FDI)** (long-term investment involving management control, technology transfer, and ≥ 10\% equity stake in a listed company, routed via the **Automatic Route** or **Government Approval Route**) and **Foreign Portfolio Investment (FPI / FII)** (short-term financial investment in equities/bonds < 10\% stake, often termed **"Hot Money"** due to sudden flight risk).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 7 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (External Loans & Borrowings): External Commercial Borrowings (ECBs) (including Rupee-denominated **Masala Bonds** issued offshore, where currency exchange risk is borne by the **foreign investor**, not the Indian issuer), Sovereign External Assistance, and Short-Term Trade Credits.

Statement-II (NRI Banking Deposits): FCNR(B), NRE, and NRO deposits.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 7 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (Foreign Currency Assets (FCAs)): The **largest component** (~80–85% of total reserves), held in multi-currency assets (US Dollar, Euro, Pound Sterling, Japanese Yen, etc.) and foreign sovereign treasury bonds.

Statement-II (Gold Reserves): Held by the RBI in domestic vaults (Mumbai and Nagpur) and abroad.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 7 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (Special Drawing Rights (SDRs — "Paper Gold")): Created by the **IMF in 1969** as an international reserve asset (NOT a currency or a claim on the IMF); its value is based on a **basket of 5 major currencies** (**US Dollar, Euro, Chinese Renminbi/Yuan [added in 2016], Japanese Yen, and British Pound Sterling**).

Statement-II (Reserve Tranche Position (RTP) in the IMF): The portion of India's mandatory quota in the IMF paid in reserve assets/foreign currency that India can draw unconditionally at any time without service fee (**Reserve Bank of India**).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter *8:* Industrial Policy, MSME Classification, Union Budget & Economic Survey *(2025–2027)*

Chapter Key Study Pillars — Chapter 8: Industrial Policy, MSME Classification, Union Budget & Economic Survey (2025–2027)

Key Study Pillar 1
Industrial Policy Evolution, Maharatna/Navratna CPSEs & Revised MSME Classification

Key Study Pillar 2
Key Highlights of the Economic Survey 2025–26 & Union Budget (2025–2027)

8.1 Industrial Policy Evolution, Maharatna/Navratna CPSEs & Revised MSME Classification

• **Industrial Policy Resolutions (*1948, 1956, 1991*):** The **IPR *1948*** introduced a mixed economy model; the **IPR *1956*** categorized industries into **Schedule A** (17 industries exclusively reserved for the State), **Schedule B** (12 industries where the State took the lead with private supplementation), and **Schedule C** (remaining private sector industries subject to licensing); and the **New Industrial Policy of July 24, *1991*** abolished industrial licensing (*License Raj*) for all except a tiny list of hazardous/strategic industries, ended MRTP asset thresholds (later replacing the MRTP Act, *1969* with the **Competition Act, *2002*** and the **Competition Commission of India — CCI** on the **Raghavan Committee's** recommendation), and opened public sector monopolies to private investment (Union Budget & Economic Survey).

• **Composite MSME Classification Criteria (Investment in Plant & Machinery/Equipment AND Annual Turnover):** Under the **MSME Development Act, *2006*** (unified for both Manufacturing and Service Undertakings since July 2020 and enhanced in the Union Budget 2025–26/2026–27 framework to facilitate scale and employment):

• **Baseline Statutory MSME Thresholds (*2020* Composite Notification):**

1. **Micro Undertaking:** Investment up to **₹1 Crore** AND Annual Turnover up to **₹5 Crore**;
2. **Small Undertaking:** Investment up to **₹10 Crore** AND Annual Turnover up to **₹50 Crore**;
3. **Medium Undertaking:** Investment up to **₹50 Crore** AND Annual Turnover up to **₹250 Crore**.

• **Enhanced Budgetary MSME Thresholds (2.5x Investment & 2x Turnover Expansion for Scale-Up):** Investment limits raised by **2.5 times** (to **₹2.5 Crore for Micro, ₹25 Crore for Small, and ₹125 Crore for Medium**) and Turnover limits raised by **2 times** (to **₹10 Crore for Micro, ₹100 Crore for Small, and ₹500 Crore for Medium**), alongside export turnover being excluded from the computation of turnover limits (Union Budget & Economic Survey).

8.2 Key Highlights of the Economic Survey *2025–26* & Union Budget *(2025–2027)*

• **Macroeconomic Resilience & Fiscal Consolidation Glide Path (Economic Survey *2025–26* & Union Budget):**

• **Four Engines of *Viksit Bharat* Growth:** The Union Budget identifies **Agriculture, MSMEs, Investment (People, Economy, Innovation), and Exports** as the four powerful engines driving India's structural journey toward **Viksit Bharat @ *2047***, propelled by tax reforms, power sector modernization, urban development, mining, financial sector deepening, and regulatory deregulation (Union Budget & Economic Survey).

• **Fiscal Consolidation & Debt-to-GDP Trajectory:** Following post-pandemic fiscal consolidation, the Union Government has steadily brought down the **Fiscal Deficit** from **9.2% of GDP in FY21** to **4.8% of GDP in FY25 (RE)** and targeted **4.4% of GDP in FY26 (BE)**, while shifting its medium-term fiscal anchor from Fiscal Deficit alone to a **declining Central Government Debt-to-GDP trajectory** targeting **50 ± 1\% of GDP by March 31, 2031 (FY31)** (Union Budget & Economic Survey).

• **Effective Capital Expenditure & Infrastructure Push:** Central Government **Capital Expenditure (Capex)** has expanded more than 3-fold from FY20 to cross **₹11.11–11.21 lakh crore** (~3.1% of GDP), supported by **₹1.5 lakh crore in 50-year interest-free loans to States** for capital asset creation and the **PM GatiShakti National**

Master Plan (7 Engines: Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure) (Union Budget & Economic Survey).

• Flagship Sectoral Missions Announced in the Union Budget:

1. **Prime Minister Dhan-Dhanya Krishi Yojana:** Covering **100 developing agricultural districts** with low productivity, moderate crop intensity, and below-average credit parameters (benefiting **1.7 crore farmers**), alongside a **6-year "Mission for Aatmanirbharta in Pulses"** focusing on **Tur, Urad, and Masoor** and a **Makhana Board in Bihar**.

2. **Enhanced Kisan Credit Card (KCC) Limit:** The loan limit under the **Modified Interest Subvention Scheme (MISS)** through Kisan Credit Cards has been increased from **₹3 lakh to ₹5 lakh** for farmers, fishermen, and dairy farmers.

3. **FDI in the Insurance Sector Raised to 100%:** The Foreign Direct Investment (FDI) limit for the **Insurance Sector** has been increased from **74% to 100%** for companies that invest the entire premium within India.

4. **Nuclear Energy Mission for Viksit Bharat:** Targets the development of **at least 100 GW of nuclear energy by 2047** and sets up a **₹20,000 crore Nuclear Energy Mission for R&D of Small Modular Reactors (SMRs)** with at least **5 indigenously developed SMRs operationalized by 2033**.

5. **Personal Income Tax Relief under the New Tax Regime:** Under the revised New Income Tax Regime slabs, **zero income tax is payable up to a normal income of ₹12,00,000 per annum** (and **₹12,75,000 for salaried taxpayers** after the **₹75,000 Standard Deduction**) via the enhanced tax rebate under Section 87A (Union Budget & Economic Survey).

8.3 Process Flowchart*:* Multi-Engine Fiscal & Structural Strategy for Viksit Bharat @ *2047*

Step-by-Step Conceptual Process Flowchart

STEP 1
Four Growth Engines (Agriculture via PM Dhan-Dhanya Krishi Yojana, Scaled MSMEs, Capex Investment & Exports)

STEP 2
Regulatory Deregulation (Jan Vishwas Bill 2.0, High-Level Committee for Regulatory Reforms & State Investment Index)

STEP 3
Household Consumption Stimulus (Zero Income Tax up to Rs. 12 Lakh under New Tax Regime & Rs. 5 Lakh KCC Limit)

STEP 4
Fiscal Consolidation Anchor Targeting Central Government Debt-to-GDP Ratio of 50 +/- 1% by FY 2030-31

8.4 Comparative Table*:* CPSE Status Categories *(*Maharatna*,* Navratna*,* Miniratna*)* & Key Budget Metrics

Category / Budget Metric	Eligibility / Financial Benchmark	Financial Autonomy / Operational Ceiling	Notable Examples / Policy Impact	Official Verification Source
Maharatna CPSE Status (Introduced in 2010)	Must have Navratna status, listed on stock exchange; 3-yr avg **Turnover** > **₹25,000 Cr**, **Net Worth** > **₹15,000 Cr**, and **Net Profit** > **₹5,000 Cr**	Can invest up to **₹5,000 Crore** (or 15% of net worth) in a single project without prior Govt approval	**ONGC, IOCL, NTPC, CIL, SAIL, BHEL, GAIL, BPCL, PGCIL, HPCL, PFC, REC, OIL, HAL** (Hindustan Aeronautics Ltd. elevated in Oct 2024)	Union Budget & Economic Survey

Category / Budget Metric	Eligibility / Financial Benchmark	Financial Autonomy / Operational Ceiling	Notable Examples / Policy Impact	Official Verification Source
Navratna CPSE Status (Introduced in 1997)	Must be Miniratna Category-I + Schedule 'A' CPSE with composite score ≥ 60 across 6 financial parameters	Can invest up to **₹1,000 Crore** (or 15% of net worth) in a single project without prior Govt approval	CONCOR, RVNL, IRCTC, IRFC, Mazagon Dock, Solar Energy Corp (SECI), NHPC, SJVN	Union Budget & Economic Survey
Miniratna Category-I & Category-II CPSEs	**Cat-I:** Profit in last 3 years + pre-tax profit ≥ ₹30 Cr in at least 1 year; **Cat-II:** Profit in last 3 years + positive net worth	**Cat-I:** Up to **₹500 Crore** (or equal to net worth); **Cat-II:** Up to **₹300 Crore** (or 50% of net worth)	Conferred by Department of Public Undertakings (DPE, now under **Ministry of Finance**)	Union Budget & Economic Survey
Rupee Comes From / Goes To (Union Budget Structure)	**Top Sources of Receipts:** Borrowings & Liabilities, Income Tax, GST, Corporation Tax; **Top Outgo:** Interest Payments & States' Share of Taxes	**Direct Tax collections (Personal Income Tax + Corporate Tax)** exceed Indirect Tax collections in Gross Tax Revenue	**Interest Payments** constitute the single largest expenditure component in the Union Budget	Union Budget & Economic Survey

Did You Know?: In **July 2021**, the **Department of Public Undertakings (DPE)**—which oversees Central Public Sector Undertakings (CPSEs) and confers Maharatna, Navratna, and Miniratna statuses—was shifted from the Ministry of Heavy Industries and Public Undertakings to the **Ministry of Finance** (making it the 6th Department of the Ministry of Finance alongside DEA, DoE, DoR, DIPAM, and DFS) (Union Budget & Economic Survey).

Exam Trap Alert: Remember that **export turnover is EXCLUDED** while calculating the annual turnover of any Undertaking (Micro, Small, or Medium) for MSME classification under the MSME Development Act, 2006, so that MSMEs can expand exports without fear of losing their MSME benefits (Union Budget & Economic Survey).

★ **Memory Trick:** Remember the **3 Financial Thresholds for Maharatna Status (3-year average)** using the sequence **5 – 15 – 25 (in ₹ Thousand Crore)**: **Net Profit > ₹5,000 Crore**, **Net Worth > ₹15,000 Crore**, and **Annual Turnover > ₹25,000 Crore** (IUC Academy).

Chapter *8* Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Industrial Policy Evolution, Maharatna/ Navratna CPSEs & Revised MSME Classification	**Industrial Policy Resolutions (1948, 1956, 1991)**	The **IPR 1948** introduced a mixed economy model; the **IPR 1956** categorized industries into **Schedule A** (17 industries exclusively reserved for the State), **Schedule B** (12 industries where the State took the lead with private supplementation), and **Schedule C** (remaining private sector industries subject to licensing); and the **New Industrial Policy of July 24, 1991** abolished industrial licensing (*License Raj*) for all except a tiny list of hazardous/strategic industries, ended MRTP asset thresholds (later replacing the MRTP Act, 1969 with the **Competition Act, 2002** and the **Competition Commission of India — CCI** on the **Raghavan Committee's** recommendation), and opened public sector monopolies to private investment (Union Budget & Economic Survey).
Key Highlights of the Economic Survey 2025–26 & Union Budget (2025–2027)	**Composite MSME Classification Criteria (Investment in Plant & Machinery/Equipment AND Annual Turnover)**	Under the **MSME Development Act, 2006** (unified for both Manufacturing and Service Undertakings since July 2020 and enhanced in the Union Budget 2025–26/2026–27 framework to facilitate scale and employment):
Process Flowchart: Multi-Engine Fiscal & Structural Strategy for Viksit Bharat @ 2047	**Micro Undertaking**	Investment up to **₹1 Crore** AND Annual Turnover up to **₹5 Crore**;
Comparative Table: CPSE Status Categories (Maharatna, Navratna, Miniratna) & Key Budget Metrics	**Small Undertaking**	Investment up to **₹10 Crore** AND Annual Turnover up to **₹50 Crore**;
Industrial Policy Evolution, Maharatna/ Navratna CPSEs & Revised MSME Classification	**Medium Undertaking**	Investment up to **₹50 Crore** AND Annual Turnover up to **₹250 Crore**.
Key Highlights of the Economic Survey 2025–26 & Union Budget (2025–2027)	**Enhanced Budgetary MSME Thresholds (2.5x Investment & 2x Turnover Expansion for Scale-Up)**	Investment limits raised by **2.5 times** (to **₹2.5 Crore for Micro, ₹25 Crore for Small, and ₹125 Crore for Medium**) and Turnover limits raised by **2 times** (to **₹10 Crore for Micro, ₹100 Crore for Small, and ₹500 Crore for Medium**), alongside export turnover being excluded from the computation of turnover limits (Union Budget & Economic Survey).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Process Flowchart: Multi-Engine Fiscal & Structural Strategy for Viksit Bharat @ 2047	**Four Engines of *Viksit Bharat* Growth**	**The Union Budget identifies** Agriculture, MSMEs, Investment (People, Economy, Innovation), and Exports **as the four powerful engines driving India's structural journey toward** Viksit Bharat @ 2047**, propelled by tax reforms, power sector modernization, urban development, mining, financial sector deepening, and regulatory deregulation (Union Budget & Economic Survey).
Comparative Table: CPSE Status Categories (Maharatna, Navratna, Miniratna) & Key Budget Metrics	**Fiscal Consolidation & Debt-to-GDP Trajectory**	Following post-pandemic fiscal consolidation, the Union Government has steadily brought down the **Fiscal Deficit** from **9.2% of GDP in FY21** to **4.8% of GDP in FY25 (RE)** and targeted **4.4% of GDP in FY26 (BE)**, while shifting its medium-term fiscal anchor from Fiscal Deficit alone to a **declining Central Government Debt-to-GDP trajectory** targeting **50 ± 1\% of GDP by March 31, 2031 (FY31)** (Union Budget & Economic Survey).
Industrial Policy Evolution, Maharatna/ Navratna CPSEs & Revised MSME Classification	**Effective Capital Expenditure & Infrastructure Push**	Central Government **Capital Expenditure (Capex)** has expanded more than 3-fold from FY20 to cross **₹11.11–11.21 lakh crore** (~3.1% of GDP), supported by **₹1.5 lakh crore in 50-year interest-free loans to States** for capital asset creation and the **PM GatiShakti National Master Plan (7 Engines: Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure)** (Union Budget & Economic Survey).
Key Highlights of the Economic Survey 2025–26 & Union Budget (2025–2027)	**Prime Minister Dhan-Dhanya Krishi Yojana**	Covering **100 developing agricultural districts** with low productivity, moderate crop intensity, and below-average credit parameters (benefiting **1.7 crore farmers**), alongside a **6-year "Mission for Aatmanirbharta in Pulses"** focusing on **Tur, Urad, and Masoor** and a **Makhana Board in Bihar**.
Process Flowchart: Multi-Engine Fiscal & Structural Strategy for Viksit Bharat @ 2047	**Enhanced Kisan Credit Card (KCC) Limit**	The loan limit under the **Modified Interest Subvention Scheme (MISS)** through Kisan Credit Cards has been increased from **₹3 lakh to ₹5 lakh** for farmers, fishermen, and dairy farmers.
Comparative Table: CPSE Status Categories (Maharatna, Navratna, Miniratna) & Key Budget Metrics	**FDI in the Insurance Sector Raised to 100%**	The Foreign Direct Investment (FDI) limit for the **Insurance Sector** has been increased from **74% to 100%** for companies that invest the entire premium within India.
Industrial Policy Evolution, Maharatna/ Navratna CPSEs & Revised MSME Classification	**Nuclear Energy Mission for Viksit Bharat**	Targets the development of **at least 100 GW of nuclear energy by 2047** and sets up a **₹20,000 crore Nuclear Energy Mission for R&D of Small Modular Reactors (SMRs)** with at least **5 indigenously developed SMRs operationalized by 2033**.

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Reserve Bank of India (RBI))
Key Highlights of the Economic Survey 2025–26 & Union Budget (2025–2027)	**Personal Income Tax Relief under the New Tax Regime**	Under the revised New Income Tax Regime slabs, **zero income tax is payable up to a normal income of ₹12,00,000 per annum** (and **₹12,75,000 for salaried taxpayers** after the **₹75,000 Standard Deduction**) via the enhanced tax rebate under Section 87A (Union Budget & Economic Survey).

Chapter *8* Multi-Statement Exam Verification Drills

Chapter 8 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Industrial Policy Resolutions (1948, 1956, 1991)): The **IPR 1948** introduced a mixed economy model; the **IPR 1956** categorized industries into **Schedule A** (17 industries exclusively reserved for the State), **Schedule B** (12 industries where the State took the lead with private supplementation), and **Schedule C** (remaining private sector industries subject to licensing); and the **New Industrial Policy of July 24, 1991** abolished industrial licensing (*License Raj*) for all except a tiny list of hazardous/strategic industries, ended MRTP asset thresholds (later replacing the MRTP Act, *1969* with the **Competition Act, 2002** and the **Competition Commission of India — CCI** on the **Raghavan Committee's** recommendation), and opened public sector monopolies to private investment (Union Budget & Economic Survey).

Statement-II (Composite MSME Classification Criteria (Investment in Plant & Machinery/Equipment AND Annual Turnover)): Under the **MSME Development Act, 2006** (unified for both Manufacturing and Service Undertakings since July 2020 and enhanced in the Union Budget 2025–26/2026–27 framework to facilitate scale and employment):

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 8 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Micro Undertaking): Investment up to **₹1 Crore** AND Annual Turnover up to **₹5 Crore**;

Statement-II (Small Undertaking): Investment up to **₹10 Crore** AND Annual Turnover up to **₹50 Crore**;

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 8 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (Medium Undertaking): Investment up to **₹50 Crore** AND Annual Turnover up to **₹250 Crore**.

Statement-II (Enhanced Budgetary MSME Thresholds (2.5x Investment & 2x Turnover Expansion for Scale-Up)): Investment limits raised by **2.5 times** (to **₹2.5 Crore for Micro, ₹25 Crore for Small, and ₹125 Crore for Medium**) and Turnover limits raised by **2 times** (to **₹10 Crore for Micro, ₹100 Crore for Small, and ₹500 Crore for Medium**), alongside export turnover being excluded from the computation of turnover limits (Union Budget & Economic Survey).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 8 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Four Engines of *Viksit Bharat* Growth): **The Union Budget identifies** Agriculture, MSMEs, Investment (People, Economy, Innovation), and Exports **as the four powerful engines driving India's structural journey toward** Viksit Bharat @ 2047**, propelled by tax reforms, power sector modernization, urban development, mining, financial sector deepening, and regulatory deregulation (Union Budget & Economic Survey).

Statement-II (Fiscal Consolidation & Debt-to-GDP Trajectory): Following post-pandemic fiscal consolidation, the Union Government has steadily brought down the **Fiscal Deficit** from **9.2% of GDP in FY21** to **4.8% of GDP in FY25 (RE)** and targeted **4.4% of GDP in FY26 (BE)**, while shifting its medium-term fiscal anchor from Fiscal Deficit alone to a **declining Central Government Debt-to-GDP trajectory** targeting **50 ± 1\% of GDP by March 31, 2031 (FY31)** (Union Budget & Economic Survey).

✔ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 8 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (Effective Capital Expenditure & Infrastructure Push): Central Government **Capital Expenditure (Capex)** has expanded more than 3-fold from FY20 to cross **₹11.11–11.21 lakh crore** (~3.1% of GDP), supported by **₹1.5 lakh crore in 50-year interest-free loans to States** for capital asset creation and the **PM GatiShakti National Master Plan (7 Engines: Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure)** (Union Budget & Economic Survey).

Statement-II (Prime Minister Dhan-Dhanya Krishi Yojana): Covering ***100* developing agricultural districts** with low productivity, moderate crop intensity, and below-average credit parameters (benefiting **1.7 crore farmers**), alongside a **6-year "Mission for Aatmanirbharta in Pulses"** focusing on **Tur, Urad, and Masoor** and a **Makhana Board in Bihar**.

✔ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Chapter 8 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (Enhanced Kisan Credit Card (KCC) Limit): The loan limit under the **Modified Interest Subvention Scheme (MISS)** through Kisan Credit Cards has been increased from **₹3 lakh to ₹5 lakh** for farmers, fishermen, and dairy farmers.

Statement-II (FDI in the Insurance Sector Raised to *100*%): The Foreign Direct Investment (FDI) limit for the **Insurance Sector** has been increased from **74% to 100%** for companies that invest the entire premium within India.

✔ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Reserve Bank of India (RBI) & IUC Academy.**

Solved Exam Practice Questions (MCQs)

Practice Question #1 — Solved Exam MCQ

1. **Who prepared the first scientific methodological estimate of India's National Income in 1931–32, following Dadabhai Naoroji's pioneering 1867–68 estimate?**
(A) Prof. P.C. Mahalanobis
(B) Prof. V.K.R.V. Rao
(C) Dr. D.R. Gadgil
(D) Sir M. Visvesvaraya
Answer: (B)
Explanation: While Dadabhai Naoroji made the first estimate for 1867–68, Prof. V.K.R.V. Rao introduced the first scientific national income accounting methodology for British India in 1931–32 (Union Budget & Economic Survey).

Practice Question #2 Solved Exam MCQ

2. **In India's National Accounts Statistics compiled by the National Statistical Office (NSO), which of the following identities correctly links Gross Value Added (GVA) at Basic Prices to GDP at Market Prices?**
(A) GDP_{MP} = GVA at Basic Prices + (Production Taxes - Production Subsidies)
(B) GDP_{MP} = GVA at Basic Prices + (Product Taxes - Product Subsidies)
(C) GDP_{MP} = GVA at Basic Prices - Depreciation + NFIA
(D) GDP_{MP} = GVA at Basic Prices - (Product Taxes - Product Subsidies)
Answer: (B)
Explanation: GVA at Basic Prices already includes Net Production Taxes; adding Net Product Taxes (Product Taxes minus Product Subsidies) yields GDP at Market Prices (Union Budget & Economic Survey).

Practice Question #3 Solved Exam MCQ

3. **Which of the following is EXCLUDED while computing India's National Income (NNP_{FC}) to prevent double counting or non-productive transfers?**
1. Old-age pensions and unemployment allowances
2. Value of intermediate raw materials used by a factory
3. Brokerage commission earned by an agent on the sale of a second-hand house
(A) 1 and 2 only
(B) 2 and 3 only
(C) 1 and 3 only
(D) 1, 2, and 3
Answer: (A)
Explanation: Transfer payments (pensions) and intermediate goods are excluded from National Income, whereas brokerage/commission on the sale of second-hand goods represents a current service rendered and IS included in National Income (IUC Academy).

Practice Question #4 Solved Exam MCQ

4. **A lower Incremental Capital Output Ratio (ICOR) in an economy indicates:**
(A) Lower efficiency of capital and higher wastage of investment
(B) Higher productivity and greater efficiency of capital utilization
(C) Negative Real GDP growth rate
(D) Hyperinflation in the capital goods sector
Answer: (B)
Explanation: Since ICOR = (Δ K / Δ Y), a lower ICOR means fewer units of capital are required to produce one additional unit of output, signifying higher capital efficiency (Union Budget & Economic Survey).

Practice Question #5 Solved Exam MCQ

5. **Which curve illustrates an inverted U-shaped relationship between tax rates and total government tax revenue, showing that raising tax rates beyond an optimal threshold reduces tax revenue?**
(A) Lorenz Curve
(B) Phillips Curve
(C) Laffer Curve
(D) Kuznets Curve
Answer: (C)
Explanation: Propounded by Arthur Laffer, the Laffer Curve relates tax rates (0% to 100%) to total tax revenue (Union Budget & Economic Survey).

Practice Question #6 Solved Exam MCQ

6. **Under Section 45ZB of the amended Reserve Bank of India Act, 1934, which of the following statements regarding the Monetary Policy Committee (MPC) is/are correct?**
1. The MPC consists of 6 members (3 from RBI and 3 appointed by the Central Government).
2. The Union Finance Minister serves as the ex-officio Chairperson of the MPC.
3. The quorum for an MPC meeting is 4 members, and the RBI Governor has a second or casting vote in the event of a tie.
(A) 1 and 2 only
(B) 1 and 3 only
(C) 2 and 3 only
(D) 1, 2, and 3
Answer: (B)
Explanation: Under Section 45ZB, the **Governor of the Reserve Bank of India** (NOT the Union Finance Minister) is the ex-officio Chairperson of the 6-member MPC (Reserve Bank of India).

Practice Question #7 Solved Exam MCQ

7. **Which liquidity management tool introduced by the RBI in April 2022 serves as the lower bound (floor) of the Liquidity Adjustment Facility (LAF) corridor and absorbs excess liquidity from commercial banks WITHOUT requiring the RBI to provide G-Sec collateral?**
(A) Marginal Standing Facility (MSF)
(B) Standing Deposit Facility (SDF)
(C) Statutory Liquidity Ratio (SLR)
(D) Market Stabilisation Scheme (MSS)
Answer: (B)
Explanation: The Standing Deposit Facility (SDF), positioned 25 bps below the Policy Repo Rate, serves as the collateral-free floor of the LAF corridor (Reserve Bank of India).

Practice Question #8 Solved Exam MCQ

8. **If the Reserve Bank of India increases the Cash Reserve Ratio (CRR), what is the immediate impact on the Money Multiplier ($m = M_3 / M_0$) and the credit creation capacity of Scheduled Commercial Banks?**
(A) Both the Money Multiplier and credit creation capacity increase
(B) Both the Money Multiplier and credit creation capacity decrease
(C) The Money Multiplier increases while credit creation capacity decreases
(D) Both remain completely unaffected
Answer: (B)
Explanation: A higher CRR locks a larger fraction of bank deposits as idle cash reserves with the RBI, reducing both the Money Multiplier and banks' credit creation capacity (Reserve Bank of India).

Practice Question #9 Solved Exam MCQ

9. **Which price index is compiled monthly by the Labour Bureau (Ministry of Labour & Employment) with a base year of 2016=100 and is used to determine the Dearness Allowance (DA) of Central Government employees?**
(A) Wholesale Price Index (WPI)
(B) Consumer Price Index for Industrial Workers (CPI-IW)
(C) Consumer Price Index — Combined (CPI-C)
(D) GDP Deflator
Answer: (B)
Explanation: CPI-IW (Base 2016=100), compiled by the Labour Bureau, is used to revise Dearness Allowance (DA) for government employees (Union Budget & Economic Survey).

Practice Question #10 Solved Exam MCQ

10. **Which of the following correctly describes the operational difference between a Payments Bank and a Small Finance Bank (SFB) in India?**
(A) Payments Banks can issue credit cards and grant corporate loans, whereas SFBs cannot
(B) Payments Banks can accept demand deposits up to ₹2 lakh per customer but CANNOT lend or issue credit cards, whereas SFBs can accept all deposits and grant loans (with a 75% PSL mandate)
(C) Payments Banks are exempted from CRR and SLR requirements
(D) Small Finance Banks are regulated by SEBI rather than the RBI
Answer: (B)
Explanation: Payments Banks (Nachiket Mor Committee) cannot undertake lending activities or issue credit cards, whereas Small Finance Banks (Usha Thorat Committee) can lend and must direct 75% of ANBC to Priority Sector Lending (**Reserve Bank of India**).

Practice Question #11 Solved Exam MCQ

11. **What is the exact shareholding ratio among the Central Government, the Sponsor Bank, and the State Government in a Regional Rural Bank (RRB)?**
(A) 60 : 20 : 20
(B) 50 : 35 : 15
(C) 50 : 25 : 25
(D) 40 : 40 : 20
Answer: (B)
Explanation: Under the RRB Act, 1976, the authorized capital of an RRB is subscribed by the Central Government (50%), the Sponsor Bank (35%), and the concerned State Government (15%) (**Reserve Bank of India**).

Practice Question #12 Solved Exam MCQ

12. **Which of the following All-India Financial Institutions / Regulators has its headquarters in Lucknow, Uttar Pradesh?**
(A) NABARD
(B) SIDBI (Small Industries Development Bank of India)
(C) IRDAI
(D) EXIM Bank
Answer: (B)
Explanation: SIDBI (established in April 1990 under the SIDBI Act, 1989) is headquartered in Lucknow, Uttar Pradesh (while NABARD and EXIM Bank are in Mumbai, and IRDAI is in Hyderabad) (**Reserve Bank of India**).

Practice Question #13 Solved Exam MCQ

13. **In the Union Budget, if the Primary Deficit is equal to ZERO, it implies that:**
(A) Revenue Expenditure is exactly equal to Revenue Receipts
(B) The Government does not need to borrow any money from the market during the year
(C) The Fiscal Deficit (net borrowing) is exactly equal to the Interest Payments on past debt
(D) Capital Expenditure is zero
Answer: (C)
Explanation: Since Primary Deficit = Fiscal Deficit - Interest Payments, a zero Primary Deficit means Fiscal Deficit = Interest Payments (i.e., the Government is borrowing solely to service interest on previous debt) (**Union Budget & Economic Survey**).

Practice Question #14 Solved Exam MCQ

14. **How are Disinvestment Receipts from the sale of government equity in Public Sector Undertakings (PSUs) and Dividend Surplus Transfers from the RBI classified in the Union Budget?**
(A) Both are Non-Tax Revenue Receipts
(B) Both are Debt Capital Receipts
(C) Disinvestment is a Non-Debt Capital Receipt, whereas RBI Dividend Transfer is a Non-Tax Revenue Receipt
(D) Disinvestment is a Tax Revenue Receipt, whereas RBI Dividend Transfer is a Capital Receipt
Answer: (C)
Explanation: Disinvestment reduces government financial assets and is therefore a Non-Debt Capital Receipt, whereas dividends/profits from the RBI and PSUs do not reduce assets or create liabilities and are classified as Non-Tax Revenue Receipts (**Union Budget & Economic Survey**).

Practice Question #15 Solved Exam MCQ

15. **In the horizontal tax devolution formula of the 15th Finance Commission (chaired by N.K. Singh), which criterion was assigned the highest weightage of 45%?**
(A) Population (2011 Census)
(B) Income Distance
(C) Demographic Performance
(D) Forest and Ecology
Answer: (B)
Explanation: Income Distance was assigned 45% weightage, followed by Area (15%), Population 2011 (15%), Demographic Performance (12.5%), Forest & Ecology (10%), and Tax & Fiscal Effort (2.5%) (**Union Budget & Economic Survey**).

Practice Question #16 Solved Exam MCQ

16. **Who was appointed by the President of India as the Chairman of the 16th Finance Commission under Article 280 for the award period 2026–27 to 2030–31?**
(A) Dr. Y.V. Reddy
(B) N.K. Singh
(C) Dr. Arvind Panagariya
(D) Dr. Urjit Patel
Answer: (C)
Explanation: Former NITI Aayog Vice-Chairman Dr. Arvind Panagariya was appointed Chairman of the 16th Finance Commission (**Union Budget & Economic Survey**).

Practice Question #17 Solved Exam MCQ

17. **Under the Goods and Services Tax (GST) Council (Article 279A), what is the voting weightage of the Central Government, the combined State Governments, and the minimum weighted majority required to pass any decision?**
(A) Centre: 50%, States: 50%, Majority required: 66%
(B) Centre: 1/3rd, States: 2/3rd, Majority required: 3/4th (75%)
(C) Centre: 1/4th, States: 3/4th, Majority required: 2/3rd
(D) Centre: 2/3rd, States: 1/3rd, Majority required: 3/4th (75%)
Answer: (B)
Explanation: Under Article 279A(9), the vote of the Central Government has a weightage of one-third of total votes cast, the votes of all State Governments taken together have a weightage of two-thirds, and decisions require a majority of not less than three-fourths (75%) of the weighted votes (**Constitution of India**).

Practice Question #18 Solved Exam MCQ

18. **In the computation of Minimum Support Price (MSP) by the Commission for Agricultural Costs and Prices (CACP), "Cost A_2 + FL" denotes:**
(A) Only paid-out cash expenses on seeds and fertilizers
(B) Actual paid-out cost (A_2) plus imputed value of unpaid Family Labour (FL)
(C) Comprehensive cost including imputed rent on owned land and interest on owned fixed capital
(D) Post-harvest transport and marketing cost only
Answer: (B)
Explanation: Cost A_2 + FL covers all actual paid-out costs incurred by the farmer (A_2) plus the imputed value of unpaid family labour (FL); since 2018–19, MSP is fixed at a minimum of 1.5 times Cost A_2 + FL (Union Budget & Economic Survey).

Practice Question #19 Solved Exam MCQ

19. **Which of the following crops does NOT have a Minimum Support Price (MSP) but instead has a statutory "Fair and Remunerative Price (FRP)" approved by the Cabinet Committee on Economic Affairs (CCEA)?**
(A) Raw Jute
(B) Copra
(C) Sugarcane
(D) Nigerseed
Answer: (C)
Explanation: CCEA approves MSP for 22 mandated crops and Fair and Remunerative Price (FRP) for Sugarcane (Union Budget & Economic Survey).

Practice Question #20 Solved Exam MCQ

20. **Under the World Trade Organization (WTO) Agreement on Agriculture (AoA), price support subsidies (such as MSP procurement) and input subsidies that directly distort production and trade are placed in which Box?**
(A) Green Box
(B) Amber Box
(C) Red Box
(D) White Box
Answer: (B)
Explanation: Trade-distorting price support and input subsidies fall under the Amber Box, subject to a *de minimis* ceiling of 10% of the value of agricultural production for developing countries (Union Budget & Economic Survey).

Practice Question #21 Solved Exam MCQ

21. **Under the Pradhan Mantri Fasal Bima Yojana (PMFBY), what are the uniform maximum premium rates payable by farmers for Kharif crops, Rabi crops, and Annual Commercial/Horticultural crops respectively?**
(A) 1.5%, 2.0%, and 5.0%
(B) 2.0%, 1.5%, and 5.0%
(C) 2.0%, 2.0%, and 4.0%
(D) 1.0%, 1.5%, and 3.0%
Answer: (B)
Explanation: PMFBY prescribes uniform farmer premium rates of 2% for all Kharif crops, 1.5% for all Rabi crops, and 5% for annual commercial and horticultural crops (Union Budget & Economic Survey).

Practice Question #22 Solved Exam MCQ

22. **During which Five-Year Plan were the Bhilai, Durgapur, and Rourkela integrated steel plants established based on the P.C. Mahalanobis heavy industrialization model?**
(A) First Five-Year Plan (1951–56)
(B) Second Five-Year Plan (1956–61)
(C) Third Five-Year Plan (1961–66)
(D) Fourth Five-Year Plan (1969–74)
Answer: (B)
Explanation: The Second Five-Year Plan (1956–61), based on the Mahalanobis model and IPR 1956, established the Bhilai, Durgapur, and Rourkela steel plants (Union Budget & Economic Survey).

Practice Question #23 Solved Exam MCQ

23. **In which Five-Year Plan was the slogan *Garibi Hatao* (Removal of Poverty) and the Minimum Needs Programme (MNP) formally introduced?**
(A) Third Five-Year Plan
(B) Fourth Five-Year Plan
(C) Fifth Five-Year Plan
(D) Sixth Five-Year Plan
Answer: (C)
Explanation: Prepared by D.P. Dhar, the Fifth Five-Year Plan (1974–78) placed poverty eradication (*Garibi Hatao*) and self-reliance at the center of planning (Union Budget & Economic Survey).

Practice Question #24 Solved Exam MCQ

24. **Which type of unemployment is characterized by a situation where more workers are engaged in an activity than required, such that the Marginal Productivity of extra labour is ZERO (MP_L = 0)?**
(A) Frictional Unemployment
(B) Cyclical Unemployment
(C) Disguised Unemployment
(D) Structural Unemployment
Answer: (C)
Explanation: Disguised unemployment occurs when surplus workers in rural agriculture add zero marginal output (MP_L = 0) (IUC Academy).

Practice Question #25 Solved Exam MCQ

25. **Which Committee on Poverty Estimation in India (2009) shifted away from pure calorie norms toward a broader consumption basket that included private household expenditure on health and education?**
(A) Y.K. Alagh Committee
(B) D.T. Lakdawala Committee
(C) Suresh Tendulkar Committee
(D) Dandekar and Rath Committee
Answer: (C)
Explanation: The Suresh Tendulkar Committee (2009) moved away from calorie anchors, adopted the Mixed Reference Period (MRP), and included private expenditure on health and education (Union Budget & Economic Survey).

Practice Question #26 Solved Exam MCQ

26. **In India's Balance of Payments (BoP) accounts compiled by the RBI, where are "Private Remittances sent by the Indian Diaspora / NRIs" and "NRI Bank Deposits (FCNR-B / NRE)" recorded respectively?**
(A) Both are recorded in the Capital Account
(B) Both are recorded in the Current Account
(C) Private Remittances in the Current Account (Invisibles/Secondary Income); NRI Bank Deposits in the Capital Account
(D) Private Remittances in the Capital Account; NRI Bank Deposits in the Current Account
Answer: (C)
Explanation: Private remittances are unilateral current transfers (Secondary Income in the Current Account), whereas NRI bank deposits are liability-creating flows in the Capital Account (**Reserve Bank of India**).

Practice Question #27 Solved Exam MCQ

27. **Which of the following is NOT one of the five currencies included in the International Monetary Fund's (IMF) Special Drawing Rights (SDR) currency basket?**
(A) Chinese Renminbi (Yuan)
(B) Japanese Yen
(C) Swiss Franc
(D) British Pound Sterling
Answer: (C)
Explanation: The five currencies in the IMF's SDR basket are the US Dollar, Euro, Chinese Renminbi, Japanese Yen, and British Pound Sterling (**Reserve Bank of India**).

Practice Question #28 Solved Exam MCQ

28. **Which of the five institutions of the World Bank Group is India NOT a member of?**
(A) International Bank for Reconstruction and Development (IBRD)
(B) International Development Association (IDA)
(C) Multilateral Investment Guarantee Agency (MIGA)
(D) International Centre for Settlement of Investment Disputes (ICSID)
Answer: (D)
Explanation: India is a member of IBRD, IDA, IFC, and MIGA, but has not joined ICSID (**Union Budget & Economic Survey**).

Practice Question #29 Solved Exam MCQ

29. **What are "Masala Bonds" in the context of India's external sector?**
(A) Sovereign Gold Bonds issued by the RBI to domestic retail investors in India
(B) Rupee-denominated bonds issued outside India by Indian entities, where the currency exchange rate risk is borne by the foreign investor
(C) Dollar-denominated bonds issued inside India by foreign multinational corporations
(D) Agricultural commodity derivatives traded on e-NAM
Answer: (B)
Explanation: Masala Bonds are offshore Rupee-denominated bonds; since they are settled based on Rupee value, any currency depreciation risk is borne by the overseas investor rather than the Indian borrower (**Reserve Bank of India**).

Practice Question #30 Solved Exam MCQ

30. **In the Union Budget, the Foreign Direct Investment (FDI) limit in the Insurance Sector was raised from 74% to:**
(A) 85%
(B) 90%
(C) 100% (for companies investing the entire premium in India)
(D) 51%
Answer: (C)
Explanation: The Union Budget enhanced the FDI limit in the insurance sector from 74% to 100% for companies that invest the entire premium within India (**Union Budget & Economic Survey**).

Practice Question #31 Solved Exam MCQ

31. **Under the Union Budget's revised Kisan Credit Card (KCC) Modified Interest Subvention Scheme, the short-term loan limit for farmers, fishermen, and dairy farmers was increased from ₹3 lakh to:**
(A) ₹4 lakh
(B) ₹5 lakh
(C) ₹7.5 lakh
(D) ₹10 lakh
Answer: (B)
Explanation: The Union Budget raised the KCC loan limit under the Modified Interest Subvention Scheme from ₹3 lakh to ₹5 lakh (**Union Budget & Economic Survey**).

Practice Question #32 Solved Exam MCQ

32. **What is the target capacity and timeline set under the "Nuclear Energy Mission for Viksit Bharat" announced in the Union Budget?**
(A) 50 GW by 2030 and 2 SMRs by 2028
(B) At least 100 GW of Nuclear Energy by 2047 and at least 5 indigenously developed Small Modular Reactors (SMRs) operationalized by 2033
(C) 250 GW of Nuclear Energy by 2040
(D) 20 GW of Thorium reactors by 2035
Answer: (B)
Explanation: The Nuclear Energy Mission targets at least 100 GW of nuclear energy by 2047 alongside a ₹20,000 crore R&D outlay to operationalize at least 5 indigenous SMRs by 2033 (**Union Budget & Economic Survey**).

Practice Question #33 Solved Exam MCQ

33. **Under the revised Personal Income Tax slabs in the New Tax Regime announced in the Union Budget, up to what level of normal annual income is a resident individual required to pay ZERO income tax (before adding the ₹75,000 Standard Deduction for salaried employees)?**
(A) ₹7,00,000
(B) ₹10,00,000
(C) ₹12,00,000
(D) ₹15,00,000
Answer: (C)
Explanation: Under the revised New Tax Regime, no income tax is payable on normal income up to ₹12,00,000 (and ₹12,75,000 for salaried taxpayers factoring in the ₹75,000 standard deduction) (**Union Budget & Economic Survey**).

Practice Question #34 — Solved Exam MCQ

34. **Which Central Public Sector Undertaking (CPSE) in the defence and aerospace sector was upgraded to "Maharatna" status in October 2024?**
(A) Bharat Electronics Limited (BEL)
(B) Hindustan Aeronautics Limited (HAL)
(C) Bharat Dynamics Limited (BDL)
(D) Mazagon Dock Shipbuilders Limited (MDL)
Answer: (B)
Explanation: Hindustan Aeronautics Limited (HAL) was accorded Maharatna status in October 2024 (Union Budget & Economic Survey).

Practice Question #35 — Solved Exam MCQ

35. **Which organization publishes the *National Multidimensional Poverty Index* (*National MPI*), *SDG India Index*, and *Export Preparedness Index* in India?**
(A) Reserve Bank of India (RBI)
(B) National Statistical Office (NSO)
(C) NITI Aayog
(D) Department of Economic Affairs
Answer: (C)
Explanation: NITI Aayog publishes the National MPI, SDG India Index, India Innovation Index, and Export Preparedness Index (Union Budget & Economic Survey).

Extended Comparative & Analytical Practice Set (Questions *36* to *75*)

Practice Question #36 — High-Yield Comparative MCQ

Q36. With reference to Economic Concept / Curve and Economist / Originator, which of the following is accurately matched with "Lorenz Curve & Gini Coefficient"?

(A) Max O. Lorenz (1905) & Corrado Gini (1912)
(B) Simon Kuznets
(C) A.W. Phillips
(D) Arthur Laffer

Correct Answer: (A) | **Explanation:** For **Lorenz Curve & Gini Coefficient** (Economic Concept / Curve), the verified Economist / Originator is **Max O. Lorenz (1905) & Corrado Gini (1912)**. Furthermore, Cumulative % of Income vs. Cumulative % of Population. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #37 — High-Yield Comparative MCQ

Q37. With reference to Economic Concept / Curve and Economist / Originator, which of the following is accurately matched with "Kuznets Curve & Environmental Kuznets Curve"?

(A) A.W. Phillips
(B) Simon Kuznets
(C) Arthur Laffer
(D) Ernst Engel

Correct Answer: (B) | **Explanation:** For **Kuznets Curve & Environmental Kuznets Curve** (Economic Concept / Curve), the verified Economist / Originator is **Simon Kuznets**. Furthermore, Inequality (or Pollution) on Y-axis vs. Per Capita Income on X-axis. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #38 High-Yield Comparative MCQ

Q38. With reference to Economic Concept / Curve and Economist / Originator, which of the following is accurately matched with "Phillips Curve"?

(A) Arthur Laffer
(B) Ernst Engel
(C) A.W. Phillips
(D) Arthur Okun

Correct Answer: (C) | **Explanation:** For **Phillips Curve** (Economic Concept / Curve), the verified Economist / Originator is **A.W. Phillips**. Furthermore, Rate of Inflation (Y-axis) vs. Rate of Unemployment (X-axis). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #39 High-Yield Comparative MCQ

Q39. With reference to Economic Concept / Curve and Economist / Originator, which of the following is accurately matched with "Laffer Curve"?

(A) Ernst Engel
(B) Arthur Okun
(C) Section 42(1), RBI Act, 1934
(D) Arthur Laffer

Correct Answer: (D) | **Explanation:** For **Laffer Curve** (Economic Concept / Curve), the verified Economist / Originator is **Arthur Laffer**. Furthermore, Total Tax Revenue (Y-axis) vs. Tax Rate from 0% to 100% (X-axis). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #40 High-Yield Comparative MCQ

Q40. With reference to Economic Concept / Curve and Economist / Originator, which of the following is accurately matched with "Engel's Curve & Engel's Law"?

(A) Ernst Engel
(B) Arthur Okun
(C) Section 42(1), RBI Act, 1934
(D) Section 24, Banking Regulation Act, 1949

Correct Answer: (A) | **Explanation:** For **Engel's Curve & Engel's Law** (Economic Concept / Curve), the verified Economist / Originator is **Ernst Engel**. Furthermore, Household Income vs. Proportion of Expenditure on Food. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #41 High-Yield Comparative MCQ

Q41. With reference to Economic Concept / Curve and Economist / Originator, which of the following is accurately matched with "Okun's Law"?

(A) Section 42(1), RBI Act, 1934
(B) Arthur Okun
(C) Section 24, Banking Regulation Act, 1949
(D) Section 45ZB & Section 17, RBI Act, 1934

Correct Answer: (B) | **Explanation:** For **Okun's Law** (Economic Concept / Curve), the verified Economist / Originator is **Arthur Okun**. Furthermore, Change in Unemployment Rate vs. Real GDP Growth Rate. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #42 High-Yield Comparative MCQ

Q42. With reference to Instrument / Price Index and Statutory Provision / Compiling Agency, which of the following is accurately matched with "Cash Reserve Ratio (CRR)"?

(A) Section 24, Banking Regulation Act, 1949
(B) Section 45ZB & Section 17, RBI Act, 1934
(C) Section 42(1), RBI Act, 1934
(D) Compiled monthly by NSO (MoSPI)

Correct Answer: (C) | **Explanation:** For **Cash Reserve Ratio (CRR)** (Instrument / Price Index), the verified Statutory Provision / Compiling Agency is **Section 42(1), RBI Act, 1934**. Furthermore, Maintained in Cash only with RBI (0% interest paid by RBI). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #43 High-Yield Comparative MCQ

Q43. With reference to Instrument / Price Index and Statutory Provision / Compiling Agency, which of the following is accurately matched with "Statutory Liquidity Ratio (SLR)"?

(A) Section 45ZB & Section 17, RBI Act, 1934
(B) Compiled monthly by NSO (MoSPI)
(C) Compiled monthly by Office of the Economic Adviser (DPIIT, Ministry of Commerce & Industry)
(D) Section 24, Banking Regulation Act, 1949

Correct Answer: (D) | **Explanation:** For **Statutory Liquidity Ratio (SLR)** (Instrument / Price Index), the verified Statutory Provision / Compiling Agency is **Section 24, Banking Regulation Act, 1949**. Furthermore, Maintained in Cash, Gold, or Approved G-Secs with the bank itself (Max 40%). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #44 High-Yield Comparative MCQ

Q44. With reference to Instrument / Price Index and Statutory Provision / Compiling Agency, which of the following is accurately matched with "LAF Corridor (SDF – Repo – MSF)"?

(A) Section 45ZB & Section 17, RBI Act, 1934
(B) Compiled monthly by NSO (MoSPI)
(C) Compiled monthly by Office of the Economic Adviser (DPIIT, Ministry of Commerce & Industry)
(D) Compiled monthly by Labour Bureau (Ministry of Labour & Employment)

Correct Answer: (A) | **Explanation:** For **LAF Corridor (SDF – Repo – MSF)** (Instrument / Price Index), the verified Statutory Provision / Compiling Agency is **Section 45ZB & Section 17, RBI Act, 1934**. Furthermore, Symmetric 50 bps corridor: SDF (Repo - 0.25%) < Repo < MSF (Repo + 0.25%). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #45 High-Yield Comparative MCQ

Q45. With reference to Instrument / Price Index and Statutory Provision / Compiling Agency, which of the following is accurately matched with "CPI-Combined (Rural + Urban)"?

(A) Compiled monthly by Office of the Economic Adviser (DPIIT, Ministry of Commerce & Industry)
(B) Compiled monthly by NSO (MoSPI)
(C) Compiled monthly by Labour Bureau (Ministry of Labour & Employment)
(D) April 1, 1935 (RBI Act, 1934; Hilton Young Commission)

Correct Answer: (B) | **Explanation:** For **CPI-Combined (Rural + Urban)** (Instrument / Price Index), the verified Statutory Provision / Compiling Agency is **Compiled monthly by NSO (MoSPI)**. Furthermore, Highest weight to Food & Beverages (~45.86%); includes Services. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #46 High-Yield Comparative MCQ

Q46. With reference to Instrument / Price Index and Statutory Provision / Compiling Agency, which of the following is accurately matched with "Wholesale Price Index (WPI)"?

(A) Compiled monthly by Labour Bureau (Ministry of Labour & Employment)

(B) April 1, 1935 (RBI Act, 1934; Hilton Young Commission)

(C) Compiled monthly by Office of the Economic Adviser (DPIIT, Ministry of Commerce & Industry)

(D) Set up 1988; Statutory on Jan 30, 1992 (SEBI Act, 1992)

Correct Answer: (C) | **Explanation:** For **Wholesale Price Index (WPI)** (Instrument / Price Index), the verified Statutory Provision / Compiling Agency is **Compiled monthly by Office of the Economic Adviser (DPIIT, Ministry of Commerce & Industry)**. Furthermore, Base 2011–12: Manufactured Products (64.2%), Primary Articles (22.6%), Fuel & Power (13.2%). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #47 High-Yield Comparative MCQ

Q47. With reference to Instrument / Price Index and Statutory Provision / Compiling Agency, which of the following is accurately matched with "CPI-IW, CPI-AL, and CPI-RL"?

(A) April 1, 1935 (RBI Act, 1934; Hilton Young Commission)

(B) Set up 1988; Statutory on Jan 30, 1992 (SEBI Act, 1992)

(C) 1999 / 2000 (IRDA Act, 1999; Malhotra Committee)

(D) Compiled monthly by Labour Bureau (Ministry of Labour & Employment)

Correct Answer: (D) | **Explanation:** For **CPI-IW, CPI-AL, and CPI-RL** (Instrument / Price Index), the verified Statutory Provision / Compiling Agency is **Compiled monthly by Labour Bureau (Ministry of Labour & Employment)**. Furthermore, CPI-IW Base Year: 2016=100; CPI-AL & CPI-RL Base Year: 1986–87=100. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #48 High-Yield Comparative MCQ

Q48. With reference to Institution / Regulator and Year & Governing Statute / Committee, which of the following is accurately matched with "Reserve Bank of India (RBI)"?

(A) April 1, 1935 (RBI Act, 1934; Hilton Young Commission)

(B) Set up 1988; Statutory on Jan 30, 1992 (SEBI Act, 1992)

(C) 1999 / 2000 (IRDA Act, 1999; Malhotra Committee)

(D) Set up 2003; Statutory in 2013 (PFRDA Act, 2013; OASIS Project)

Correct Answer: (A) | **Explanation:** For **Reserve Bank of India (RBI)** (Institution / Regulator), the verified Year & Governing Statute / Committee is **April 1, 1935 (RBI Act, 1934; Hilton Young Commission)**. Furthermore, Mumbai. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #49 High-Yield Comparative MCQ

Q49. With reference to Institution / Regulator and Year & Governing Statute / Committee, which of the following is accurately matched with "SEBI (Securities and Exchange Board of India)"?

(A) 1999 / 2000 (IRDA Act, 1999; Malhotra Committee)

(B) Set up 1988; Statutory on Jan 30, 1992 (SEBI Act, 1992)

(C) Set up 2003; Statutory in 2013 (PFRDA Act, 2013; OASIS Project)

(D) EXIM Bank (1982), NABARD (1982), NHB (1988), SIDBI (1990), NaBFID (2021)

Correct Answer: (B) | **Explanation:** For **SEBI (Securities and Exchange Board of India)** (Institution / Regulator), the verified Year & Governing Statute / Committee is **Set up 1988; Statutory on Jan 30, 1992 (SEBI Act, 1992)**. Furthermore, Mumbai. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #50 High-Yield Comparative MCQ

Q50. With reference to Institution / Regulator and Year & Governing Statute / Committee, which of the following is accurately matched with "IRDAI (Insurance Regulatory & Development Authority)"?

(A) Set up 2003; Statutory in 2013 (PFRDA Act, 2013; OASIS Project)

(B) EXIM Bank (1982), NABARD (1982), NHB (1988), SIDBI (1990), NaBFID (2021)

(C) 1999 / 2000 (IRDA Act, 1999; Malhotra Committee)

(D) 2008 (Payment and Settlement Systems Act, 2007; Section 8 Not-for-Profit)

Correct Answer: (C) | **Explanation:** For **IRDAI (Insurance Regulatory & Development Authority)** (Institution / Regulator), the verified Year & Governing Statute / Committee is **1999 / 2000 (IRDA Act, 1999; Malhotra Committee)**. Furthermore, Hyderabad. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #51 High-Yield Comparative MCQ

Q51. With reference to Institution / Regulator and Year & Governing Statute / Committee, which of the following is accurately matched with "PFRDA (Pension Fund Regulatory & Development Authority)"?

(A) EXIM Bank (1982), NABARD (1982), NHB (1988), SIDBI (1990), NaBFID (2021)

(B) 2008 (Payment and Settlement Systems Act, 2007; Section 8 Not-for-Profit)

(C) Dr. Raja J. Chelliah (1991)

(D) Set up 2003; Statutory in 2013 (PFRDA Act, 2013; OASIS Project)

Correct Answer: (D) | **Explanation:** For **PFRDA (Pension Fund Regulatory & Development Authority)** (Institution / Regulator), the verified Year & Governing Statute / Committee is **Set up 2003; Statutory in 2013 (PFRDA Act, 2013; OASIS Project)**. Furthermore, New Delhi. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #52 High-Yield Comparative MCQ

Q52. With reference to Institution / Regulator and Year & Governing Statute / Committee, which of the following is accurately matched with "Five All-India Financial Institutions (AIFIs) under RBI"?

(A) EXIM Bank (1982), NABARD (1982), NHB (1988), SIDBI (1990), NaBFID (2021)

(B) 2008 (Payment and Settlement Systems Act, 2007; Section 8 Not-for-Profit)

(C) Dr. Raja J. Chelliah (1991)

(D) Dr. Vijay Kelkar (2002–2004)

Correct Answer: (A) | **Explanation:** For **Five All-India Financial Institutions (AIFIs) under RBI** (Institution / Regulator), the verified Year & Governing Statute / Committee is **EXIM Bank (1982), NABARD (1982), NHB (1988), SIDBI (1990), NaBFID (2021)**. Furthermore, Mumbai (EXIM, NABARD, NaBFID); New Delhi (NHB); Lucknow (SIDBI). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #53 High-Yield Comparative MCQ

Q53. With reference to Institution / Regulator and Year & Governing Statute / Committee, which of the following is accurately matched with "NPCI (National Payments Corporation of India)"?

(A) Dr. Raja J. Chelliah (1991)

(B) 2008 (Payment and Settlement Systems Act, 2007; Section 8 Not-for-Profit)

(C) Dr. Vijay Kelkar (2002–2004)

(D) Parthasarathi Shome Committee (2012–14)

Correct Answer: (B) | **Explanation:** For **NPCI (National Payments Corporation of India)** (Institution / Regulator), the verified Year & Governing Statute / Committee is **2008 (Payment and Settlement Systems Act, 2007; Section 8 Not-for-Profit)**. Furthermore, Mumbai. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #54 High-Yield Comparative MCQ

Q54. With reference to Tax Reform / Commission and Chairperson & Year, which of the following is accurately matched with "Tax Reforms Committee (Post-1991 LPG Reforms)"?

(A) Dr. Vijay Kelkar (2002–2004)
(B) Parthasarathi Shome Committee (2012–14)
(C) Dr. Raja J. Chelliah (1991)
(D) N.K. Singh (Constituted under Art. 280)

Correct Answer: (C) | **Explanation:** For **Tax Reforms Committee (Post-1991 LPG Reforms)** (Tax Reform / Commission), the verified Chairperson & Year is **Dr. Raja J. Chelliah (1991)**. Furthermore, Rationalization of direct tax slabs, reduction of customs/ excise tariffs, and introduction of Service Tax (1994). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #55 High-Yield Comparative MCQ

Q55. With reference to Tax Reform / Commission and Chairperson & Year, which of the following is accurately matched with "Task Force on Direct & Indirect Taxes (FRBM & GST)"?

(A) Parthasarathi Shome Committee (2012–14)
(B) N.K. Singh (Constituted under Art. 280)
(C) Dr. Arvind Panagariya (Constituted Dec 31, 2023 under Art. 280)
(D) Dr. Vijay Kelkar (2002–2004)

Correct Answer: (D) | **Explanation:** For **Task Force on Direct & Indirect Taxes (FRBM & GST)** (Tax Reform / Commission), the verified Chairperson & Year is **Dr. Vijay Kelkar (2002–2004)**. Furthermore, Recommended abolition of wealth tax, TIN modernization, and a nationwide destination-based GST. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #56 High-Yield Comparative MCQ

Q56. With reference to Tax Reform / Commission and Chairperson & Year, which of the following is accurately matched with "GAAR & Direct Tax Administration Reform"?

(A) Parthasarathi Shome Committee (2012–14)
(B) N.K. Singh (Constituted under Art. 280)
(C) Dr. Arvind Panagariya (Constituted Dec 31, 2023 under Art. 280)
(D) Kharif (5): Paddy, Jowar, Bajra, Maize, Ragi; Rabi (2): Wheat, Barley

Correct Answer: (A) | **Explanation:** For **GAAR & Direct Tax Administration Reform** (Tax Reform / Commission), the verified Chairperson & Year is **Parthasarathi Shome Committee (2012–14)**. Furthermore, Framed guidelines for General Anti-Avoidance Rules (GAAR) to curb aggressive tax avoidance. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #57 High-Yield Comparative MCQ

Q57. With reference to Tax Reform / Commission and Chairperson & Year, which of the following is accurately matched with "15th Finance Commission (2020–21 to 2025–26)"?

(A) Dr. Arvind Panagariya (Constituted Dec 31, 2023 under Art. 280)
(B) N.K. Singh (Constituted under Art. 280)
(C) Kharif (5): Paddy, Jowar, Bajra, Maize, Ragi; Rabi (2): Wheat, Barley
(D) MSP (3): Copra, Raw Cotton, Raw Jute; FRP (1): Sugarcane

Correct Answer: (B) | **Explanation:** For **15th Finance Commission (2020–21 to 2025–26)** (Tax Reform / Commission), the verified Chairperson & Year is **N.K. Singh (Constituted under Art. 280)**. Furthermore, Recommended 41% Vertical Devolution to States (adjusted from 42% after J&K reorganization into UTs). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #58 High-Yield Comparative MCQ

Q58. With reference to Tax Reform / Commission and Chairperson & Year, which of the following is accurately matched with "16th Finance Commission (2026–27 to 2030–31)"?

(A) Kharif (5): Paddy, Jowar, Bajra, Maize, Ragi; Rabi (2): Wheat, Barley

(B) MSP (3): Copra, Raw Cotton, Raw Jute; FRP (1): Sugarcane

(C) Dr. Arvind Panagariya (Constituted Dec 31, 2023 under Art. 280)

(D) High-Yielding Variety (HYV) dwarf Mexican wheat seeds (1966–67)

Correct Answer: (C) | **Explanation:** For **16th Finance Commission (2026–27 to 2030–31)** (Tax Reform / Commission), the verified Chairperson & Year is **Dr. Arvind Panagariya (Constituted Dec 31, 2023 under Art. 280)**. Furthermore, Mandated to recommend Union-State tax devolution, grants-in-aid, and disaster management financing for the 2026–31 award period. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #59 High-Yield Comparative MCQ

Q59. With reference to Crop Group / Agricultural Revolution and Specific Crops / Target Commodity, which of the following is accurately matched with "7 Kharif & Rabi Cereals under MSP"?

(A) MSP (3): Copra, Raw Cotton, Raw Jute; FRP (1): Sugarcane

(B) High-Yielding Variety (HYV) dwarf Mexican wheat seeds (1966–67)

(C) Dairy co-operative grid (Anand Pattern / AMUL) launched in 1970 by NDDB

(D) Kharif (5): Paddy, Jowar, Bajra, Maize, Ragi; Rabi (2): Wheat, Barley

Correct Answer: (D) | **Explanation:** For **7 Kharif & Rabi Cereals under MSP** (Crop Group / Agricultural Revolution), the verified Specific Crops / Target Commodity is **Kharif (5): Paddy, Jowar, Bajra, Maize, Ragi; Rabi (2): Wheat, Barley**. Furthermore, Recommended by CACP; approved by CCEA. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #60 High-Yield Comparative MCQ

Q60. With reference to Crop Group / Agricultural Revolution and Specific Crops / Target Commodity, which of the following is accurately matched with "4 Commercial Crops (3 MSP + 1 FRP)"?

(A) MSP (3): Copra, Raw Cotton, Raw Jute; FRP (1): Sugarcane

(B) High-Yielding Variety (HYV) dwarf Mexican wheat seeds (1966–67)

(C) Dairy co-operative grid (Anand Pattern / AMUL) launched in 1970 by NDDB

(D) 1951–1956 (Harrod-Domar Model)

Correct Answer: (A) | **Explanation:** For **4 Commercial Crops (3 MSP + 1 FRP)** (Crop Group / Agricultural Revolution), the verified Specific Crops / Target Commodity is **MSP (3): Copra, Raw Cotton, Raw Jute; FRP (1): Sugarcane**. Furthermore, Sugarcane Fair & Remunerative Price (FRP) is governed by the Sugarcane (Control) Order, 1966. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #61 High-Yield Comparative MCQ

Q61. With reference to Crop Group / Agricultural Revolution and Specific Crops / Target Commodity, which of the following is accurately matched with "Green Revolution (Foodgrains — Wheat & Rice)"?

(A) Dairy co-operative grid (Anand Pattern / AMUL) launched in 1970 by NDDB
(B) High-Yielding Variety (HYV) dwarf Mexican wheat seeds (1966–67)
(C) 1951–1956 (Harrod-Domar Model)
(D) 1956–1961 (P.C. Mahalanobis Model)

Correct Answer: (B) | **Explanation:** For **Green Revolution (Foodgrains — Wheat & Rice)** (Crop Group / Agricultural Revolution), the verified Specific Crops / Target Commodity is **High-Yielding Variety (HYV) dwarf Mexican wheat seeds (1966–67)**. Furthermore, Norman Borlaug (World) & Dr. M.S. Swaminathan (Father of Indian Green Revolution; awarded Bharat Ratna 2024). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #62 High-Yield Comparative MCQ

Q62. With reference to Crop Group / Agricultural Revolution and Specific Crops / Target Commodity, which of the following is accurately matched with "White Revolution (Operation Flood — Milk)"?

(A) 1951–1956 (Harrod-Domar Model)
(B) 1956–1961 (P.C. Mahalanobis Model)
(C) Dairy co-operative grid (Anand Pattern / AMUL) launched in 1970 by NDDB
(D) 1974–1978 (D.P. Dhar Model)

Correct Answer: (C) | **Explanation:** For **White Revolution (Operation Flood — Milk)** (Crop Group / Agricultural Revolution), the verified Specific Crops / Target Commodity is **Dairy co-operative grid (Anand Pattern / AMUL) launched in 1970 by NDDB**. Furthermore, Dr. Verghese Kurien ("Milkman of India"). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #63 High-Yield Comparative MCQ

Q63. With reference to Five-Year Plan / Institution and Time Period & Architect / Model, which of the following is accurately matched with "First Five-Year Plan"?

(A) 1956–1961 (P.C. Mahalanobis Model)
(B) 1974–1978 (D.P. Dhar Model)
(C) 1992–1997 (John W. Miller Model)
(D) 1951–1956 (Harrod-Domar Model)

Correct Answer: (D) | **Explanation:** For **First Five-Year Plan** (Five-Year Plan / Institution), the verified Time Period & Architect / Model is **1951–1956 (Harrod-Domar Model)**. Furthermore, Agriculture, irrigation, community development (1952), and rehabilitation of refugees. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #64 High-Yield Comparative MCQ

Q64. With reference to Five-Year Plan / Institution and Time Period & Architect / Model, which of the following is accurately matched with "Second Five-Year Plan"?

(A) 1956–1961 (P.C. Mahalanobis Model)
(B) 1974–1978 (D.P. Dhar Model)
(C) 1992–1997 (John W. Miller Model)
(D) 11th: 2007–12; 12th: 2012–17

Correct Answer: (A) | **Explanation:** For **Second Five-Year Plan** (Five-Year Plan / Institution), the verified Time Period & Architect / Model is **1956–1961 (P.C. Mahalanobis Model)**. Furthermore, Heavy and basic industries, public sector dominance (IPR 1956). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #65 High-Yield Comparative MCQ

Q65. With reference to Five-Year Plan / Institution and Time Period & Architect / Model, which of the following is accurately matched with "Fifth Five-Year Plan"?

(A) 1992–1997 (John W. Miller Model)

(B) 1974–1978 (D.P. Dhar Model)

(C) 11th: 2007–12; 12th: 2012–17

(D) Established January 1, 2015 (Executive Resolution)

Correct Answer: (B) | **Explanation:** For **Fifth Five-Year Plan** (Five-Year Plan / Institution), the verified Time Period & Architect / Model is **1974–1978 (D.P. Dhar Model)**. Furthermore, *Garibi Hatao* (Poverty Alleviation), Minimum Needs Programme, 20-Point Programme (1975), RRBs (1975). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #66 High-Yield Comparative MCQ

Q66. With reference to Five-Year Plan / Institution and Time Period & Architect / Model, which of the following is accurately matched with "Eighth Five-Year Plan"?

(A) 11th: 2007–12; 12th: 2012–17

(B) Established January 1, 2015 (Executive Resolution)

(C) 1992–1997 (John W. Miller Model)

(D) Washington, D.C. (Bretton Woods Conference, 1944)

Correct Answer: (C) | **Explanation:** For **Eighth Five-Year Plan** (Five-Year Plan / Institution), the verified Time Period & Architect / Model is **1992–1997 (John W. Miller Model)**. Furthermore, Human Resource Development, indicative planning post-1991 LPG Reforms. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #67 High-Yield Comparative MCQ

Q67. With reference to Five-Year Plan / Institution and Time Period & Architect / Model, which of the following is accurately matched with "Eleventh & Twelfth Five-Year Plans"?

(A) Established January 1, 2015 (Executive Resolution)

(B) Washington, D.C. (Bretton Woods Conference, 1944)

(C) Washington, D.C.

(D) 11th: 2007–12; 12th: 2012–17

Correct Answer: (D) | **Explanation:** For **Eleventh & Twelfth Five-Year Plans** (Five-Year Plan / Institution), the verified Time Period & Architect / Model is **11th: 2007–12; 12th: 2012–17**. Furthermore, 11th: "Faster and More Inclusive Growth"; 12th: "Faster, More Inclusive and Sustainable Growth". (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #68 High-Yield Comparative MCQ

Q68. With reference to Five-Year Plan / Institution and Time Period & Architect / Model, which of the following is accurately matched with "NITI Aayog Indices & Flagship Programs"?

(A) Established January 1, 2015 (Executive Resolution)

(B) Washington, D.C. (Bretton Woods Conference, 1944)

(C) Washington, D.C.

(D) Geneva, Switzerland (Marrakesh Agreement, 1994; replaced GATT 1947)

Correct Answer: (A) | **Explanation:** For **NITI Aayog Indices & Flagship Programs** (Five-Year Plan / Institution), the verified Time Period & Architect / Model is **Established January 1, 2015 (Executive Resolution)**. Furthermore, Aspirational Districts Programme (112 districts) & Aspirational Blocks Programme (500 blocks). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #69 High-Yield Comparative MCQ

Q69. With reference to Organization & Founding Year and Headquarters, which of the following is accurately matched with "International Monetary Fund (IMF — 1944/1945)"?

(A) Washington, D.C.

(B) Washington, D.C. (Bretton Woods Conference, 1944)

(C) Geneva, Switzerland (Marrakesh Agreement, 1994; replaced GATT 1947)

(D) Mandaluyong (Manila), Philippines

Correct Answer: (B) | **Explanation:** For **International Monetary Fund (IMF — 1944/1945)** (Organization & Founding Year), the verified Headquarters is **Washington, D.C. (Bretton Woods Conference, 1944)**. Furthermore, Manages SDRs and Extended Fund Facility (EFF) for Balance of Payments crises. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #70 High-Yield Comparative MCQ

Q70. With reference to Organization & Founding Year and Headquarters, which of the following is accurately matched with "World Bank Group (1944/1945)"?

(A) Geneva, Switzerland (Marrakesh Agreement, 1994; replaced GATT 1947)

(B) Mandaluyong (Manila), Philippines

(C) Washington, D.C.

(D) Shanghai, China (Fortaleza Declaration, 6th BRICS Summit, 2014)

Correct Answer: (C) | **Explanation:** For **World Bank Group (1944/1945)** (Organization & Founding Year), the verified Headquarters is **Washington, D.C.**. Furthermore, 5 Institutions: IBRD (Middle-income loans), IDA (1960, "Soft Loan Window" for poorest nations), IFC (Private sector), MIGA (Political risk insurance), and ICSID. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #71 High-Yield Comparative MCQ

Q71. With reference to Organization & Founding Year and Headquarters, which of the following is accurately matched with "World Trade Organization (WTO — Jan 1, 1995)"?

(A) Mandaluyong (Manila), Philippines

(B) Shanghai, China (Fortaleza Declaration, 6th BRICS Summit, 2014)

(C) Beijing, China

(D) Geneva, Switzerland (Marrakesh Agreement, 1994; replaced GATT 1947)

Correct Answer: (D) | **Explanation:** For **World Trade Organization (WTO — Jan 1, 1995)** (Organization & Founding Year), the verified Headquarters is **Geneva, Switzerland (Marrakesh Agreement, 1994; replaced GATT 1947)**. Furthermore, Administers GATT (Goods), GATS (Services), TRIPS (Intellectual Property), TRIMS, and AoA (Agriculture). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #72 High-Yield Comparative MCQ

Q72. With reference to Organization & Founding Year and Headquarters, which of the following is accurately matched with "Asian Development Bank (ADB — 1966)"?

(A) Mandaluyong (Manila), Philippines

(B) Shanghai, China (Fortaleza Declaration, 6th BRICS Summit, 2014)

(C) Beijing, China

(D) Must have Navratna status, listed on stock exchange; 3-yr avg Turnover > ₹25,000 Cr, Net Worth > ₹15,000 Cr, and Net Profit > ₹5,000 Cr

Correct Answer: (A) | **Explanation:** For **Asian Development Bank (ADB — 1966)** (Organization & Founding Year), the verified Headquarters is **Mandaluyong (Manila), Philippines**. Furthermore, Regional development bank modeled on the World Bank. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #73 High-Yield Comparative MCQ

Q73. With reference to Organization & Founding Year and Headquarters, which of the following is accurately matched with "New Development Bank (NDB — 2014/2015)"?

(A) Beijing, China

(B) Shanghai, China (Fortaleza Declaration, 6th BRICS Summit, 2014)

(C) Must have Navratna status, listed on stock exchange; 3-yr avg Turnover > ₹25,000 Cr, Net Worth > ₹15,000 Cr, and Net Profit > ₹5,000 Cr

(D) Must be Miniratna Category-I + Schedule 'A' CPSE with composite score ≥ 60 across 6 financial parameters

Correct Answer: (B) | **Explanation:** For **New Development Bank (NDB — 2014/2015)** (Organization & Founding Year), the verified Headquarters is **Shanghai, China (Fortaleza Declaration, 6th BRICS Summit, 2014)**. Furthermore, Founded by the 5 BRICS nations (Brazil, Russia, India, China, South Africa; later joined by Egypt, UAE, Bangladesh, Uruguay). (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #74 High-Yield Comparative MCQ

Q74. With reference to Organization & Founding Year and Headquarters, which of the following is accurately matched with "Asian Infrastructure Investment Bank (AIIB — 2016)"?

(A) Must have Navratna status, listed on stock exchange; 3-yr avg Turnover > ₹25,000 Cr, Net Worth > ₹15,000 Cr, and Net Profit > ₹5,000 Cr

(B) Must be Miniratna Category-I + Schedule 'A' CPSE with composite score ≥ 60 across 6 financial parameters

(C) Beijing, China

(D) Cat-I: Profit in last 3 years + pre-tax profit ≥ ₹30 Cr in at least 1 year; Cat-II: Profit in last 3 years + positive net worth

Correct Answer: (C) | **Explanation:** For **Asian Infrastructure Investment Bank (AIIB — 2016)** (Organization & Founding Year), the verified Headquarters is **Beijing, China**. Furthermore, Multilateral infrastructure development bank. (Source: Reserve Bank of India (RBI) & IUC Academy).

Practice Question #75 High-Yield Comparative MCQ

Q75. With reference to Category / Budget Metric and Eligibility / Financial Benchmark, which of the following is accurately matched with "Maharatna CPSE Status (Introduced in 2010)"?

(A) Must be Miniratna Category-I + Schedule 'A' CPSE with composite score ≥ 60 across 6 financial parameters

(B) Cat-I: Profit in last 3 years + pre-tax profit ≥ ₹30 Cr in at least 1 year; Cat-II: Profit in last 3 years + positive net worth

(C) Top Sources of Receipts: Borrowings & Liabilities, Income Tax, GST, Corporation Tax; Top Outgo: Interest Payments & States' Share of Taxes

(D) Must have Navratna status, listed on stock exchange; 3-yr avg Turnover > ₹25,000 Cr, Net Worth > ₹15,000 Cr, and Net Profit > ₹5,000 Cr

Correct Answer: (D) | **Explanation:** For **Maharatna CPSE Status (Introduced in 2010)** (Category / Budget Metric), the verified Eligibility / Financial Benchmark is **Must have Navratna status, listed on stock exchange; 3-yr avg Turnover > ₹25,000 Cr, Net Worth > ₹15,000 Cr, and Net Profit > ₹5,000 Cr**. Furthermore, Can invest up to ₹5,000 Crore (or 15% of net worth) in a single project without prior Govt approval. (Source: Reserve Bank of India (RBI) & IUC Academy).

Rapid-Fire Last-Minute One-Liner Revision Capsule

1. **Three Sectors of the Indian Economy by Share in GVA: Services (Tertiary Sector)** contributes the highest share (~54–55% of GVA), followed by **Industry (Secondary Sector, ~27–28%)**, and **Agriculture & Allied (Primary Sector, ~17–18%)**, whereas **Agriculture employs the largest share of India's workforce (~45–46%)** (Union Budget & Economic Survey).

2. **Quaternary and Quinary Sectors: Quaternary Sector** covers knowledge-based R&D, IT software, and information analysis; **Quinary Sector ("Gold Collar" professions)** covers highest-level policy makers, CEOs, and scientific advisors (IUC Academy).

3. **Purchasing Power Parity (PPP) Global Ranking:** India is the **world's 3rd-largest economy in Purchasing Power Parity (PPP) terms** (after China and the USA) (Union Budget & Economic Survey).

4. **Personal Disposable Income (PDI):** $PDI = Personal Income - Personal Direct Taxes (Income Tax) - Miscellaneous Government Fees/Fines$ (IUC Academy).

5. **GDP Deflator vs. CPI:** The **GDP Deflator** covers all domestically produced goods and services (excluding imports) and has flexible weights, whereas **CPI** covers only a fixed basket of consumer goods and services (including imported consumer items) (Reserve Bank of India).

6. **Core Inflation vs. Headline Inflation: Core Inflation** = Headline Inflation - (Volatile Food and Fuel/Energy Components), measuring underlying long-term demand pressures (Reserve Bank of India).

7. **Stagflation, Skewflation, and Disinflation: Stagflation** = simultaneous high inflation + economic stagnation + high unemployment; **Skewflation** = sharp price rise in a small group of commodities (like onions/pulses) while other prices remain stable; **Disinflation** = a reduction in the *rate* of inflation (prices are still rising, but at a slower pace, unlike **Deflation** where the general price level actually falls) (Reserve Bank of India).

8. **Effects of Inflation on Debtors vs. Creditors:** Unanticipated inflation **benefits Debtors (Borrowers)** and **hurts Creditors (Lenders)** and fixed-income/pension earners because the real purchasing power of fixed nominal repayments falls (Reserve Bank of India).

9. **Index of Industrial Production (IIP) & Eight Core Industries:** Compiled monthly by **NSO (Base Year 2011–12)**; the **Eight Core Industries** make up **40.27% of the weight of IIP**, ranked in exact descending order of weightage as: **1. Refinery Products (28.04%) > 2. Electricity (19.85%) > 3. Steel (17.92%) > 4. Coal (10.33%) > 5. Crude Oil (8.98%) > 6. Natural Gas (6.88%) > 7. Cement (5.37%) > 8. Fertilizers (2.63%)** (Union Budget & Economic Survey).

10. **RBI Accounting Year Change (Bimal Jalan Committee):** Changed from July–June to **April 1 – March 31** (aligned with the Government's fiscal year) starting from **2021–22** (Reserve Bank of India).

11. **Economic Capital Framework (ECF) of RBI:** Reviewed by the **Bimal Jalan Committee (2019)**, which mandated maintaining RBI's **Contingency Risk Buffer (CRB) between 5.5% and 6.5% of the RBI's balance sheet** before transferring surplus dividend to the Central Government (Reserve Bank of India).

12. **Ways and Means Advances (WMA — Section 17(5) of RBI Act, 1934):** Temporary overdraft/liquidity facility provided by the **RBI to both the Central and State Governments** to bridge temporary mismatches in receipts and payments (introduced in 1997 to replace ad-hoc Treasury Bills) (Reserve Bank of India).

13. **Operation Twist by RBI:** Simultaneous **purchase of long-term Government Securities** and **sale of short-term Government Securities** under Open Market Operations (OMOs) to bring down long-term bond yields and lower long-term borrowing costs (Reserve Bank of India).

14. **External Benchmark Lending Rate (EBLR — Since Oct 1, 2019):** Based on the **Tarun Ramadorai Committee**, RBI mandated banks to link all new floating-rate retail (housing, auto) and MSME loans to an external benchmark (such as the **RBI Policy Repo Rate** or 3-month/6-month T-Bill yield) for faster monetary transmission (Reserve Bank of India).

15. **Prompt Corrective Action (PCA) Framework of RBI:** Triggered when a commercial bank breaches regulatory thresholds across three parameters: **Capital (CRAR / CET-1), Asset Quality (Net NPA ratio), and Leverage Ratio** (Reserve Bank of India).

16. **Lead Bank Scheme (December 1969):** Introduced by the RBI on the recommendations of the **Gadgil Study Group** and **F.K.F. Nariman Committee**, assigning a commercial bank to coordinate credit planning in each district ("Service Area Approach") (Reserve Bank of India).

17. **First Bank with Limited Liability Managed by Indians (1881): Oudh Commercial Bank** (founded in Faizabad); **First Purely Indian Bank with Indian Capital and Management (1894): Punjab National Bank (PNB)** (founded in Lahore with Lala Lajpat Rai among its founders) (IUC Academy).

18. **Co-operative Banks Dual Regulation Altered (Banking Regulation Amendment Act, 2020):** Placed **Urban Co-operative Banks (UCBs)** and Multi-State Co-operative Banks under comprehensive management and audit supervision of the **Reserve Bank of India** (Reserve Bank of India).

19. **Non-Banking Financial Companies (NBFCs):** Registered under the **Companies Act, 2013** (and regulated by RBI under Chapter III-B of the RBI Act, 1934); unlike banks, **NBFCs CANNOT accept demand deposits (CASA), cannot issue cheques drawn on themselves**, and their deposits are **NOT insured by DICGC** (Reserve Bank of India).

20. **Scale-Based Regulation (SBR) for NBFCs (RBI):** Classifies NBFCs into **Four Layers**: **Base Layer (NBFC-BL)**, **Middle Layer (NBFC-ML)**, **Upper Layer (NBFC-UL)**, and **Top Layer (NBFC-TL)** based on systemic size and interconnectedness (Reserve Bank of India).

21. **Money Market vs. Capital Market:** The **Money Market** deals in **short-term debt instruments with maturity up to 1 year (364 days)** and is regulated by the **RBI**, whereas the **Capital Market** deals in **medium- and long-term equity and debt securities (> 1 year)** and is regulated by **SEBI** (Reserve Bank of India).

22. **Treasury Bills (T-Bills):** Zero-coupon short-term money market instruments issued at a discount and redeemed at par by the **Central Government ONLY (State Governments CANNOT issue T-Bills; States issue only long-term State Development Loans — SDLs)** in **3 tenors: 91-day, 182-day, and 364-day** (Reserve Bank of India).

23. **Cash Management Bills (CMBs — Introduced in 2010):** Ultra-short-term money market instruments issued by the Central Government in consultation with the RBI for maturities of **less than 91 days** (Reserve Bank of India).

24. **Certificates of Deposit (CDs) vs. Commercial Paper (CP): CDs** are issued by **Scheduled Commercial Banks (excluding RRBs) and AIFIs**, whereas **CPs** are unsecured promissory notes issued by high-rated **Corporate Companies, Primary Dealers, and AIFIs** (Reserve Bank of India).

25. **Call Money, Notice Money, and Term Money: Call Money** is uncollateralized inter-bank borrowing for **1 day (Overnight)**; **Notice Money** is for **2 to 14 days**; and **Term Money** is for **15 days to 1 year** (Reserve Bank of India).

26. **RBI Retail Direct Scheme & e-Rupee (CBDC): RBI Retail Direct (2021)** enables individual retail investors to open a **Retail Direct Gilt (RDG) Account** directly with the RBI to buy/sell G-Secs; **Digital Rupee (e₹ — launched 2022)** is sovereign legal tender recorded as a liability on the RBI's balance sheet in two forms: **e₹-W (Wholesale)** and **e₹-R (Retail)** (Reserve Bank of India).

27. **Inverse Relationship Between Bond Prices and Bond Yields:** When market interest rates (**Bond Yields**) **rise**, the market price of existing fixed-coupon **Bonds falls** (and vice-versa) (Reserve Bank of India).

28. **Angel Tax Abolished:** The Union Budget abolished the **"Angel Tax" (Section 56(2)(viib) of the Income Tax Act, 1961)** across all classes of investors to strengthen the Indian startup ecosystem (Union Budget & Economic Survey).

29. **Minimum Alternate Tax (MAT) & Alternate Minimum Tax (AMT):** Levied on **"Book Profits"** of companies (MAT — Section 115JB) and non-corporate taxpayers (AMT) that report high book profits to shareholders but zero/low taxable income due to exemptions (Union Budget & Economic Survey).

30. **Pigouvian Tax & Tobin Tax:** A **Pigouvian Tax** (Arthur Pigou) is levied on activities generating negative externalities (such as a **Carbon Tax** on pollution); a **Tobin Tax** (James Tobin) is a tax proposed on spot foreign-exchange transactions to curb speculative hot-money flows (IUC Academy).

31. **Inverted Duty Structure under GST / Customs:** Occurs when the **tax/tariff rate on raw materials and intermediate inputs is HIGHER than the tax/tariff rate on the finished output**, discouraging domestic manufacturing and creating accumulated Input Tax Credit refunds (Union Budget & Economic Survey).

32. **E-Way Bill & GST Network (GSTN):** An electronic **E-Way Bill** is mandatory for inter-state movement of goods of consignment value exceeding **₹50,000**; **GSTN** is a non-profit **Section 8 Government Company** providing the IT backbone for the GST portal (Union Budget & Economic Survey).

33. **Rail Budget Merger & Budget Date Advancement (2017–18):** On the recommendation of the **Bibek Debroy Committee**, the 92-year-old practice of presenting a separate **Railway Budget** (started in 1924 on the **Acworth Committee's** advice) was **merged with the Union General Budget from 2017–18**, and presentation was advanced to **February 1** (Union Budget & Economic Survey).

34. **Gender Budgeting & Outcome Budgeting in India: Gender Budgeting Statement** and **Outcome Budget** were both first introduced in the Union Budget in **2005–06** (Union Budget & Economic Survey).

35. **Zero-Based Budgeting (ZBB):** Developed by **Peter Pyhrr (1970)**, a budgeting method in which every program and expenditure item must be justified from **zero (scratch)** for each new fiscal period rather than incrementally adding to the previous year's budget (IUC Academy).

36. **Fiscal Drag:** An automatic stabilizer effect under **progressive taxation** where inflation pushes taxpayers into higher nominal income tax brackets (**Bracket Creep**), increasing government tax revenue and reducing real private aggregate demand (Union Budget & Economic Survey).

37. **Ricardian Equivalence Proposition (David Ricardo & Robert Barro):** Suggests that financing government spending via fiscal deficits (borrowing) has the same weak effect on aggregate demand as financing it via current taxes because rational citizens save more today in anticipation of higher future taxes to repay the public debt (IUC Academy).

38. **Crowding-Out Effect:** Occurs when heavy **government borrowing** to finance a high Fiscal Deficit absorbs loanable funds in the domestic financial market, driving up interest rates and **reducing ("crowding out") private sector investment** (Union Budget & Economic Survey).

39. **Twin Deficit Hypothesis:** The simultaneous existence of a high **Fiscal Deficit** (internal deficit) and a high **Current Account Deficit — CAD** (external deficit) in an economy (Union Budget & Economic Survey).

40. **Twin Balance Sheet (TBS) Problem to Twin Balance Sheet Advantage:** Described in the Economic Survey—historically referred to over-leveraged **Corporate Balance Sheets** and NPA-burdened **Bank Balance Sheets**, which has now transformed into a **Twin Balance Sheet Advantage** with deleveraged corporates and multi-year low bank Net NPAs (Union Budget & Economic Survey).

41. **Cropping Seasons of India: Kharif** (June–October: Paddy, Maize, Bajra, Jowar, Tur, Moong, Urad, Cotton, Jute, Peanut (Arachis hypogaea), Soybean), **Rabi** (October/November–March/April: Wheat, Barley, Gram/Chana, Masur/Lentil, Mustard, Peas, Linseed), and **Zaid** (March–June summer crops: Watermelon, Muskmelon, Cucumber, Fodder) (IUC Academy).

42. **India's Global Rank in Agricultural Commodities:** India ranks **#1 in the world in Milk, Pulses, Jute, and Spices production**, and **#2 in the world in Rice, Wheat, Sugarcane, Cotton, Tea, and Fruits & Vegetables** (Union Budget & Economic Survey).

43. **Soil Health Card Scheme (Launched Feb 19, 2015 at Suratgarh, Rajasthan):** Tests soil samples across **12 parameters**: **3 Macro-nutrients** (N, P, K), **1 Secondary nutrient** (Sulphur — S), **5 Micro-nutrients** (Zinc, Iron, Copper, Manganese, Boron), and **3 Physical parameters** (pH, Electrical Conductivity — EC, and Organic Carbon — OC) (Union Budget & Economic Survey).

44. **Neem-Coated Urea & PM-PRANAM Scheme:** 100% Neem-coating of domestic and imported urea slows down **nitrification**, enhances Nitrogen Use Efficiency, and prevents industrial diversion; **PM-PRANAM** incentivizes States to reduce chemical fertilizer consumption by granting **50% of the saved fertilizer subsidy** back to the State (Union Budget & Economic Survey).

45. **PM-KUSUM Scheme (2019):** Supports solarization of agriculture across **3 Components**: **Component A** (decentralized grid-connected solar plants on barren farm land), **Component B** (standalone off-grid solar agricultural pumps), and **Component C** (solarization of existing grid-connected agricultural pumps) (Union Budget & Economic Survey).

46. **Svamitva Scheme (Launched April 24, 2020 — National Panchayati Raj Day):** Central Sector Scheme of the **Ministry of Panchayati Raj** using **Drone technology** to map rural inhabited (*Abadi*) lands and issue legal **Property Cards (*Sampatti Patra*)** to rural householders (Union Budget & Economic Survey).

47. **MGNREGA, 2005:** Enacted as NREGA in **August 2005** (implemented from Feb 2, 2006) under the **Ministry of Rural Development**, providing a **statutory legal guarantee of at least 100 days of unskilled manual wage employment** in a financial year to every rural household (with at least **1/3rd beneficiaries being women** and unemployment allowance payable if work is not provided within 15 days) (Union Budget & Economic Survey).

48. **PM Vishwakarma Scheme (Launched Sept 17, 2023):** 100% Central Sector Scheme supporting traditional artisans and craftspeople across **18 traditional trades** with PM Vishwakarma Certificate, ₹15,000 e-voucher toolkit incentive, and collateral-free credit up to **₹3 lakh** (₹1 lakh + ₹2 lakh tranches) at a concessional **5% interest rate** (Union Budget & Economic Survey).

49. **PM Mudra Yojana (Launched April 8, 2015) & Tarun Plus Category:** Provides collateral-free micro-Undertaking loans under **Shishu** (up to ₹50,000), **Kishore** (₹50,000 to ₹5 lakh), **Tarun** (₹5 lakh to ₹10 lakh), and the newly introduced **Tarun Plus category (up to ₹20 lakh)** for entrepreneurs who have successfully repaid previous *Tarun* loans (Union Budget & Economic Survey).

50. **PM-JANMAN (2023) & Dharti Aaba Janjatiya Gram Upliftment Abhiyan (2024): PM-JANMAN** saturates basic amenities for **75 Particularly Vulnerable Tribal Groups (PVTGs)** across 18 States and 1 UT (identified originally on the **Dhebar Commission, 1973** recommendation), while **DAJGUA** covers 63,000+ tribal-majority villages (Union Budget & Economic Survey).

51. **Production Linked Incentive (PLI) Scheme:** Covers **14 key manufacturing sectors** (Mobile Phones/Electronics, Pharmaceuticals, Bulk Drugs, Medical Devices, Telecom, Food Processing, White Goods, High-Efficiency Solar PV Modules, Automobiles & Auto Components, ACC Batteries, Specialty Steel, Textiles, Drones) by rewarding **incremental sales of domestically manufactured goods** over a base year (Union Budget & Economic Survey).

52. **National Logistics Policy (NLP, Sept 2022) & ULIP:** Complements PM GatiShakti to reduce India's logistics cost and bring India among the top 25 nations in the **World Bank's Logistics Performance Index (LPI)** using the **Unified Logistics Interface Platform (ULIP)** (Union Budget & Economic Survey).

53. **Demographic Dividend Window in India (UNFPA):** Refers to the economic growth potential arising when the share of the **working-age population (15–59 or 15–64 years)** exceeds the dependent population (lowering the **Dependency Ratio**); India's median age is ~28–29 years, and its demographic dividend window extends up to **2055–56** (Union Budget & Economic Survey).

54. **Replacement Level Total Fertility Rate (TFR):** A **TFR of 2.1 children per woman** is considered the population replacement level; per **NFHS-5**, India's national TFR has declined to **2.0** (below replacement level) (Union Budget & Economic Survey).

55. **Giffen Goods vs. Veblen Goods (Exceptions to the Law of Demand):** Both exhibit an **upward-sloping demand curve** (positive price elasticity): **Giffen Goods** are inferior staple goods where a negative income effect outweighs the substitution effect, whereas **Veblen Goods** are luxury status/prestige goods driven by conspicuous consumption (IUC Academy).

56. **Special Economic Zones (SEZs) in India: Asia's first Export Processing Zone (EPZ)** was set up at **Kandla (Gujarat) in 1965**; the **SEZ Policy** was announced in April 2000, the **SEZ Act was enacted in 2005**, and the **Baba Kalyani Committee (2018)** reviewed India's SEZ policy (Union Budget & Economic Survey).

57. **TRIPS Agreement (WTO) & Geographical Indications (GI):** In India, **Geographical Indications of Goods (Registration and Protection) Act, 1999** (effective Sept 2003, administered by DPIIT) grants GI registration valid for **10 years at a time (renewable indefinitely)**; **Darjeeling Tea (2004–05)** was the **first Indian product to receive a GI tag** (Union Budget & Economic Survey).

58. **Financial Stability and Development Council (FSDC — Set up Dec 2010):** Apex inter-regulatory council recommended by the **Raghuram Rajan Committee (2008)**, chaired by the **Union Finance Minister** and comprising the heads of RBI, SEBI, IRDAI, PFRDA, and IBBI (Union Budget & Economic Survey).

59. **Sovereign Green Bonds (SGrBs — First Issued by RBI in Jan–Feb 2023):** Debt bonds issued by the Central Government whose proceeds are deployed exclusively in public sector projects that reduce the carbon intensity of the economy (excluded from foreign investment caps under the **Fully Accessible Route — FAR**) (Reserve Bank of India).

60. **Bharatiya Beej Sahakari Samiti, NCEL, and NCOL:** Three new national-level multi-state cooperative societies established under the **Multi-State Co-operative Societies Act, 2002** (supervised by the **Ministry of Cooperation**, created in July 2021 with the motto "*Sahakar se Samriddhi*") for **Seeds (BBSSL)**, **Organic Products (NCOL)**, and **Exports (NCEL)** (Union Budget & Economic Survey).

IUC Academy *1-3-7-21* Day Spaced-Revision & Self-Assessment Tracker (www.iucacademy.com)

Chapter / Study Section	Day 1 (First Read)	Day 3 (Active Recall)	Day 7 (MCQ Drill)	Day 21 (Exam Ready)
1. Chapter 1: National Income Accounting, GDP, GVA, Economic Growth vs. Development & Human Development Indices	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
2. Chapter 2: Reserve Bank of India (RBI), Monetary Policy Committee, Money Supply & Inflation Dynamics	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
3. Chapter 3: Indian Banking System, Basel-III Norms, NPAs, Priority Sector Lending & Financial Market Regulators	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
4. Chapter 4: Public Finance, Union Budget, Fiscal Deficits, FRBM Act, Taxation & GST Architecture	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
5. Chapter 5: Indian Agriculture, Minimum Support Price (MSP), PDS, Food Security & Allied Revolutions	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
6. Chapter 6: Five-Year Plans (1st to 12th), Economic Reforms of 1991, NITI Aayog, Poverty & Unemployment	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
7. Chapter 7: External Sector, Balance of Payments (BoP), Exchange Rate Regimes, Foreign Trade & Global Institutions	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
8. Chapter 8: Industrial Policy, MSME Classification, Union Budget & Economic Survey (2025–2027)	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
9. Solved Exam Practice Questions (MCQs)	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
10. Extended Comparative & Analytical Practice Set (Questions 36–75)	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
11. Rapid-Fire Last-Minute One-Liner Revision Capsule	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**