

CURRENT AFFAIRS



MCQ PRACTICE



ECONOMICS

Week 97

QUESTION 1

Consider the following statements in respect of the digital rupee:

1. It is a sovereign currency issued by the Reserve Bank of India in alignment with its monetary policy.
2. It appears as a liability on the RBI's balance sheet.
3. It is insured against inflation by its very design.
4. It is freely convertible against commercial bank money and cash.

Which of the statements given above are correct? (UPSC 2024)

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

QUESTION 2

With reference to the Indian economy, “Collateral Borrowing and Lending Obligations” are the instruments of: (UPSC 2024)

- (a) Bond market
- (b) Forex market
- (c) Money market
- (d) Stock market

QUESTION 3

This IMF facility offers quick concessional financial aid to low-income countries (LICs) facing urgent balance of payments issues operating under the Poverty Reduction and Growth Trust (PRGT), providing flexible support, especially during crises. Identify the financial facility.

- (a) Multitranche financing facility
- (b) Global Concessional Financing Facility
- (c) Rapid Credit Facility
- (d) None of the above

QUESTION 4

Household Consumption Expenditure Survey is released by:

- (a) Department of Economic Affairs in the Union Finance Ministry
- (b) NITI Aayog
- (c) Centre for the Study of Developing Societies
- (d) Ministry of Statistics and Programme Implementation

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Answers and Explanations

QUESTION 1

Consider the following statements in respect of the digital rupee:

1. It is a sovereign currency issued by the Reserve Bank of India in alignment with its monetary policy.
2. It appears as a liability on the RBI's balance sheet.
3. It is insured against inflation by its very design.
4. It is freely convertible against commercial bank money and cash.

Which of the statements given above are correct? (UPSC 2024)

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

1.Explanation

- ✓ The Central Bank Digital Currency (CBDC) — digital rupee or e-rupee (e₹) is a legal tender issued by the RBI in digital form. Hence, statement 1 is correct.
- ✓ It is identical to the fiat currency and can be exchanged 1:1. Only its form differs from that of actual cash, which is made of paper (or polymer). Hence, statement 4 is correct.
- ✓ It is a fungible legal money that does not need holders to have a bank account. CBDC will be recorded as a 'liability' (currency in circulation) on the RBI's balance sheet. Hence, statement 2 is correct.
- ✓ E-rupees will be issued in the same denominations as paper currency and coins and distributed through intermediaries, i.e. banks. Transactions will be processed through a digital wallet provided by the participating banks and kept on mobile phones and gadgets. It is not insured against inflation. Hence, statement 3 is not correct.
- ✓ Transactions can be either person-to-person (P2P) or person-to-merchant. QR codes will be provided for P2M transactions (such as shopping), there will be QR codes at the merchant's location.

- ✓ A user will be able to withdraw digital tokens from banks in the same way that she presently withdraws actual cash. She will be able to store her digital tokens in the wallet, spend them online or in person, or transfer them via an app.
- ✓ CBDC is intended for restricted access to specific financial institutions. It has the potential to transform the settlement systems for financial transactions conducted by banks in the government securities (G-Sec) segment and the interbank market, as well as make the capital market more efficient and secure in terms of operational costs, collateral use, and liquidity management.
- ✓ CBDC has the potential to bring major benefits, including reduced reliance on cash, increased seigniorage due to lower transaction costs, and reduced settlement risk.
- ✓ Therefore, option (d) is the correct answer.

QUESTION 2

With reference to the Indian economy, “Collateral Borrowing and Lending Obligations” are the instruments of: (UPSC 2024)

- (a) Bond market
- (b) Forex market
- (c) Money market
- (d) Stock market

2.Explanation

- ✓ The G-Secs market primarily caters to long-term investors, whereas the money market offers short-term investment opportunities.
- ✓ Money market transactions are typically used to fund transactions in other markets, including the G-Secs market, and to address short-term liquidity shortages.
- ✓ Money markets have a maximum tenor of one year. Within one year, depending on the tenors, the money market is divided into:
 - ✓ i. Overnight market – The tenor of transactions is one working day.
 - ✓ ii. Notice money market – The tenor of the transactions is from 2 days to 14 days.
 - ✓ iii. Term money market – The tenor of the transactions is from 15 days to one year.
- ✓ Money market instruments include call money, repos, T- Bills, Cash Management Bills, Commercial Paper, Certificate of Deposit and Collateralized Borrowing and Lending Obligations (CBLO).
- ✓ Therefore, option (c) is the correct answer.



QUESTION 3

This IMF facility offers quick concessional financial aid to low-income countries (LICs) facing urgent balance of payments issues operating under the Poverty Reduction and Growth Trust (PRGT), providing flexible support, especially during crises. Identify the financial facility.

- (a) Multitranche financing facility
- (b) Global Concessional Financing Facility
- (c) Rapid Credit Facility
- (d) None of the above



3.Explanation

- ✓ “The Rapid Credit Facility (RCF) provides fast concessional financial assistance to low-income countries (LICs) facing an urgent balance of payments need. The RCF is one of the facilities under the Poverty Reduction and Growth Trust (PRGT) that provide flexible financial support tailored to the diverse needs of LICs, including in times of crisis.”
- ✓ Therefore, option (c) is the correct answer.



QUESTION 4

Household Consumption Expenditure Survey is released by:

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4.Explanation

- ✓ In an indication of the impact of rising food prices, the share of spending on food items in the consumption basket of rural and urban households went up in 2023-24, even as non-food items constituted the majority chunk of the spending.
- ✓ Fact sheet of the latest round of the Household Consumption Expenditure Survey 2023-24 released by the Ministry of Statistics and Programme Implementation (MoSPI) also showed rural spending growing at a faster pace than urban areas, narrowing the gap between the two, and also perhaps signalling a cut in consumption by urban households.
- ✓ Therefore, option (d) is the correct answer.

QUESTION 5

With reference to QS World Future Skills Index 2025, consider the following statements:

1. India has been ranked second in terms of preparedness for jobs of the future including artificial intelligence (AI) and green skills, only behind the United States.
2. Overall, India ranked 25th across all indicators, making India one of the “future skills pioneers”.

Which of the statements given above is/are true?

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

5.Explanation

- ✓ India ranked 25th across all indicators, making the country a “future skills contender” according to the QS World Future Skills Index 2025. Hence, statement 2 is not correct.
- ✓ India has been ranked second in terms of preparedness for jobs of the future including artificial intelligence (AI) and green skills, only behind the United States, in the QS World Future Skills Index 2025. But in terms of economic transformation, India has been ranked 40th, and in terms of the workforce having the desired skills for future jobs, 37th, in the index. Hence, statement 1 is correct.
- ✓ Therefore, option (a) is the correct answer.