

CURRENT AFFAIRS



MCQ PRACTICE



ECONOMICS

Week 107

QUESTION 1

Consider the following statements:

1. Statement 1: The growth in the insurance sector has slowed down with inflation and stagnant incomes
2. Statement 2: High premiums and perceived low immediate need are driving a significant portion of the population to delay or avoid purchasing insurance.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement 1 and Statement 2 are correct and Statement 2 is the correct explanation for Statement 1.
- (b) Both Statement 1 and Statement 2 are correct and Statement 2 is not the correct explanation for Statement 1.
- (c) Statement 1 is correct but Statement 2 is incorrect.
- (d) Statement 1 is incorrect but Statement 2 is correct.

QUESTION 2

With reference to India's energy demand, consider the following statements:

1. India's energy demand has decreased swiftly, resulting in decrease in crude oil and natural gas imports.
2. India's oil import dependency for the financial year ended March was lower than the previous fiscal year.
3. Import dependency in the case of natural gas was far lower in FY25 compared to FY24.

How many of the statements given above are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

QUESTION 3

The term 'safeguard duty' refers to:

- (a) It is imposed on imports from all nations to limit the import of a specific good and prevent harm to the domestic industry.
- (b) It is imposed on imports that are priced below fair market value to protect domestic industries.
- (c) It is imposed on the quantity of a specific good that can be imported or exported during a given timeframe.
- (d) It is imposed to offset subsidies provided by foreign governments to their exporters.

QUESTION 4

With reference to the Production Linked Incentive (PLI) Scheme, consider the following statements:

1. This scheme is aligned with the Make in India initiative.
2. It seeks to strengthen the manufacturing backbone and reduce reliance on imports.
3. It was launched in 2018.
4. The pharmaceutical sector has been exempted from the scheme.

How many of the statements given above are correct?

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

QUESTION 5

With reference to the Monetary Policy Committee (MPC), which of the statements given below is/are correct?

1. The MPC is required to meet at least four times in a year.
2. It determines the policy repo rate required to achieve the inflation target.
3. There is no quorum for the MPC meeting.
4. It is an eight-member committee fully constituted by the Reserve Bank of India.

Select the correct answer using the codes given below:

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

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Week 107

Answers and Explanations

QUESTION 1

Consider the following statements:

1. Statement 1: The growth in the insurance sector has slowed down with inflation and stagnant incomes
2. Statement 2: High premiums and perceived low immediate need are driving a significant portion of the population to delay or avoid purchasing insurance.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement 1 and Statement 2 are correct and Statement 2 is the correct explanation for Statement 1.
- (b) Both Statement 1 and Statement 2 are correct and Statement 2 is not the correct explanation for Statement 1.
- (c) Statement 1 is correct but Statement 2 is incorrect.
- (d) Statement 1 is incorrect but Statement 2 is correct.

1.Explanation

- ✓ India's non-life insurance business, driven by the health segment, saw a decrease in growth during the fiscal year ending March 2025 due to an economic slowdown and insurers raising premiums across the board.
- ✓ According to General Insurance Council data, the growth rate in health insurance — the largest segment in the non-life industry — fell to 8.98% in 2024-25 from 20.25% the previous year, with insurers' gross premium income at Rs 1.18 lakh crore in FY25, compared to Rs 1.08 lakh crore last year. Customers deferred their decision to get health insurance due to a steep increase in premiums and increased claim rejections.
- ✓ The insurance sector's development has slowed due to inflation and stagnant salaries, causing consumers to prioritise necessary expenses. As a result, many individuals and organisations are reducing their discretionary expenditure, which includes health insurance payments. Hence, statement 1 is correct.

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- ✓ Industry experts warn that high premiums and perceived low immediate need are causing a sizable segment of the population to postpone or avoid acquiring insurance, particularly health insurance, entirely. This trend hindered the sector's expansion as insurers struggled to
- ✓ recruit new policyholders. Hence, statement 2 is correct.
- ✓ Both Statement 1 and Statement 2 are correct and Statement 2 is the correct explanation for Statement 1.
- ✓ Therefore, option (a) is the correct answer.

QUESTION 2

With reference to India's energy demand, consider the following statements:

1. India's energy demand has decreased swiftly, resulting in decrease in crude oil and natural gas imports.
2. India's oil import dependency for the financial year ended March was lower than the previous fiscal year.
3. Import dependency in the case of natural gas was far lower in FY25 compared to FY24.

How many of the statements given above are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

2.Explanation

- ✓ India's reliance on imported crude oil and natural gas increased further in 2024-25 (FY25), as the gap between demand growth and restrained local hydrocarbon output continued to widen.
- ✓ According to interim figures from the oil ministry's Petroleum Planning & Analysis Cell (PPAC), India's oil import dependency for the fiscal year ending March was 88.2 per cent, up from 87.8 per cent the previous fiscal year (FY24). Import dependency for natural gas was 50.8% in FY25, up from 47.1% in FY24. Hence, statements 2 and 3 are not correct.
- ✓ India's energy demand has been rapidly increasing, resulting in higher crude oil and natural gas imports. Growing energy-intensive sectors, increased automobile sales, a fast developing aviation industry, and rising petrochemical usage are all contributing to this trend, and a rising population. Hence, statement 1 is not correct.
- ✓ Therefore, option (d) is the correct answer.

QUESTION 3

The term 'safeguard duty' refers to:

- (a) It is imposed on imports from all nations to limit the import of a specific good and prevent harm to the domestic industry.
- (b) It is imposed on imports that are priced below fair market value to protect domestic industries.
- (c) It is imposed on the quantity of a specific good that can be imported or exported during a given timeframe.
- (d) It is imposed to offset subsidies provided by foreign governments to their exporters.

3.Explanation

- ✓ Amid concerns about dumping into India following hefty US tariffs on Chinese imports, the government has placed a 12% safeguard duty on non-alloy and alloy steel flat products.
- ✓ This follows an inquiry by the Directorate General of Trade Remedies (DGTR), which found last month that there was a “sudden and sharp” spike in imports that could “cause serious injury to the domestic industry”.
- ✓ According to the Amazon website, Safeguard duty is imposed on imports from all nations to limit the import of a specific good and prevent harm to the domestic industry.
- ✓ Therefore, option (a) is the correct answer.

QUESTION 4

With reference to the Production Linked Incentive (PLI) Scheme, consider the following statements:

1. This scheme is aligned with the Make in India initiative.
2. It seeks to strengthen the manufacturing backbone and reduce reliance on imports.
3. It was launched in 2018.
4. The pharmaceutical sector has been exempted from the scheme.

How many of the statements given above are correct?

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

4.Explanation

- ✓ The IT Ministry announced the Rs 22,919 crore incentive plan for electronics components, which follows its two PLI schemes, which primarily focus on the relatively simple assembly of electronics devices such as cellphones and PCs.
- ✓ The PLI Scheme, which was launched in 2020, is more than just a policy; it is a strategic step towards self-sufficiency. Hence, statement 3 is not correct.
- ✓ The PLI Scheme, which aligns with Atmanirbhar Bharat's goal and the larger Make in India effort, aims to strengthen the manufacturing backbone, reduce dependency on imports, and balance growth with sustainability. Hence, statements 1 and 2 are correct.
- ✓ The effort targets industries such as electronics, textiles, pharmaceuticals, and autos, and provides financial incentives that are directly related to measurable outcomes such as increased output and incremental sales. Hence, statement 4 is not correct.

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- ✓ Production Linked Incentive (PLI) Schemes are for 14 key sectors, including Mobile Manufacturing and Specified Electronic Components, Critical Key Starting Materials/Drug Intermediaries & Active Pharmaceutical Ingredients, Manufacturing of Medical Devices, Automobiles and Auto Components, Pharmaceuticals Drugs, Speciality Steel, Telecom & Networking Products, Electronic/Technology Products, White Goods (ACs and LEDs), Food Products, Textile Products: MMF segment, and technical textiles, High efficiency solar PV modules, Advanced Chemistry Cell (ACC) Battery, and Drones and Drone Components.
- ✓ Therefore, option (b) is the correct answer.

QUESTION 5

With reference to the Monetary Policy Committee (MPC), which of the statements given below is/are correct?

1. The MPC is required to meet at least four times in a year.
2. It determines the policy repo rate required to achieve the inflation target.
3. There is no quorum for the MPC meeting.
4. It is an eight-member committee fully constituted by the Reserve Bank of India.

Select the correct answer using the codes given below:

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

5.Explanation

- ✓ The drop in crude oil prices despite increased trade-related uncertainties will relieve pressure on domestic inflation, which is expected to reach the target during the current fiscal year (FY26), RBI Governor Sanjay Malhotra said at the Monetary Policy Committee (MPC) meeting.
- ✓ The government has directed the MPC to keep consumer price index (CPI) inflation at 4 percent within a +/- 2 percent range.
- ✓ Section 45ZB of the modified RBI Act of 1934 establishes an empowered six-member monetary policy committee (MPC) to be appointed by the Central Government via announcement in the Official Gazette. The first such MPC was established on September 29, 2016. Hence, statement 4 is not correct.
- ✓ The Governor of the Reserve Bank of India serves as Chairman ex officio.
- ✓ The MPC calculates the policy repo rate needed to meet the inflation objective. Hence,

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- ✓ statement 2 is correct.
- ✓ The MPC is required to convene at least four times per year. Hence, statement 1 is correct.
- ✓ The MPC meets with a quorum of four members. Hence, statement 3 is not correct.
- ✓ Each MPC member has one vote, and if there are equal votes, the Governor has a second or casting vote.
- ✓ Therefore, option (c) is the correct answer.