



UPSC CURRENT AFFAIRS MCQS 19-09-2023

QUES1.

Consider the following statements regarding incremental capital-output ratio (ICOR):

1. The incremental capital-output ratio (ICOR) is the amount of capital required to produce one unit of output.
2. The lower the ICOR, the less efficient we are in the use of capital.
3. Reducing the cost of capital helps in reducing ICOR.

How many of the above statements is/are correct?

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

Ans: b

Explanation:

The incremental capital-output ratio (ICOR) is the amount of capital required to produce one unit of output. The higher the ICOR, the less efficient we are in the use of capital.

ICOR is determined by a variety of factors including technology, skill of manpower, managerial competence and also macroeconomic policies. Thus, delays in the completion of projects, lack of complementary investments in related sectors and the non-availability of critical inputs can all lead to a rise in ICOR. Hence, statement 2 is incorrect.

QUES2.

In India, Microcredit is delivered through which of the following channels?

1. Microfinance institutions (MFIs) registered as NBFCs
2. Non-banking financial companies (NBFCs)
3. Scheduled commercial banks including small finance banks (SFBs).
4. Cooperative banks

Select the correct answer using the code given below:

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

Answer: (d)

Explanation:

Microfinance is a form of financial service which provides small loans and other financial services to poor and low-income households.

Microcredit is delivered through a variety of institutional channels viz., (i) scheduled commercial banks (SCBs) (including small finance banks (SFBs) and regional rural banks (RRBs) lending both directly as well as through business correspondents (BCs) and self-help groups (SHGs), (ii) cooperative banks, (iii) non-banking financial companies (NBFCs), and (iv) microfinance institutions (MFIs) registered as NBFCs as well as in other forms. Hence, all are correct.



QUES3.

Consider the following statements:

1. The Reserve Bank of India (RBI) normally pays the dividend to the Central Government from the surplus income it earns on investments and valuation changes on its dollar holdings and the fees it gets from printing currency.
2. The Reserve Bank of India (RBI) has developed an Economic Capital Framework (ECF) for determining the allocation of funds to its capital reserves so that any risk contingency can be met.
3. The RBI cannot bank on the Contingency Fund in case of any emergency requirement.

How many of the above statements is/are incorrect?

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

Answer: (a)

Explanation: The RBI normally pays the dividend from the surplus income it earns on investments and valuation changes on its dollar holdings and the fees it gets from printing currency, among others. The Reserve Bank of India (RBI) has developed an Economic Capital Framework (ECF) for determining the allocation of funds to its capital reserves so that any risk contingency can be met and as well as to transfer the profit of the RBI to the government. The RBI can bank on the Contingency Fund in case of any emergency requirement. Hence, statement 3 is incorrect.

QUES4.

A closed economy is likely to have which of the following characteristics?

- (a) The government does not have a right to print currency.
- (b) The central bank does not control money supply.
- (c) Fiscal deficit would be zero.
- (d) Balance of Payments is zero.

Answer: (d)

Explanation: A closed economy is self-sufficient, meaning that no imports are brought in and no exports are sent out. The goal is to provide consumers with everything that they need from within the economy's borders. A closed economy is the opposite of an open economy, in which a country will conduct trade with outside regions. So, if no capital or goods/services are imported, exported, the BoP will be zero. In this case, the fiscal deficit need not be zero since a developing country may adopt expansionary fiscal policy to tackle poverty and unemployment. Hence, option (d) is correct.



QUES5.

Consider the following statements about 'Fiat Money':

1. It is a currency that a government has declared to be legal tender.
2. Its value increases during hyperinflation.
3. It is backed by a physical commodity.

Which of the above statements is/are correct?

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

Answer: (a)

Explanation: Fiat money is currency that a government has declared to be legal tender, but it is not backed by a physical commodity. The value of fiat money is derived from the relationship between supply and demand rather than the value of the material from which the money is made. Because fiat money is not linked to physical reserves, it risks becoming worthless due to hyperinflation. Hence, only statement 1 is correct.