



MISSING SENTENCES

NEW PATTERN

PRACTICE SETS

Directions: In each of the following questions a short passage is given with one of the lines in the passage **missing** and represented by a blank. Select the best out of the five answer choices given, to make the passage **complete and coherent** (coherent mean
In recent years we have imported upwards of Rs 1 lakh crore of coal, never mind our large proven reserves, thanks to much policy dithering. The coal secretary has reportedly declined to identify the coal blocks, the estimated reserves contained in them, or specified the auction methodology to be followed.

Q1.

_____ The way ahead is to transparently overhaul market design and oversight, so that efficient producers can gainfully boost output and supply at fine rates. In tandem, we need improved environmental norms for cent-percent beneficiation of coal in a time bound manner. We simply cannot afford to ferry millions of tonnes of non-combustible shale and rock, wasting energy on haulage and pre-empting freight capacity.

- (a) Instead, the Centre plans to issue a consultation paper on commercial mining of coal, which is sensible.
- (b) Forty-four years after creating a state monopoly in coal, it is welcome that the government has decided to permit commercial mining of coal, which remains our main source of commercial energy.
- (c) Mining and evacuation without specifying end-use would allow specialist coal producers to realise economies of scale and scope and competitively seek custom.
- (d) The extant policy of a coal monopoly supplemented with captive mines, whether allocated by auction or not, is hugely inefficient and gives rise to a host of rigidities.
- (e) Thus, IIMA already enjoys the autonomy, at least on paper, that is reportedly to be provided by the new bill.

Q2.

A bit of history would be in order. In 2011-12, IIMA pushed for greater autonomy in its functioning. On advice from the then HRD minister, even to consider the request, IIMA prepared a document titled 'Envisioning Future of IIMA' that detailed the nature of autonomy required and the manner of accountability.

_____ After protracted negotiations and few changes suggested by the ministry, the new MoA and the rules were accepted by the government and duly registered with the registrar of societies in 2012. History was created in the functioning of government academic institutions in the country as the autonomy granted under the new MoA and the Rules to IIMA was sweeping. The government developed cold feet after granting IIMA autonomy and no other IIM was accorded similar autonomy subsequently.

(a) Is complete autonomy good for the established IIMs? The last few years have witnessed significant expansion by all IIMs.

(b) Following the submission of the document to the government, the MoA and the rules governing the institute's functioning and relationship with the government were redrafted, put up to the board and submitted to the HRD ministry.

(c) In addition to increasing the numbers admitted to the established programmes, they have expanded into distance education.

(d) The expansion has been indiscriminate with little control on the quality of offerings.

(e) Most of the features that appear to be in the IIM Bill, 2017 are already enshrined in the MoA and the rules that govern functioning of IIMA.

Q3.

The landscape of management education has seen a major shift in the last five years. While the number of IIMs has grown to 20, several management schools have closed down due to moderation in the craze for MBA.

_____ The shortage of qualified teachers plagues even the established IIMs. The proliferation of IIMs without concern for qualified academic resources to run them has meant severe dilution of brand IIM. This was pointed out repeatedly by IIMA in the discussions preceding setting up of new IIMs. The quality of education imparted in these new institutions is yet to stabilise at accepted levels. Complete autonomy to the fledgling IIMs without academic rigour is likely to be counterproductive. The temptation to start a plethora of programmes opportunistically, including doctoral and bachelor's programmes, may further hurt the cause of management education that is already reeling under onslaught on quality.

(a) The expansion has been indiscriminate with little control on the quality of offerings.

(b) Most of the features that appear to be in the IIM Bill, 2017 are already enshrined in the MoA and the rules that govern functioning of IIMA.

(c) Most new IIMs however are mere nameplate institutions, several with no director, no permanent faculty or administrative staff.

(d) Companies would now have to take cognisance of the proposed amendments and accordingly determine their advance tax liability.

(e) Also, the move to extend the MAT credit from the existing 10 years to 15 should assist the IndAS companies to deal with the transition in a better manner.

Q4.

The evidence from across the world is clear – good management schools limit the size and scope of their operations to sustain quality in every activity they undertake. There is a conscious effort to innovate and create new paradigms in management from conceptual and empirical research to propose solutions to problems faced by organizations and society. This is not the choice being made by the older IIMs. There is little relevant



knowledge creation as that requires perseverance and effort of a very high order. Academic rigor of teaching programmes is also on the decline with the emphasis shifting to revenue generation rather than transfer of cutting edge knowledge. Complete autonomy in such an environment is likely to accelerate the movement of established IIMs on the path to becoming pedestrian institutions. Caution is called for.

_____ Else, it could be the beginning of a decline in the reputation that has been built over decades.

(a) The Bill therefore proposes to extend similar autonomy to other IIMs.

(b) Further, the extant amendments do not provide for explicit application of the same for those few companies that volunteered to adopt the standards from April 1, 2015 — even though those were mandatory only from April 1, 2016 — a clarification is expected.

(c)

While there were many expectations of corporate India from the Budget, one specific area that they were eagerly awaiting was for the government to put in place the tax framework in relation to Minimum Alternate Tax (MAT) under the India Accounting Standards (IndAS) regime.

(d) The autonomy should be granted with well-crafted accountability metric so that IIMs serve the cause of the country by enhancing the respect they command in management education globally.

(e) Prima facie, this ought to be good news, but is it?

Q5.

Further, as per the proposed provisions, certain other adjustments are to be made for items included in Other Comprehensive Income (OCI) and adjustments made to the opening reserves on transition to India Accounting Standards (IndAS) to determine the book profits. The items that are permanently recorded in OCI and never reclassified into the P&L statement will be included in book profits for Minimum Alternate Tax (MAT) on realisation or disposal, except for re-measurement of defined benefit plans which are added to book profits each year. _____ Similarly, the proposals state that adjustments that are made to the opening reserves upon first time adoption of IndAS would be included equally in book profit over a period of five years, except for certain exceptions for items included in OCI and those that relate to fair valuation of fixed assets or investments, cumulative translation adjustments relating to foreign operations. These excluded items would generally be added to book profits in the year of realisation or disposal.

(a) Also, the move to extend the MAT credit from the existing 10 years to 15 should assist the IndAS companies to deal with the transition in a better manner.

(b) The extant policy of a coal monopoly supplemented with captive mines, whether allocated by auction or not, is hugely inefficient and gives rise to a host of rigidities.

(c)

The provisions contained in the Budget adequately address the concerns of stakeholders by providing clarity on the MAT implications under the IndAS regime.

(d) Companies would now have to take cognisance of the proposed amendments and accordingly determine their advance tax liability.

(e) The aforesaid treatment is prudent since it defers the taxation to the actualisation of profits rather than taxing it upfront upon accounting.

Q6.

Firstly, given that we are in the midst of the demonetisation 'stick' and the GST trigger, this budget tactically contains 'carrots' to nudge the large majority of those outside the tax net, to come in. Measures around reduction of the corporate tax rate from 30% to 25% to medium and small enterprises having a turnover of Rs 50 crore or less, halving the tax rates for individuals having income between Rs 2.5 lakh to Rs 5 lakh, exemption from scrutiny to individuals filing returns for the first time having income below Rs 5 lakh, are some of the thoughtful measures in this regard.

(a) Of course, there are also the 'sticks' of barring payments of Rs 3 lakh or more through cash, and a reduction of the allowance limit for non-cash transactions from Rs 20,000 to Rs 10,000.

(b) The intent of ease of doing business has come through in the form of restricting domestic transfer pricing provisions to cases where one of the parties involved enjoys profit-linked deduction, abolition of FIPB and reduction of timelines for tax assessment.

(c) The comment on introduction of accountability on tax administrators is a very significant one, but the devil would lie in the detailing and more importantly, the speed and quality of implementation.

(d) One thing which needs a relook is the proposal to tax listed equity gains where STT has not been paid at the time of acquiring such shares — in one sense, this could be viewed as a retrospective applicability of the law, a principle which this government has otherwise been very consistently staying away from.

(e) Budget 2017 created a history of sorts — discontinuing the colonial practice prevalent since 1924, the Finance Minister Arun Jaitley presented a combined Union and Rail Budget on February 1, 2017.

Q7.

_____ Foreign portfolio investors (FPIs) have been exempted from the rigours of the indirect transfer provisions — this negates the impact of the controversial December circular which was quickly kept in abeyance in the beginning of January, though more needs to be done to allay concerns of some FPIs and most other financial investors, including the important private equity capital. A three year extension of the liberal 5% tax on interest paid on cross border debt would be welcomed by lenders and borrowers alike, as also its extension to Masala Bonds.

(a) At a macro level, one has to commend the outcome of a contained fiscal deficit, without reducing the focus on infrastructure and rural spend.



(b) Keeping a watchful eye on inflows into the country, two important changes have been made around equity and debt inflows.

(c) Some key themes on the tax front are discussed below.

(d) The aforesaid treatment is prudent since it defers the taxation to the actualisation of profits rather than taxing it upfront upon accounting.

(e) Budget 2017 created a history of sorts — discontinuing the colonial practice prevalent since 1924, the Finance Minister Arun Jaitley presented a combined Union and Rail Budget on February 1, 2017.

Q8.

Thirdly, one of the largest employment generators — real estate — has reason to cheer. In line with the Prime Minister's dream of 'Housing for All', affordable housing has emerged as one major beneficiary of this Budget.

_____ Alignment of the holding period of immovable property to unlisted equity (2 years) and clarity around taxability for joint development agreements are two other positives, while a restriction of Rs 1 lakh imposed to house property tax loss set off will curb tax benefits that may have been availed in the past.

(a) The provisions contained in the Budget adequately address the concerns of stakeholders by providing clarity on the MAT implications under the IndAS regime.

(b) The intent of ease of doing business has come through in the form of restricting domestic transfer pricing provisions to cases where one of the parties involved enjoys profit-linked deduction, abolition of FIPB and reduction of timelines for tax assessment.

(c) The proposal to grant 'infrastructure' status to it would make it a beneficiary of a volley of benefits, including lower borrowing costs.

(d) Companies would now have to take cognisance of the proposed amendments and accordingly determine their advance tax liability.

(e) Certain other tax avoidance provisions include expanding the net of the 'gift tax' provisions and including trusts within the purview of the additional tax payable by recipients on dividends. The proposal to tax sale of carbon credits at 10% should put to rest interpretations on this front.

Q9.

One of the much-awaited changes in the Income-tax Act was relaxation of the need for continuous holding of 51% of voting rights for carry forward of losses.

_____ This requirement is out of sync with today's dynamic investment scenario and should apply more broadly to venture capital-funded companies. The FM quoted Mahatma Gandhi, "A right cause can never fail." Policymakers, entrepreneurs, development professionals, economics all agree that only a technology-led innovation economy can realise the dream of an inclusive and developed India. Overall, the government has done well to take forward some of its

key initiatives on this front while resisting the temptation to announce new headline schemes.

(a) Codification of labour laws and dispute resolution mechanisms will improve India's attractiveness as an investment destination.

(b) Similarly, going forward, digital payment records can also serve as a gateway to deeper financial services like credit, insurance, investments for underserved segments of society.

(c) Another positive was the government's continued commitment towards the 'ease of doing business' agenda.

(d) This has been announced only for companies registered as start-ups under the Startup India initiative.

(e) The proposed reduction in corporate taxes for medium and small enterprises is a welcome move.

Q10.

First, on the fiscal deficit. The Budget proposes to contain it at 3.2% of GDP — a little below current year's deficit, and a little above the level projected earlier. Given the extraordinary circumstances, perhaps the relaxation is justified. The Fiscal Responsibility and Budget Management (FRBM) Review Committee apparently wants to focus on 'debt to GDP' ratio even though it has concluded that a fiscal deficit of 3% will be consistent with the new objective.

_____ This is in line with household savings in financial assets that, if anything in recent years, has been declining.

(a) There are other features such as those relating to curbing black money, reforming the political funding system and expanding the use of digital payments.

(b) The Budget could have announced the changes in indirect taxes consistent with the new GST regime.

(c) Overall, the changes in the tax structure are minimal.

(d) The changes announced are in the right direction.

(e) There is considerable logic behind the prescription of a Budget deficit of 3% for the central government and 3% of GDP for all states together.

Q11.

For the banking sector, the thrust to digital economy will help banks expand their digital footprint as well as to meet the additional 10 lakh new point-of-sale terminals target by March 2017. The agriculture lending target has been substantially revised to Rs 10 lakh crore supported by further provisions for agriculture insurance.

_____ This can be done by supporting infrastructure creation in rural areas, which the Budget aims at doing.

(a) It is important to create credit absorption capacity rather than to just enhance lending targets.

(b) The abolishing of the Foreign Investment Promotion Board is a welcome move as it removes another hurdle in movement of inward FDI.

(c) This will boost the foreign investors' confidence to invest in India.

(d) The Budget has chalked a clear fiscal path for the years ahead and with the proposed changes in personal income tax at the lowest slab, the target of 3.



(e) 2% of the GDP may be achieved if new reforms like GST kick in within the stipulated date.

Q12.

What echoed with me was the more realistic assessment of growth and its correct identification on potential drag on future growth –the Twin Balance Sheet problems of stressed corporate and banks’ balance sheets. Today, some corporate are heavily leveraged and reflect as stressed assets on banks’ balance sheets.

_____The Survey rightly argues that economic growth will not solve the problems of stressed firms: banks’ non-performing assets (NPAs) are estimated to be as high as 16.6% of total loans, and 8.4% of GDP. Can diversion of windfall gains from remonetisation to an Asset Reconstruction Company (ARC), as recommended by the survey, help resolve the Twin Balance Sheet problem?

(a) Will the combination of challenges and uncertain global economic conditions become a serious dampener for Indian growth prospects? Not necessarily.

(b) Most of these are on public sector banks’ books, which account for nearly 70% of total bank credit to industry.

(c) There may be other ways that the government, banks and the corporate sector could bring about a revival in GDP growth even in the context of the above constraints.

(d) For one thing, listed public sector undertakings (PSUs) could deploy approximately Rs 3 lakh crore of cash and cash equivalents sitting in their balance sheets.

(e) This amount could be leveraged to approximately Rs 9 lakh crore (assuming debt to equity of 2:1).

Q13.

Fourth, the present situation does not augur well for NPAs. _____ This would tend to increase in the rest of the year as the cash crunch has hurt employment at the lower income levels, thus impacting their repayment capacity. The same holds for SMEs which will be affected negatively due to the slowdown in the economy. Therefore, higher NPAs are bound to be the result of the economic impact these 50 days. The issue was to have gotten sorted out by March 2017, but it looks likely that it would last for a longer period of time.

(a) This has meant that these deposits have moved over as investment in government securities (G-Sec) and after a turbulent phase of regulatory fine tuning, which also involved imposition of 100% incremental CRR at one point of time that was reversed, have moved towards a return of around 6% on the MSS bonds.

(b) Avenues for deployment of these funds have been limited, with credit growth witnessing a minor setback due to the non-fructification of the busy season impetus.

(c) There has already been an increase in the level of NPAs for personal loans, especially for education, auto and consumer durables.

(d) Hence, the spread is quite low on these exogenous deposits which have come in – some have also been converted to fixed deposits at higher rates which would lower the same.

(e) This in turn could seed an increase in the investment to GDP ratio back to 35%, which would require roughly Rs 13 lakh crore.

Q14.

The second most important challenge is to ensure that the IPL, India’s signature cricket tournament, is held on schedule. Nothing in terms of planning has happened yet and the franchise owners are yet to be notified about the auction date. _____ Not a single IPL contract has been awarded and a tournament of this scale requires months of planning, which the administrators will now have to do on a war footing.

(a) And if the buzz within the BCCI is anything to go by, the administrators will have to do so forcibly.

(b) As the dust finally settles on the SC direction appointing Vinod Rai, Ram Guha, Diana Edulji and Vikram Limaye as interim administrators of the BCCI, it is essential we turn our attention to the challenges they are likely to face.

(c) What is the primary task at hand? Clearly it will be to implement the Lodha reforms in totality.

(d) The auction, which was initially planned for 4 February, had to be rescheduled and it is now likely that it will be held towards the end of the month.

(e) Ousted office bearers and men who now stand disqualified will do everything to put a spanner in the wheels.

Q15.

An ecosystem that supports financial inclusion must also be developed, to begin with increasing the reach of digital payments. Disbursal of government benefits in bank account is just the first step.

_____ Ubiquitous acceptance of digital payments is essential in transforming India from a cash to a cash-less society.

(a) It is important that such funds also be used digitally instead of being withdrawn in the form of cash.

(b) Transaction fee needs to be minimised especially on low-ticket transactions.

(c) Also, an institution similar to Deposit Insurance and Credit Guarantee Corporation (DICGC) can be set up to insure credits up to a fixed amount, so that small loans can be disbursed with minimum hassles.

(d) Schools, colleges and NGOs can be given incentives to conduct training programmes for consumers and merchants to encourage them to avail digital services.

(e) Financial institutions can be mandated to disburse a certain portion of loans only to merchants who have embraced digital payments beyond a certain threshold.

Q16.

Research of money laundering in the US indicates a majority of the money laundered is through undervalued exports. This is the preferred option for two reasons.

One, most governments don’t adequately monitor their export transactions. Two, it allows the launderer to avoid the use of financial institutions that may be monitored by government agencies.

_____ This is because the local tax



official may be aware of the nature of this business and may turn a blind eye in return for a sizeable bribe. The money launderer converts his illegal money into products by purchasing products for cash at the product's market price.

- (a) These products are then exported to a foreign colluding importer at below market prices.
- (b) Detecting such transactions requires careful and systematic analysis of data.
- (c) The importer receives the undervalued exports and resells them in the market at the real prices that reflect their true value.
- (d) To detect such transactions, import-export data at a daily frequency need to be carefully assembled.
- (e) The quality of the data needs to be checked by undertaking statistical and econometric tests for **missing** fields, intentional fabrication and modification of data, etc.

Q17.

A study by BCG in 2014 showed that only about 13 per cent of India's banked population was using digital payments of any type. This was just about 23 per cent of the people with Internet access.

_____ But the banks were not able to convince customers to move banking online at the same pace. In the post demonetisation world, we predict that by 2020, the number of people using online banking could be anywhere in the 50-70 per cent range, depending upon how zealously banks build upon the disruption.

- (a) E-commerce players have deep pockets of private equity to fund the losses arising through such trial induction.
- (b) Ask the e-commerce players who invest millions of dollars in the form of huge discounts and promotions to get customers to try them once, in the hope of getting the customer hooked after the first trial.
- (c) BCG had predicted then that this number would go up only to 25 per cent by 2020, as a large number of people would start using the Internet, thanks to rapidly falling telecom and device costs.
- (d) Indian banks have been making steady but a very slow progress on digital adoption by customers.
- (e) The common man was not really bothered with digital payments.

Q18.

The revised date of implementation is now July 1, 2017. This is good news for industry as it gives it much-needed time to prepare for the huge reform. This postponement also means that the govt of India will work with fewer assumptions for the Budget for estimating the indirect tax collections for the next year.

_____ While some see that the service tax rate could be increased by 1-2 per cent, the government may now want to maintain a status quo, particularly because any increase in service tax would typically be effective after the Budget is passed and receives the presidential assent —as opposed to excise

and customs, which are generally effective from the midnight after the Budget.

- (a) First, there was a reaffirmation that businesses should be administered only by one set of authorities: either the Centre or the state.
- (b) Not many would have thought that the Goods and Services Tax (GST) Council would achieve a rather sudden consensus on the issue of 'dual control' in its January 16 meeting.
- (c) It's a great political accomplishment for both Centre and states.
- (d) It also means that there may not be many changes in the tax rates, as GST would be in place by the second quarter of the fiscal year.
- (e) Further, while the demand of the services sector to be administered by the Centre was not accepted, it has been mentioned that in case there are complex interpretation issues involved, it would go to the Centre.

Q19.

Within a few decades, millions of seals were killed and entire islands were wiped clean. Then followed a mad rush for whales. The Antarctic Ocean in summer generated vast amounts of plankton that provided food for billions of krill, a shrimp-like creature.

- (a) Whales are mammals, not fish, and yield red meat that is compared in some countries to fine steak.
- (b) Commercial whaling was highly profitable in the 19th century, since oil from whale blubber fetched high prices.
- (c) Whales stripped of blubber were mostly dumped into the sea in the 19th century.
- (d) But gradually, countries like Japan and Norway developed a taste for whale meat.
- (e) These, in turn, were eaten by huge populations of whales, seals and penguins.

Q20.

By the early 20th century, more than a dozen countries had established whaling and sealing stations and made territorial claims on enormous chunks of Antarctica and its outlying islands. A few scientific stations came up too. But in the main, it was an imperial race for territory and resources. The main claimants were Britain, the US, the Soviet Union, Japan, Norway, Argentina, Australia and France. _____ Since Antarctica was unpopulated, anybody could establish a station and claim millions of square miles of territory around it. The earliest plunder was done by the fur trade. Seal fur was of high quality and fetched high prices. Hunters could just walk up to unsuspecting seals and bludgeon them to death.

- (a) But several smaller countries made claims too.
- (b) Antarctic whales were decimated from the mid-19th century onwards, and many species became scarce and faced extinction.
- (c) Meanwhile, the technological progress of the oil industry threw up possibilities of finding vast reserves in the white continent.



(d) Given the sorry history of human plunder, we could have expected an imperial rush for land and natural resources in Antarctica as bloody and widespread as those that occurred when Europeans discovered the Americas.

(e) The race for Antarctic territory was already a political fact by the early 20th century.

Q21.

In 1959, the 12 territorial claimants in Antarctica signed a treaty establishing scientific and technical collaboration in place of the old competition.

_____ It did not prohibit mineral or animal exploitation. But in succeeding decades, the forces of globalisation beat those of nationalism. All countries agreed to abandon territorial claims, abandon exploitation of resources, and treat Antarctica as a special territory for all humanity, to be conserved and not commercially exploited.

(a) Whale oil was made obsolete by petroleum and this helped forge an agreement to ban commercial whaling.

(b) The treaty did not set aside territorial claims, but abolished military bases to create a continent of peace.

(c) Japan still kills a limited number of whales supposedly for scientific research, though actually to meet a declining local demand for whale meat.

(d) Animal populations have revived strongly in the continent.

(e) Instead of hunters, tourists now flood into Antarctica in search of whales, seals, penguins, albatrosses and other minor fauna.

Q22.

Banks, especially the Indian ones, are at the absolute front line, weathering digital impact on their customers, business models and employees. Critical as it is, digital readiness needs to be understood properly and correctly. _____ Some people define it based on strategy and others based on frameworks.

(a) A few others believe that the role of digital is to push marketing of brands, products, services and also to better govern, through data, analytics, service and aggregation, the marketing and business development strategy of a bank.

(b) In banks, the prevalent approach is to have digital by defining and positioning digital channels either as a collaborative to or substitution of brick-and-mortar products and channels.

(c) It is not unusual to see a great deal of confusion in defining digital.

(d) A second school of thought seeks to define digital, based on frameworks.

(e) This approach attempts to componentise the main aspects of digital.

Q23.

If digital transactions could curb corruption and black money, Kenya would have been the most transparent country in the world. About 75% of the adult population in Kenya uses mobile phones for payments and money transfer. _____ This is something that

the Indian government aspires to achieve post-demonetisation. However, Kenya was listed as one of the world's most corrupt countries in Transparency International's 2015 Corruption Perception Index, ranking 139 out of 168.

(a) The Kenyan example is important as the Indian government wants to create a perception that digital transactions would curb black money and corruption.

(b) Corruption is so prevalent in Kenya that its team participated in the opening ceremony of the 2016 Rio Olympics in mismatched uniform.

(c) Reason? The officials had allegedly sold a part of the kit that Nike provided to the National Olympic Committee of Kenya to distribute to all the athletes.

(d) The use of mobile money is so widespread that Kenyans can use mobile wallet to pay for goods at virtually any retail shop throughout the country.

(e) Had it happened before 2010, the Indian Olympic Committee officials could have got a clue from their Kenyan counterparts while organising the 2010 Commonwealth Games.

Q24.

The skewed rules in the areas of agriculture and intellectual property rights have been flagged by the developing countries as their particular areas of concern. In agriculture, WTO rules have been loaded in favour of the developed countries, while the interests of small farmers have almost been completely ignored. India flagged the important issue of food security and argued that the sovereign states must have the right to decide the manner in which the poor should be provided subsidised food. _____ After India countered the viewpoints of the countries questioning its PDS, an understanding was reached where even if India breached agricultural subsidies' disciplines to meet its food security needs, no penal action would be taken against it through what is commonly called a "peace clause".

(a) Trade facilitation was not exactly an area that excited the developing countries for their shares in global trade are at very low levels.

(b) While the developing country issues have not seen any progress, Mr.

(c) Azevêdo's predecessor, Pascal Lamy, had lent support to the fast tracking of negotiations for an agreement on trade facilitation.

(d) This area covers all the measures that countries need to take in order to reduce transactions costs.

(e) This issue arose after questions were raised as to whether public stockholding of food, which is at the heart of India's Public Distribution System (PDS), meets the WTO disciplines on agricultural subsidies.

Q25.

To start with general levels of globalisation, take a look at the cross-border components of activities that could take place either domestically or internationally. On the trade front, the world's exports-to-GDP ratio amounted to 32% in 2012 or more like 23% adjusted for double-counting. _____



- (a) On the capital front, foreign direct investment flows amounted to 8% of gross fixed capital formation (a proxy for total investment) around the world.
- (b) Globalisation remains very far from complete—especially so in India.
- (c) And that’s why business schools, but particularly Indian ones, need to place much more emphasis on globalization in their curricula.
- (d) Informationally, international phone calling minutes were 2% of all calling minutes if one focuses on plain old telephone service, rising to perhaps as much as 5% if one includes call over the internet.
- (e) Let me begin by presenting some evidence on the first point before discussing how it leads to the second.

Q26.

The Pradhan Mantri Jan Dhan Scheme almost entirely incorporates supply-side issues. There is going to be a universalisation of financial services soon, but given the tight timeline that the prime minister has given, there are two crucial gaps that can easily be filled. _____ Two, a focus on

branchless-banking (banks on wheels) and micro-bank branches have to be brought in.

(a) The scheme still heavily relies on fixed point bank mitras or on a mobile business correspondents (BCs) ecosystem that were the single biggest point of failure in the past due to financial non-viability of the scheme.

(b) One, the department of post should immediately be given a full banking licence as no one else comes even close to their level of reach.

(c) Banks cannot be absolved of the responsibility of long-term servicing and enablement of the account.

(d) Eventually, through lower-cost models they would have to take over the operations.

(e) Two singularly bad ideas of the UPA government – the banking correspondents and the common service centres – seem to be carried forward by the NDA.

Q27.

The entire community is exposed to infection if even a few members defecate in the open. Rising literacy and exposure have helped change attitudes, but ‘selling sanitation’ remains a huge challenge.

_____ It is clear that a lot more effort needs to go into the information education campaign (IEC) component of the Swachh Bharat Mission.

(a) A Unicef-supported study in Odisha revealed that 50% of households surveyed knew that water contamination causes diseases.

(b) About 56% associated health problems with open defecation, but nearly 36% didn’t think it important enough to build a toilet at home.

(c) Without the involvement of the community, little is achieved.

(d) It worked along with volunteers making predawn dawns by shining torches and blowing whistles to expose those defecating in the open.

(e) Overall, 69.3% of rural Indians don’t have toilets.

Q28.

This is the Inter-State Council (ISC), a unique mechanism under Article 263 of the Constitution that brings the Union and the states into a partnership arrangement for identifying and investigating issues of common concern to arrive at agreed policy recommendations. The council is chaired by the PM and has all the chief ministers and selected ministers of the Union as members.

_____ However, despite its potential, it has been dead most of the time.

(a) Deepening and strengthening federalism requires a phased, multipronged strategy, such as constitutional amendments, legislation, institution-building and a radical reform of structures, systems and processes.

(b) Championing Federalism Federalism is our biggest bulwark against any hegemonic and autocratic tendencies, including from Modi himself.

(c) More than a mere power-sharing arrangement between different orders of government, it deepens democracy, reduces the distance between the people and government and protects individual liberty against the tyranny of the big state.

(d) Despite a Constitutional provision, the council was constituted only in 1990 when the Sarkaria Commission highlighted its potential usefulness and a non-Congress government seized the opportunity to set it up.

(e) However, there is one low-hanging fruit that can provide the institutional backing to Modi’s vision of teaming up with the states in his forward march.

Q29.

The assassination of the Russian Ambassador to Turkey by a lone gunman at an exhibition, in Ankara in Turkey last week, is clear evidence of the enlarging contours of terrorism. Turkey is no longer a merely troubled country. _____ The perpetrator, who was later shot dead by security forces, was a policeman said to have jihadist links.

(a) Therefore, the daring murder cannot be viewed in isolation and has to be necessarily linked to the overall problem of terrorism across the globe.

(b) It is naive to dismiss the Ambassador’s killing as a mere act in reprisal for Russia’s direct involvement in the Syrian offensive against its rebels.

(c) It is far more than that.

(d) The attack reflects growing exasperation by a wide spectrum of forces in West Asia at gross external interference.

(e) Its geography and chequered history make it a potentially very grave theatre of conflict.

Q30.

The original Foreign Contribution (Regulation) Act was enacted in 1976 by the Indira Gandhi-led government during the Emergency. It prohibits electoral candidates, political parties, judges, MPs and even cartoonists from accepting foreign contributions.

_____ The ostensible justification given for the law was to curb foreign interference in domestic politics.



(a)As the inclusion of 'cartoonists' under its ambit suggests, the intent was to clamp down on political dissent.

(b)Despite the censure, the NDA regime has shown no signs of relenting.

(c) This mass cancellation of FCRA licences is not the first time that the legislation has been used thus.

(d) In 2015, the Home Ministry had cancelled the FCRA licences of 10,000 organisations.

(e) Prominent international funding agency Ford Foundation, the environmentalist group Greenpeace, and human rights advocacy group Lawyers Collective have all been targets of FCRA-linked curbs on their activity, suggesting a larger pattern in the way the state has used this law.

Q31.

The good news is that inflation has moderated in the last few months. Growth in the consumer price index (CPI) decelerated to about 8% in July from a recent peak of 11.2% in November 2013. The reduction in inflation in 2014 reflects reduced pricing power due to lower economic growth in 2012 and 2013 as well as the Reserve Bank of India's interest rate increases over the past year. However, India's CPI inflation is still high relative to global and trading partner averages, and it owes substantially to food price inflation.

(a)There are both demand and supply side explanations for why India's food prices rise more than in other comparable economies.

(b)On the other hand, persistent inflation could cut short an otherwise promising economic recovery by curtailing domestic investment and consumption and eroding international competitiveness.

(c) The likelihood of recurrent inflationary pressures poses a constraint on Moody's Baa3 sovereign rating for India.

(d) India's large, young population and rising wages among the low-income who spend most of their wages on food have raised demand for food.

(e) This demand was also supported by fiscal policies that directed resources in ways that further fuel food demand.

Q32.

The government's recent measures such as greater food price monitoring by state governments, a price stabilisation fund to lower market prices, and harsher penal actions against hoarders could alleviate the food price spikes resulting from a relatively weak monsoon season this year. _____ This gap could be bridged by long-lasting efficiency gains generated by the government's plans to increase spending on rural infrastructure, review fertilizer subsidies that cause sub-optimal usage, and restructure the Food Corporation of India, which is responsible for implementing the government's foodgrain procurement and storage operations.

(a)Moreover, some issues related to food pricing remain to be addressed, including how investment in cold

storage facilities will be increased in the absence of a significant increase allowed in foreign direct investment in the retail sector, or whether the practice of ad hoc trade bans on food items will be eschewed and replaced with a clear medium term food trade policy

(b). However, these measures do not address the widening gap between food demand and supply.

(c) Because the government is unlikely to try to reduce the demand for food, the onus for policy action lies on the supply side.

(d) Simply put, in order to sustain growth over the long term, India will need to produce more food and distribute it more efficiently.

(e)

Q33.

The Narendra Modi government has invited public comments on a new model contract. This is quite complex, based on revenue-sharing linked to production. Companies will have to specify the amounts to be shared with the government at different stages and different prices, with different rules for different drilling conditions. This is a complex variation of the revenue-sharing model proposed by the Rangarajan Committee.

_____ This aimed to eliminate complex calculations and disputes.

(a) Flat revenue-sharing contracts might attract decent bids in blocks with excellent geological prospects (as in Saudi Arabia), but Indian geological conditions are poor by global standards.

(b) However, very few countries go for flat revenue-sharing contracts, because if fields turn out to be smaller than expected, or costs higher than expected, production will become uneconomic.

(c) That provided bidding for a flat share of production, without getting into calculations about true costs and true multiples for calculating profit oil.

(d) The one field that promised a lot, the KG basin, has proved a disappointment.

(e) So, revenue-sharing contracts may discourage all but very low-share bids.

Q34.

The Himalayas, like a gigantic utility, actually produce unique services. _____ They provide almost 60% of our freshwater resources, most of our monsoon rainfall, much of our biogenetic diversity, silt that provides the alluvial soil of the Indo-Gangetic plains and our strategic security. These are full-fledged services in themselves -not raw materials for conversion into goods and services -a vital distinction often ignored

(a) The value of these services is extraordinarily high but overlooked simply because it is difficult to put a price to it.

(b) Any decline in the maintenance and renewal of its health irretrievably damages these enabling services.

(c) Degrading an ecosystem that provides the most critical inputs for 'development', thus negates that development itself.



(d) The value of these services is extraordinarily high but overlooked simply because it is difficult to put a price to it.

(e) They provide almost 60% of our freshwater resources, most of our monsoon rainfall, much of our biogenetic diversity, silt that provides the alluvial soil of the Indo-Gangetic plains and our strategic security .

Q35.

Development is necessary. But it is critical for it to be sustainable and responsive to the needs of local communities. _____ Above all, it needs to break the stranglehold of vested interests in 'unsustainable development' and replace it with the custodians, stewards and caregivers of the health of the ecosystem.

(a) Introduction of a system of resource transfers compensation -to state governments as well as to communities -based on the principle of payments for ecosystem services.

(b) These are full-fledged services in themselves -not raw materials for conversion into goods and services -a vital distinction often ignored.

(c) Any decline in the maintenance and renewal of its health irretrievably damages these enabling services.

(d) Degrading an ecosystem that provides the most critical inputs for 'development', thus negates that development itself.

(e) This needs a radical reform of policies and the policy framework within which 'development' activities are taken up.

Q36.

Admittedly, the CPI inflation trajectory is on track to meet the early-2015 target of 8%. But the disinflationary path will not be a straight line. There will be considerable swings in the readings between October and March 2015, influenced by base effects (due to last year's exchange rate and vegetable price shocks).

_____ But this effect will wear off into March 2015 and CPI may inch back towards 8% notwithstanding the tame food prices.

(a) Alongside the base effects, the recent moderation in perishable food prices is also expected to add to the initial downswing in CPI readings until December.

(b) The Reserve Bank of India stuck to its neutral tone on Tuesday, extending its status quo on the benchmark rates.

(c) The central bank is unlikely to abandon its anti-inflationary stance in haste, before any lasting improvement in the inflation outlook.

(d) Against this backdrop, the RBI will be reluctant to over-react to single data-points and is likely to keep the repo rate unchanged until end fiscal year 2015.

(e) Meanwhile, the markets continue to build rate cut expectations, even in the face of a cautious central bank.

Q37.

In case the RBI cuts rates in response to slightly sub-8% inflation, it is inadvertently conveying to the markets that it is comfortable with the present price outlook.

_____ We also believe that rather than being fixated at the nominal target, the RBI will also be mindful of the disinflationary path and the underlying drivers. A combination of recent domestic and external drivers has calmed inflation concerns, but not all are driven by structural improvements.

(a) Alongside the base effects, the recent moderation in perishable food prices is also expected to add to the initial downswing in CPI readings until December.

(b) Instead, by bringing in the 6% target in view, the central bank has emphasised that the fight against inflation is not over yet.

(c) But this effect will wear off into March 2015 and CPI may inch back towards 8% notwithstanding the tame food prices.

(d) Against this backdrop, the RBI will be reluctant to over-react to single data-points and is likely to keep the repo rate unchanged until end fiscal year 2015.

(e) The Reserve Bank of India stuck to its neutral tone on Tuesday, extending its status quo on the benchmark rates.

Q38.

India is in the middle of a revolution in information and communication technology (ICT). The number of mobile phones has reached over 900 million, from just 2 million in 2000. The number of internet-users has risen from 50 million in 2008 to over 250 million currently.

_____ ICT is spurring innovation and entrepreneurship, and boosting productivity in all areas it touches.

(a) This impact can potentially rise over the next decade, providing the Indian economy with a 'digital dividend'.

(b) The technology revolution is already having a large impact on GDP growth.

(c) This is enabling rapid flows of information, bringing people closer together, and allowing consumers to purchase virtually anything at any time.

(d) While growth in ICT has been exponential, there is still potential for rapid catch-up.

(e) India's internet penetration rate is currently only about 20% -compared to China's at 46% and the emerging market average of 47%.

Q39.

The number of internet users in India can jump to over 600 million by 2023 from 250 million currently. A large majority of these are likely to access the internet through mobiles. _____ Consumer spending on ICT has the potential to grow exponentially over the next decade. Spending is helped by a jump in the number of internet-users and higher per user spending. Consumer spending on data can increase more than seven-fold over the next decade, according to our projections, driving an increase in technology spending from \$72 billion currently to \$238 billion over the same period.

(a) The financial sector, which uses ICT intensively, has labour productivity 10 times the economy average.

(b) The main impact of technology is on increasing productivity.



- (c) Indeed, labour productivity tends to be significantly higher in parts of the economy more exposed to ICT.
- (d) Rising per capita incomes and urbanisation are reinforcing this trend.
- (e) The three key sectors that could drive ICT spending in India are financial services, the government, and retail.

Q40.

Consumer spending on IT in financial services can be driven by online banking and financial inclusion, in government through increasing online provision of government services to citizens, and in retail – through higher internet penetration and the e-commerce boom.

_____ This includes enforcing e-governance across all departments, investing or facilitating in building overall IT infrastructure that includes broadband/4G ecosystem, fiber optic networks, tower networks and spectrum, and logistics and distribution. The government could offer incentives for citizens to go online for government services, launch campaigns to educate citizens about the benefits of adopting technology, and provide tax incentives to drive investments in the sector.

- (a) Therefore, the overall technology contribution could increase from 1.
- (b) This would be a gain from technological diffusion, as more unorganised sectors become more organised, as well as more organised sectors use technology more intensively.
- (c) Our calculations show this could add an additional 0.6 percentage points (ppt) to productivity and GDP growth annually by 2023.
- (e) For this digital dividend to play out, the government would need to be the key catalyst.

Q41.

Concern of loss of management control is of much less importance compared to sacrifice of economic growth. Considering the potential of FDI to spur growth, India's ambivalence toward FDI is completely misplaced.

_____ Growth results from domestic investment from savings, from productivity improvements and from foreign investments.

- (a) If India wants to accelerate growth, it is imperative that the country attracts FDI in large, really large amounts.
- (b) It's clear what India's next step should be to achieve growth: make foreign direct investment (FDI) a top priority.
- (c) However, India offers only a hesitant welcome to FDI.
- (d) It seeks investment in several industries, including manufacturing, construction, telecommunications and financial services, but not in others like multi-brand retail.
- (e) Often, regulation allows only a minority investment for fear of losing domestic management control.

Q42.

The other part is security. While the cost problem is almost universal in credit card security, the Indian

situation is uniquely absurd. RBI has decreed a huge and cumbersome system of passwords and one-time codes. This makes it impossible for the kind of transactions (recurring charges and quick unattended swipes, for example) that the rest of the world takes as normal.

- (a) The goal of this password business is that if someone is capturing (say, on a hacked computer or server or network device) your card number, expiry date and CVV, they still can't do an online transaction without knowing your password too, or having access to your mobile phone.
- (b) However, it does nothing for security because international transactions are still allowed.
- (c) However, as implemented, this system is not much more than slightly comic security theatre.
- (d) International payment processors can still charge your card without the password.
- (e) So, an Indian site can be hacked, someone can capture your data and then, turn around and charge it through an international processor.

Q43.

The recent debate has started mainly on account of high levels of discounting by some of the online retail players. This is a practice that should be definitely stopped in the overall interests of the retail industry.

_____ Apart from building unsustainable business models, most of the online retailers sell brands. One has to be conscious of respecting the brand and protecting the integrity of the brand.

- (a) The focus should be on attracting consumers with the proposition of variety and convenience rather than just discounts.
- (b) The major strength of online retail is providing variety and convenience, since in online, aisles are really endless and the consumers have access to a large number of options.
- (c) Any business selling at below cost is unsustainable and I am sure that online retailers will quickly realise this — and stop the practice of selling products at predatory prices.
- (d) There is a big debate between online and brick-and-mortar retail.
- (e) Frankly, I think this debate is uncalled for as both brick-and-mortar and online retail have existed and thrived together in developed markets.

Q44.

The only way brick-and-mortar retailers will stay relevant and continue to be successful in the future is by developing omni-channel capabilities. One may ask the question why brick-and-mortar retailers are realising this so late. _____ It took 10 years for brick-and-mortar retailers to come on par with online retailers in the US. Definitely, our cycle time in India will be much shorter and soon there will be more than a handful of brick-and-mortar retailers who will be quite competent with omni-channel retailing over the next two to three years.



- (a) Apart from building unsustainable business models, most of the online retailers sell brands.
- (b) We have also seen signs of this as we find some of the small kirana shops now offering online ordering and delivery facilities.
- (c) So, omni-channel retail is not just restricted to large players.
- (d) But there is nothing new in this, as even in other markets, online retail starts with pure-play online retailers, and on seeing the competition from online retailers, brick-and-mortar retailers transform themselves into omni-channel retailers.
- (e) One has to be conscious of respecting the brand and protecting the integrity of the brand.

Q45.

The retail landscape has changed globally and it is changing in India too. Over a decade ago, it was the large-format stores and malls that redefined the way people shopped in India. _____ Online

markets have enabled small sellers, retailers, artisans and weavers to directly take their products to customers.

(a) There are tectonic shifts that happen once in a few decades.

(b) For the first time, people living in the smallest towns of India have access to the same selection of products as their counterparts in the metros.

(c) This is the power of the digital commerce.

(d) Even large retailers are leveraging the power of digital commerce distribution, to expand into markets where setting up physical stores is not feasible.

(e) Today, it is the digital platforms that are again creating a natural evolution: how people shop and how businesses sell, thus bringing more efficiency in the economy.

Q46.

A marketplace like Snapdeal has proved to be a significant socioeconomic and geographic equaliser for small businesses in India, who now look at digital commerce as a medium to expand their current market beyond their immediate catchment area.

_____ This, clubbed with the low cost of sales and distribution, contributes to higher profits and is creating life-changing experiences for them. This democratisation of markets is helping sellers reach customers globally and reducing the asymmetry of information and products for consumers.

(a) They can now reach a much larger customer base using a fraction of the capital they would require for a traditional offline store expansion.

(b) In the past two years, a number of sellers from different parts of the country have grown their businesses 100-fold through our digital marketplace.

(c) They are also champions for the sector sharing their experience within their markets and inspiring others to try the medium.

(d) Of the total number of sellers on Snapdeal, 30% are women business-owners, and many are first-time entrepreneurs.

(e) Online markets have enabled small sellers, retailers, artisans and weavers to directly take their products to customers.

Q47.

India produces all types of iron ore, but low-grade ore is not used by the Indian steel sector. Higher grades of iron ore (lumps that have rich iron content of 61-63%) are used domestically. So there are very few takers of low-grade ore (fines, that have iron content of 55-58%). This results in selective mining. There is, however, an international market for low-grade ore for getting the right blends. _____ This may create new environmental hazards. Exports of iron ore needs policy support from our government.

(a) Indian mining companies have contributed significantly in generating value for the economy transparently.

(b) Promoting free export of low-grade ore will prevent its non-remunerative accumulation.

(c) Going by our experience, India's natural resources reserves may be only the tip of the iceberg.

(d) The true potential of mineral resources, whether of coal or iron ore, is yet to be tapped.

(e) Mining's economic potential can be further enhanced through focused and sustained investment in exploration, which requires adequate policy support, incentives and lowering existing tax costs.

Q48.

All the frenzied buying over the past few days signifies a coming of age for India's e-commerce. It was not too long ago that India's e-commerce was seen as a nascent market that was unlikely to be of any global relevance due to the low penetration of broadband and poor logistics infrastructure in the country.

_____ Of course, we should not confuse the mega sales figures for profits at any of these firms.

(a) And given how well these companies are funded, there is also no room left for a fourth player in the horizontal e-commerce markets.

(b) The only logical outcome of this intense e-commerce battle in India is that consumers are going to get deep discounts and greater product variety than ever before and these companies are going to bleed a lot of money in the name of market share.

(c) Flipkart single-handedly changed that perception and Snapdeal and Amazon have joined the ride as well.

(d) The so-called Big Billion Day also exposed some of the challenges with e-commerce in India.

(e) Flipkart's apparent success was marred by widespread discontent on social media websites.

Q49.

It is no longer a crime to maintain bank accounts abroad by resident Indians. On June 1, 2000, the Foreign Exchange Regulation Act (Fera) was replaced by the Foreign Exchange Management Act (Fema). By that change, a criminal offence became a civil contravention. So, nobody can be prosecuted for violating Fema.



_____ No prosecution under Fema, or the Prevention of Money Laundering Act (PMLA), is possible since Fema isn't a scheduled offence under the PMLA.

- (a) If so, it would be in order.
- (b) Prosecution can be launched only under the Income-Tax Act for 'concealment' of income, not for parking funds abroad.
- (c) one must ascertain if the funds have been generated abroad while the person was a resident under the Fema and whether these have been repatriated through the banking channel.
- (d) The clamour doing the rounds now to prosecute every foreign account holder is silly.
- (e) Five, if funds have been stashed away abroad through the hawala route, whether the Enforcement Directorate (ED) has commenced any adjudication proceedings under Fema.

Q50.

Parking funds abroad without concealing income does not contravene the I-T Act. The destination of concealed income — in India or abroad — is irrelevant under the I-T Act. _____ But every concealment does not give rise to prosecution. Income-tax authorities can exercise discretion whether or not to prosecute, depending on the gravity of each situation. However, the tendency to 'pick and choose' names to prosecute and to selectively reveal names under the garb of firming up an 'agreement' with Swiss authorities is unlikely to withstand any judicial scrutiny.

- (a) If it has, then it would be in order.
- (b) If they have been generated abroad, these funds would not be taxable in India.
- (c) when was the foreign account opened? If opened while the person was a non-resident Indian under Fema, he would be entitled to maintain and operate that account for the rest of his life, even after becoming a resident of India.
- (d) one has to know if the account has been opened within the limit prescribed by the RBI, applicable to residents.
- (e) The consequences of concealment under the I-T Act are slapping additional tax, interest, penalty and prosecution.

Q51.

The stand of the government not to disclose names at this stage is correct, even though the reasoning is wrong. The government is taking shelter behind treaty obligations with foreign countries. It is a settled law that in a conflict between any treaty obligation and domestic law, it is the domestic law that prevails.

- (a). Even if the treaty obligations had allowed disclosure of names, the government cannot brand anyone a criminal without a proper inquiry.
- (b) Consequently, government must expeditiously conclude an inquiry under domestic laws and then proceed.

- (c) And if prosecution is launched under the I-T Act for concealment of income abroad, what about prosecuting those concealing income in India? The I-T Act does not recognise the colour or origin of currency notes.
- (d) The yardsticks for determining residential status under the I-T Act and the Fema are different, with vastly varying implications.
- (e) Simply declaring names to brand them 'criminals' without investigation would be catastrophic.

Q52.

A bank is different from a company. _____ So when assets go bad or banks fail, we say the deposit holders have been wronged. The unfairness to customers has been questioned of late in India where deposit holders, on whose money banks make money, have become troublesome and banks want to dissuade them from using services by charging them for everything. It is only ironic that the new design — Jan Dhan — has turned the chairs.

- (a) The recent announcement of the financial inclusion policy that provides access to deposits, credit and insurance to everyone brings in a feeling of déjà vu.
- (b) While a company is answerable to the shareholders, a bank is to the deposit holders who have entrusted it with their funds.
- (c) For those who lived through the seventies and eighties when we had the infamous loan melas, this raises a question on whether or not our mindset has changed after assiduously pursuing Narasimham I and Narasimham II.
- (d) The present task set out to public sector banks to attain certain targets of opening deposits, though laudable, raises several questions.
- (e) The government as an owner of public sector banks has a right to dictate terms to these banks, but given that they have all other kinds of problems, the timing of this is odd.

Q53.

First, banks have been trying to close down non-viable branches where there is little business in terms of the deposit accounts being maintained or used. Having millions of additional accounts (75 million being targeted) will push up the cost of holding these deposits and pressurise their margins. Banks are already in the mood of punishing small deposit holders who do not maintain minimum balances with various hidden charges. _____ The cost of opening a deposit ranges from Rs 80-100 with an addition of Rs 100 for the debit card, which is to be waived.

- (a) While the argument given is that technology will work, given the low level of internet penetration and the absence of electricity in most villages during the day time, will this work? Banks have already been told to start charging for excess ATM usage in metro cities.
- (b) to maintain these deposits, there will be costs of opening branches and staffing given the numbers.
- (c) Now for these deposit holders who probably will not be active, the costs will be high.



(d) RBI data shows that on an average in a month, an ATM card rolls over just 1.4-1.5 times, which means that the usage is very low and there are several machines in non-metro cities that are hardly used (If the RBI is opening up charges for more than three 'other bank' ATM transactions, evidently the consumption is very high in these centres).

(e) Therefore, banks have to operate branches to be meaningful here.

Q54.

The challenge for banks is that out of every Rs 100 they receive, Rs 26 has to be kept aside as preemption and 40 per cent of the balance goes as priority sector lending leaving aside just Rs 44 for lending. For public sector banks, there are further pressures to be aggressive on inclusive banking and few bankers admit it is a strain as it is held to be sacrosanct. _____ Now with this additional task being put forth, there will be several compromises that have to be made.

(a) With sloppy methods being used under KYC here, it is but natural that there will be replication of the same in this case too.

(b) The justification given is that this will help to enable the direct cash transfer scheme.

(c) The major problem with the current system of distribution is the identification issue.

(d) By counterintuitive logic if banks find this remunerative they should be lending more here, but they often fall short of the target.

(e) Now being forced to lend to such customers, there will be further jeopardy to their NPAs given the higher tendency for priority sector lending to turn into sour assets.

Q55.

The disturbing thing is that crude oil prices are rapidly falling towards the level where oil production from shale rocks will not make commercial sense. Producing oil in conventional fields costs about \$25 or less per barrel. Hydraulic fracturing and horizontal drilling in shale rocks can cost \$60-80 or higher. _____

And US shale output, which has contributed handsomely to the huge rise in oil supply, will be priced out of the market.

(a) In short, supply is exceeding demand.

(b) To make matters more bearish, the Opec cartel seems to be in no mood to cut production.

(c) It has actually pressed the accelerator and raised output.

(d) The US, armed with the shale revolution, is relentlessly increasing supply and cutting imports.

(e) Hence, India has an additional responsibility to ensure proper implementation and execution of this landmark legislation.

Q56.

The disproportionate role of industry – in terms of resource allocation and employment – over our economy calls for a collaborative developmental strategy where the responsibility of public welfare is shared between

the state and eligible private actors. Thereby, the mandated corporate social responsibility (CSR) funding under the provision of the Companies Act of 2013 was a much welcomed initiative towards this objective. The legislation placed India as the first country in the world to codify the social obligation of the private sector, thereby giving rise to a unique developmental model that could serve as a template for emerging countries with similar complexities. _____

(a) Hence, India has an additional responsibility to ensure proper implementation and execution of this landmark legislation.

(b) The 1991 liberalisation reforms increased the role of the private sector in the Indian economy.

(c) With \$2 billion annually at stake, the CSR guidelines, if implanted in letter and spirit, could have a tremendous impact on our socioeconomic landscape.

(d) While the CSR legislation outlines priority areas for funding, it also has a rather less noticed – and even less implemented — guideline that 'advises' companies to invest a part of their CSR funds in areas of business operations.

(e) 4 million registered companies, organised industry employs a minuscule part of India's workforce.

Q57.

With \$2 billion annually at stake, the CSR guidelines, if implanted in letter and spirit, could have a tremendous impact on our socioeconomic landscape. While the CSR legislation outlines priority areas for funding, it also has a rather less noticed – and even less implemented — guideline that 'advises' companies to invest a part of their CSR funds in areas of business operations.

_____ There have been instances of firms spending their CSR funds far away from areas of business operation. A significant number of companies simply donate their CSR budgets to NGOs, religious trusts or charitable institutions that work in zones unrelated to business activity.

(a) While an efficient factory can operate in the an extremely backward town, in the long run, social costs (absence of local skills, lack of local goodwill, etc) could begin to have an impact on the profitability of business operations.

(b) The government, too, doesn't capture finer details of how companies actually spend their CSR money.

(c) Prioritising local spending of CSR funds has two distinct advantages for the company and the stakeholders in its vicinity.

(d) First, it enhances the entire business ecosystem and can boost overall productivity.

(e) Unfortunately, a handful of firms currently adhere to this advisory.

Q58.

Local spending of CSR funds makes companies more accountable as it becomes easier to measure the impact of their CSR policy. Since the exact location of CSR funding is not mandated, firms also use this as a loophole to dilute the intent of this legislation. Also, businesses have a social obligation to first benefit the immediate



vicinity that contributes to their revenues. Every company must try to adhere to the '5 km Concept' — channelise all its CSR resources in a 5 km radius of business operations. _____ If every factory or company can first concentrate their CSR activities in this immediate 5 km vicinity, the collective outcome could be pathbreaking.

(a) Thereafter, it can move on to other geographical areas.

(b) Prioritising local spending of CSR funds has two distinct advantages for the company and the stakeholders in its vicinity.

(c) It enhances the entire business ecosystem and can boost overall productivity.

(d) While an efficient factory can operate in an extremely backward town, in the long run, social costs (absence of local skills, lack of local goodwill, etc) could begin to have an impact on the profitability of business operations.

(e) Even if less than 10% adopt the '5 km Concept', the change over 4 lakh sq kms will be phenomenal (an area slightly less than the combined area of Maharashtra and Gujarat).

Q59.

It would be irresponsible to answer in favour of more or less globalisation without first having a clear understanding of how globally-connected India is.

_____ It measures their Depth (relative to domestic activity), their (geographic) Distribution and their Directionality (inward versus outward). India ranks 71st out of 140 countries on its overall level of global connectedness, down from 68th two years ago. Its overall middle-of-the-pack ranking, however, masks major weaknesses – or, untapped opportunities.

(a) India's interactions with the rest of the world, relative to the size of its domestic activity, are among the world's smallest.

(b) On November 3, the DHL Global Connectedness Index 2014 was released. This provides a unique 3-D view of the globalisation of 140 countries' trade, capital, information and people flows.

(c) Only 10 per cent of countries rank lower than India on the depth of their global connectedness.

(d) Only 15 per cent of countries, for instance, financed less of their fixed investment via FDI than India over the past three years.

(e) India, unsurprisingly, does relatively better on the depth of its services exports, just barely making it into the upper half of countries on that metric.

Q60.

While India's international interactions are small relative to its domestic economy, they are among the world's most globally distributed. India ranks near the top 15 per cent of countries on the breadth of its global connectedness. _____ India's high breadth reflects its weak ties to its neighbours.

(a) There are, of course, obvious reasons for this.

(b) Only 7 per cent of India's merchandise exports and 1 per cent of its merchandise imports take place within

South and Central Asia, a stark contrast to the global average of more than half of merchandise trade taking place within roughly continent-sized regions.

(c) But this isn't necessarily good for India, since breadth can be either too high or too low.

(d) Nonetheless, there are efficiencies that come with strong ties to proximate and similar countries.

(e) Lacking these, India has to stretch its trade, capital, information and people flows over unusually long distances, and the costs associated with doing so depress their magnitudes.

Q61.

India is more globally connected (on both depth and breadth) outward, in terms of flows from India to other countries, rather than inward. In combination with India's large size, this helps explain why India looms large outside its borders. _____ To be provocative, this outward bias in India's international interactions might reflect an inward bias in India's culture.

(a) It is, therefore, encouraging that, while India's overall global connectedness declined between 2011 and 2013, its depth rose while its breadth fell.

(b) Nonetheless, there are efficiencies that come with strong ties to proximate and similar countries.

(c) Lacking these, India has to stretch its trade, capital, information and people flows over unusually long distances, and the costs associated with doing so depress their magnitudes.

(d) But sometimes it seems as if the rest of the world barely penetrates into India.

(e) Only 7 per cent of India's merchandise exports and 1 per cent of its merchandise imports take place within South and Central Asia, a stark contrast to the global average of more than half of merchandise trade taking place within roughly continent-sized regions.

Q62.

The recent changes in the PIO and OCI cards announced by Prime Minister Narendra Modi are welcome.

_____ The overseas citizenship card (OCC) falls well short of genuine dual citizenship. Many of us overseas Indians have been demanding genuine dual citizenship, with full political and economic rights in India on par with the rights enjoyed by Indian citizens.

(a) There are an estimated 25 million non-resident Indians (NRIs), people of Indian origin (PIOs) and overseas citizens of India (OCIs) spread across more than 200 countries.

(b) Overseas Indians, whether they hold Indian passports or have foreign passports, have an emotional bond with India.

(c) That holds true for a majority of people of Indian heritage.

(d) When major democratic and developed countries have no issue with dual citizenship, there can't be a real justification for India to treat its own people unfavourably.

(e) But they do not meet the long-term demand of dual citizenship by overseas Indians.



Q63.

The promise of dual citizenship was made by former Prime Minister Atal Behari Vajpayee in 2003. Since then there have been statements from senior politicians about them favouring dual citizenship.

_____ Statements are not enough. The following actions should be taken: 1. Granting Indian passports (dual citizenship) to overseas citizens of Indian heritage with full rights including voting and political rights. 2. Granting of convenient voting rights to such dual passport-holding overseas Indians as well as overseas Indians with Indian passports (NRIs), which can be exercised either at the consulate, high commission or embassy premises in their country of residence and through postal or online facilities.

- (a) But the matter has not progressed further.
- (b) Overseas Indians, whether they hold Indian passports or have foreign passports, have an emotional bond with India.
- (c) That holds true for a majority of people of Indian heritage.
- (d) When major democratic and developed countries have no issue with dual citizenship, there can't be a real justification for India to treat its own people unfavourably.
- (e) India should consider taking a cue from Australia's repeal of Section 17 of the Australian Citizenship Act 1948 that took effect from April 2002 permitting dual citizenship.

Q64.

_____ Collecting funds initially through donations, borrowing or robbing banks and the rich are the first stage when terrorism/insurgency is internal. State sponsors are the starting point of all externally-originating terror activity and resort to extortion, kidnapping for ransom, smuggling and human trafficking inevitably follows. Funds are needed to maintain cadres, arrange their training, weapons and shelter but, eventually, all terrorism becomes profitable business.

- (a) The nexus that grows over time among terrorists and criminals make the two indistinguishable.
- (b) Terrorism, like almost every other human activity that involves production and creation of goods and services, needs money.
- (c) Both begin to appear legitimate businessmen as they discuss real business in fancy bars in the US or Europe.
- (d) The only ideology of the leadership of the organisations is that of money and profits.
- (e) The economics of jihad is the global dimension to terror and crime.

Q65.

The internet has made things faster and easier and it offers glimpses of how radically our daily lives will change. Today, Saudi and Qatari money, and donations from charities to anti-Assad groups like ISIS have helped create the present mayhem in West Asia. On its own, the ISIS has amassed at least \$2 billion through loot and sale

of antiques, ransom of journalists and western travellers, smuggled raw materials from Syria, captured oilfields in Syria and black marketed the sale of oil. It now earns \$3 million a day from various illegal activities.

- _____ This will have to be broken to take control of terrorism. Guns will never be enough.
- (a) The nexus that grows over time among terrorists and criminals make the two indistinguishable.
 - (b) Funds are needed to maintain cadres, arrange their training, weapons and shelter but, eventually, all terrorism becomes profitable business.
 - (c) The money nexus among interested players remains terrorism's strongest driving force.
 - (d) Both begin to appear legitimate businessmen as they discuss real business in fancy bars in the US or Europe.
 - (e) The only ideology of the leadership of the organisations is that of money and profits.

Q66.

The movement of USD/INR in September provides a clue to the timing of the transactions, in the absence of counterfactuals of what might have happened without RBI interventions. The INR strengthened in the first week of September, from 60.85 levels against the USD to 60.3 and then weakened sharply to 61.5 mid-September. Over September, the USD had strengthened secularly against other majors. _____ RBI's USD purchase and sale would roughly have corresponded to these periods.

- (a) The scale of these transactions increased in September 2014.
- (b) However, the relative magnitude of USD purchase and sale does not quite seem consistent with the presumed funds flows and observed movements of USD/INR.
- (c) This leads to the second question.
- (d) Broadly, the INR had a tendency to appreciate in the first third of September and weaken in the rest of the month.
- (e) RBI had bought \$11.2 billion and sold \$9.8 billion, resulting in a net accumulation of \$1.4 billion in reserves.

Q67.

The influx of foreign investment in e-commerce in India has left the government with a regulatory conundrum. On the one hand, it needs to protect the interest of brick-and-mortar retailers. _____ To further complicate the issue, the government also needs take into consideration the interests of brick-and-mortar retailers that are joint ventures between Indian and foreign companies.

- (a) On the face of it, online marketplaces — essentially, B2B e-commerce — are an optimal vehicle as they (a) permit FDI without any limits and conditions, and (b) provide a space for smaller retailers to reach customers beyond their geographical constraints.
- (b) Foreign direct investment (FDI) in multi-brand retail trading (MBRT) is capped at 51% and requires prior government approval.



(c) FDI up to 100%, without prior government approval, is permitted in e-commerce activities, but such companies can only engage in business-to-business (B2B) e-commerce.

(d) It is because of these provisions of India's FDI policy that the likes of Flipkart, Snapdeal and Amazon operate as online marketplaces — none of these websites retails to consumers directly but provide payment, storage and delivery services to retailers.

(e) On the other, it needs to frame a policy that sustains and encourages foreign investment in e-commerce.

Q68.

Since its inception almost three decades ago, the South Asian Association for Regional Cooperation (Saarc) has gained some modest progress in ensuring greater cooperation among its member countries in some politically-less-sensitive areas. However, its achievement in increasing mutually beneficial crossborder trade that could have made a significant contribution in the region's economic development has not been inspiring.

(a) Although the internal trade volume between Saarc members has risen over the years, it is uncertain to what extent this is an outcome of the trade agreements signed under the auspices of the Saarc.

(b) Studies typically consider trade flows between countries, not under what legal regime the trade is flowing.

(c) Thus, it is quite possible that much of the trade between Saarc countries has taken place because of their trade liberalisation commitment in the WTO, bilateral free trade agreements (FTAs) or simply the unilateral trade liberalisation undertaken by member countries.

(d) As a consequence, the Saarc treaty regime's contribution to regional trade in South Asia may be overestimated.

(e) One very curious feature of trade policies in the region is that despite there being an FTA encompassing all parties to the Saarc, there seems to be an insatiable demand for more bilateral FTAs involving two Saarc countries.

Q69.

Bilateral FTAs between Saarc countries can be problematic for various reasons. Most importantly, every FTA — except those that entail a deep integration of the markets of the concerned countries and harmonise their external trade policies — has a set of 'rules of origin' prescribing the criteria that a business must fulfil for obtaining preferential access in the market of its FTA partner. _____ Thus, the producers who want to take the opportunity of market access offered by an FTA must make sure that their exports qualify under the rules of origin of the FTA.

(a) Generally, when a number of regional state parties sign an FTA, they terminate all existing bilateral FTAs between two of them.

(b) These rules set the minimum percentage of the inputs in the finished product, which must come from the parties to the FTA.

(c) Even when bilateral FTAs are officially not terminated, most of the trade between the state parties may take place under the regional FTA anyway and the bilateral FTA may become defunct.

(d) If either of these does not occur, still it would be quite rare that following the signing of an FTA involving a number of countries within a region, two of the parties to that regional FTA would sign a bilateral FTA between them.

(e) For example, an exporter of T-shirts from Bangladesh who wants to benefit from the Saarc FTA must make sure that the T-shirts qualify under the rules of origin of the respective FTA — that is, a minimum percentage of the value of the various inputs used in the production of the T-shirt must originate from one or more Saarc countries.

Q70.

The fact is that FTAs are for the benefit of the businesses and consumers. The true measure of their efficacy is increasing more efficient allocation of economic resources. There is little reason to think that some new feathers in the crown of the South Asian trade negotiators — more bilateral FTAs involving two Saarc parties — would be able to make any contribution to this end. _____ But further segregating the markets in the name of freer trade cannot serve the South Asian public.

(a) This type of a bilateral FTA would naturally mean that the bilateral FTA involves some exclusive exchange of preferential treatments in exclusion of the other parties to the regional FTA.

(b) There is another adverse effect of negotiations for, or conclusion of, new bilateral FTAs involving two parties to a regional FTA.

(c) South Asian trade policymakers would better serve the businesses of South Asia by integrating the South Asian markets more.

(d) This would likely have some adverse psychological effect on the investors.

(e) It would be very difficult for the investors to rely on the market access benefits offered by a regional FTA whose signatory countries would by their conduct imply that they feel that the regional FTA is not doing enough to cater to the needs of regional businesses.

Q71.

A strike ballot with at least a twothird endorsement by members for stopping work. The right to protest should be protected but the right to cause economic loss or infringe the right to do business, should be only when the majority will dictates it. _____ If in the name of democratic right any marginal force is legally permitted to use coercion and intimidation, it results in a marginal group holding the majority to ransom by force.

(a) The current act in its present form does not achieve its dual intent of enabling flexibility for the employers, while preventing exploitation of labour.

(b) It is time to rescind the Contract Labour Regulation and Abolition Act and replace it with a suitable act with



no compulsion on the employers to make these employees permanent or go through contractors.

(c) There should be guaranteed 'equal pay for equal work' and pension contribution by the employer made mandatory, with portability.

(d) Since strike is a coercive and intimidatory weapon, its use should not be permitted without the majority endorsing it as the inevitable choice.

(e) If we attempt too many changes we will make it difficult for the political establishment and government to do anything in a time-bound manner.

Q72.

Providing for layoff where an organisation has a temporary order book shrinkage or where there has been say two quarters shrinkage in sales and/or accumulation of stocks. _____ The compensation for this period could be limited to basic wages or half of fixed pay. The layoff should be post-facto examined by an appropriate authority and if found to have been declared unfairly or by misrepresentation, then the employer should be made to pay full wages to the laid-off employees and a deterrent penalty to be paid to the government.

(a) If we attempt too many changes we will make it difficult for the political establishment and government to do anything in a time-bound manner.

(b) It is time to rescind the Contract Labour Regulation and Abolition Act and replace it with a suitable act with no compulsion on the employers to make these employees permanent or go through contractors.

(c) There should be guaranteed 'equal pay for equal work' and pension contribution by the employer made mandatory, with portability.

(d) The current act in its present form does not achieve its dual intent of enabling flexibility for the employers, while preventing exploitation of labour.

(e) Layoff being necessitated by temporary business downturn, potentially should not extend beyond 12 months.

Q73.

India's software exports are around \$100 billion today with close to 60 per cent of it being to the US. Close to 300,000 Indians are working in America and are estimated to contribute close to \$2 billion every year for social security. Indian workers do not get the benefit of social security contribution as they need to contribute for at least 40 quarters — 10 years — to realise the benefit. H1 visas being short-term — valid for three years and extendable by another three years — will never meet the criteria. _____

(a) A totalisation agreement between the US and India will correct this anomaly and help Indian workers realise the full benefit of their social security contribution.

(b) International social security agreements are often called a 'totalisation agreement' that eliminates dual social security taxation, both in the home country and the country where an employee works.

(c) Over the years, India had signed totalisation agreements with several countries including many in Europe.

(d) A similar totalisation agreement with the US has come up but with little success.

(e) India's present social security system does not appear to meet this criterion.

Q74.

The US has never really been supportive of low-cost generic competition from India. _____ This pressure is nothing new. The establishment of a bilateral working group is just the latest in a long line of strategies aimed at weakening patent law safeguards and its use of legal flexibilities under international trade rules. India is perpetually on the USTR's annual Special 301 watch list, a blacklist of countries that are seen to be undermining US interests on IP.

(a) That the US Trade Representative (USTR) and pharma companies oppose India's stricter standards on patentability of medicines is well-known and documented.

(b) India's patent regime is seen by the US as undermining the interests of American companies by including important legal safeguards that limit abusive patenting practices.

(c) It's expected that this working group will give the US a dedicated forum to continue to pressure the new government on its laws and policies, including constantly demanding that India repeal its tougher patentability criteria, adopt data exclusivity monopolies and patent term extensions, and restrict the use of compulsory licences.

(d) Ultimately, all this is aimed at diluting competition from Indian pharma companies, which excel at producing and marketing low-cost generic medicines for a variety of diseases and medical conditions.

(e) That's because they control the distribution network and the last mile.

Q75.

To be fair, Indian and foreign telcos have legitimate concerns that regulators should speedily address. But in the long run, as voice revenues fall and eventually dissipate, telcos will need high-bandwidth OTT content to fuel demand for data. _____ After all, in the indistinguishable road transportation business, as long as a highway operator is collecting toll, discriminating on car models makes no sense. The more and bigger the cars, the merrier for highway operators.

(a) In India, the Cellular Operators Association of India has presented a strong case for net neutrality to India's FCC, the Telecom Regulatory Authority of India (Trai).

(b) Ironically, it's in their long-term interest to propagate net neutrality.

(c) Their contention with OTT service providers is that messaging apps eat into telcos' SMS revenues, video apps choke congested networks, leading to additional network improvement costs, and because popular apps like WhatsApp and Skype are foreign-owned and hosted,



they pose a security challenge for our law enforcement agencies.

(d) However, paid prioritisation and throttling content at the last mile remains a serious concern.

(e) Today, telcos are more powerful than OTT service providers and smartphone manufacturers such as Apple or Samsung.

Q76.

The roller coaster liquidity ride post the global financial crisis has put Indian non bank finance companies (NBFCs) in a predicament. _____ On

the other hand, global regulatory attention on shadow banks brought the spotlight on their operations, governance, liquidity management and most of all, linkages with the banking system. In this context of high anxiety levels, the final guidelines released last week by RBI came as polite regulatory action.

(a) The NBFC sector created for itself the type of differentiation that was not possible within the universal banking construct.

(b) Apart from being a milestone in NBFC regulation, these guidelines also mark an interesting shift in the regulatory approach — that of activity-based regulation.

(c) Many of them had a favourable business opportunity to convert the available liquidity into short-term, profitable assets as the banking system dealt with asset quality issues.

(d) Regulation, on the other hand, deriving broadly from the banking framework, was tweaked over time to make it fit as well as it could.

(e) The current guidelines address many faultlines without running into legal wrangles or creating widespread pain to participants.

Q77.

A study commissioned by UN-Habitat's Global Urban Youth Research Network provided a startling piece of data: In less than six years from now, India would be the world's youngest country, with the median individual below 30 years of age. But more disturbingly, it also highlighted disparities in the extent to which young people have been able to acquire formal skills – the largest share was found in Kerala, followed by Maharashtra, Tamil Nadu, Himachal Pradesh and Gujarat. _____

(a) It is time to pick up the tools and get on with the job.

(b) A little tweaking of these proposals will easily mitigate the impact and ensure that a framework, involving all stakeholders in skill building, becomes more evident.

(c) For the first time in decades, students, teachers, trainers and skill providers can see a clear, unclouded vision of what India needs to do, to lift itself up by its own bootstraps and stride into the fiercely competitive global arena of opportunity.

(d) The new government has recognised this imbalance, made provision for upgrading skills across multiple disciplines and allocated resources in geographically sensitive locations.

(e) What is somewhat less clear is how far the government is open to private partnership in this ambitious game plan.

Q78.

After months of impasse, India finally agreed to relent on its opposition to allow progress on the post-Bali work programme of the World Trade Organization (WTO), after concluding a “bilateral agreement” with the United States. _____ In other words, India has agreed to an indefinite “peace clause”. The agreement further adds that elements for an intensified programme of work and negotiations to arrive at such a permanent solution would be set out.

(a) The segmentation of the market on deposit acceptance, customer interface, liability structure and consumer protection not only aligns regulation to current realities, but also sets the direction of future growth, likely to be synchronized with regulatory perception of risk.

(b) This “bilateral agreement” to break the logjam that the multilateral trading system has been facing for the past several months raises at least two sets of issues.

(c) First, is this manner of doing deals in conformity with the spirit of multilateralism, where decisions are to be taken collectively by countries? The agreement also points to the fact that the United States continues to have the whip hand over the WTO, which can broker critical deals without the members of the organization having participated in the process.

(d) In short, the deal may not have set the most ideal precedence for the multilateral trading system.

(e) According to the terms of the agreement, a mechanism will be in place under which WTO Members will not challenge India's food security programmes under WTO dispute settlement procedures until a “permanent solution” regarding this issue has been agreed and adopted.

Q79.

The Supreme Court this week continued to analyse and dissect the Board of Control for Cricket in India (BCCI) and the Indian Premier League (IPL) against the backdrop of the Mudgal Committee report. On Thursday, it unequivocally suggested that the IPL's Chennai franchise be terminated due to conflicts of interest, and recommended that the elections of the BCCI be conducted in a manner that allows the board a clean start and perspective. While still merely observations, these are telling. The court also stated that it is “the doctrine of public trust” that applies, essentially making the citizens of India, the true plaintiffs. _____

While the court's official order could be some weeks away, steps towards reform and redemption are required immediately. Until now, without specific laws governing sports activities, it's been difficult to instigate change.

(a) This widens the parameters of scrutiny for the court's directives, and giving lawmakers the leverage to seek broad-based reforms for the greater public benefit.



(b) Now, however, this ambiguity could give the court and/or the Union sports ministry the ability to issue directives to cut through the null space.

(c) As a case of first impression, with virtually no precedents, this is the perfect opportunity for the ministry to act on the courts' pointed observations and be proactive if the intent is to cleanse the governance and ethics parameters of the sport.

(d) For better or worse, the tournament has been the sole guiding light for the growth of other sports leagues in India, some of them like the Pro-Kabaddi League quite successful.

(e) To scuttle and expunge it would be to ignore that the IPL is a vital part of India's growth story.

Q80.

In a stampede, the ones most in danger of being hurt are the weakest of the lot. But in the funding rush in India's red-hot startup sector, even those in the lead run the risk of being injured by linking hands with the wrong partners. For it's not just about raising money.

_____ In other words, is it smart money they are giving up a slice of their company for? Let us understand why this is important. While money helps pay salaries and rent a new office, what is also required to make business grow is the investors' ability to introduce a startup to new customers, potential partners and even the next set of investors.

(a) Less than half of all startups in India make it past the first year, according to a study by Microsoft Accelerator.

(b) Entrepreneurs, particularly those in the early stages of starting up, need to know what else an investor can offer, besides cash.

(c) And only a fifth manage to survive beyond the third year.

(d) Those that come through and the chosen few that also deliver over-sized returns do so because of the quality of support they get in the initial years.

(e) At a time when money is freely available, it is the entrepreneur who must choose better and choose wisely.

Q81.

The UN Millennium Development Goals for 2000-2015 are almost done – and the world is a much better place, partly because of it. In India, poverty has decreased from more than 50% of the population in 1990 to under 33% in 2010. In 1990, almost 13 of every 100 children would die before their fifth birthday – today this number has more than halved. _____ These will influence \$2.5 trillion in development aid and countless trillions in developing country budgets.

(a) Prioritisation happens, whether we like it or not.

(b) So, we need to start thinking about where we can do the most good – should we focus on diseases, air pollution, malnutrition, clean drinking water or schooling? The natural inclination is to say 'let's do it all,' but of course, there are limited resource, and spending more on one issue leaves less for others.

(c) So, the world is now considering how to do the next set of goals for 2015-2030.

(d) This is why the Copenhagen Consensus has asked some of the world's top economists to look at the economic, social and environmental costs and benefits of many different targets.

(e) The promise of earning a fortune is an alluring one, and to do so by the dint of one's imagination and hard work is an exhilarating feeling.

Q82.

And of course, one of the central issues has to be education. Since the 1960s, international bodies such as Unesco have put forward the goal of 100% primary education. _____ This was supposed to have been achieved half a century ago. Truth is it is hard get anything to 100% – and helping the last percent is exceedingly costly. India had a 69% complete primary education in 1999, and though it has increased to 97% 10 years later, it is still not at 100%.

(a) Not only that, but educating girls has a higher rate of return than for boys, a reflection of a traditional gender bias in many societies.

(b) This means, for example, that benefit-cost ratios are highest for primary schooling in poor areas.

(c) In Africa, for every dollar spent, the benefits are \$25 for primary, \$18 for secondary and \$11 for tertiary education.

(d) But in 2014 there are still 60 million children out of school and the international community seems set on pushing the target of 100% primary education out to 2030.

(e) In line with the trend, preschooling has an even higher rate of return than primary education.

Q83.

Efforts to build an effective economic cooperation model have been going on ever since the Saarc was established as a regional group that included Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka in 1985. However, it is only recently that there has been a greater emphasis on achieving a deeper regional economic integration. Both the governments and businesses in South Asia have started recognising the benefits of greater economic ties in the region, especially in light of the global slowdown. _____

The most noteworthy development is the rising interest of the private sector in a strong and explicit manner.

(a) With greater regional integration, seamless connectivity and removal of trade and investment bottlenecks, the region has the potential to break out.

(b) In order to help regional trade and investment achieve its potential, private sector firms seek more enabling policies and infrastructure support from their governments.

(c) They feel that timely additional support and facilitation by governments is necessary in order to achieve deeper regional cooperation and maximise its impact on regional and national development levels.

(d) South Asia has the world's largest working-age population and a quarter of middle-class consumers.



(e) They are trying to improve their business environments, facilitate cross-border trade and accelerate regional economic relations.

Q84.

The flow of credit relies on the sanctity of the debt contract. A debt contract is one where a borrower, be it a small farmer or the promoter of a large petrochemical plant, raises money with the promise to repay interest and principal according to a specified schedule. In the standard debt contract, default means the borrower has to make substantial sacrifices, else he would have no incentive to repay. For instance, a defaulting banker in mediaeval Barcelona was given time to repay his debts, during which he was put on a diet of bread and water. At the end of the period, if he could not pay he was beheaded.

- (a) If the borrower cannot meet his promise, he is in default.
- (b) The lender doesn't share in the losses to the full extent because he is not a full managing partner in the enterprise.
- (c) By agreeing to protect the lender from 'downside' risk, the borrower gets cheaper financing, which allows him to retain more of the 'upside' generated if his enterprise is successful.
- (d) The sanctity of the debt contract has been continuously eroded in India in recent years, not by small borrower but by the large borrower.
- (e) And this has to change if we are to get banks to finance the enormous infrastructure needs and industrial growth that this country aims to attain.

Q85.

In India, donors are faced with two diametrically opposed choices: to encourage excellence or to relieve human misery. Given the scale of human and economic need in India – not to mention a socially unjust society – government-intervention clearly has an edge over philanthropy. It is no one's case that philanthropic funds can have the same impact as government spending and good public policy. Even though philanthropic resources can never match state budgets, they can be like leaven in bread or salt in food: a much-needed supplement.

- (a) Philanthropy's role is to work at the margins, to do what neither government nor the market can do, to provide for seeing and doing things differently.
- (b) But that does not mean that there is no role for philanthropy.
- (c) It does not replace government or other basic institutions but provides additional means of addressing our problems and aspirations.
- (d) That philanthropy and charity are synonymous.
- (e) That philanthropists do philanthropy at the cost of their more fundamental social function of creating jobs and economic opportunities.

Q86.

Across-the-board rate cuts will give immediate relief to industry and consumers. But it is also possible to

envisage a situation where lower interest rates lead to sharply higher consumption, in excess of the growth in investment. At a time when consumption levels are very low, this could sound like scare-mongering. However, we have seen this happen before. Combine feel-good sentiment, buoyant asset markets with low interest rates, and we could see this scenario play out quite rapidly.

- (a) However, rate hikes did not help the supply side cause.
- (b) At the other end of the spectrum, rate hikes had a critical role to play in stabilising the rupee late last year and early this year.
- (c) This could lead to asset bubbles, increase in gold demand, twin deficits and market instability.
- (d) High interest rates meant higher input costs to producers and a disincentive to fresh investments — over and above the serious policy side issues that led to a large number of stalled infrastructure projects.
- (e) If money is directed towards the creation of roads, power, ports and so on, it can be given practically free of interest cost.

Q87.

Perhaps we should think of serious incentives and provision of cheap liquidity for fresh infrastructure lending. Incremental infra lending by banks can be refinanced by the RBI at cheap rates. Incremental infra lending can be given priority sector lending status. A part of the liquidity generated by foreign currency inflows can be directed solely towards fresh infrastructure investments.

- (a) Risk weights for all consumption based lending by banks can be calibrated accordingly.
- (b) Alongside, we could look at measures that strongly dissuade excessive consumption and asset purchases.
- (c) Rates can remain kept high for all such banking assets.
- (d) As a corollary, the implied interest rates in the foreign exchange markets could be kept low as well, to encourage less open foreign exchange liabilities.
- (e) With this approach of a directed policy, in the medium run, we could perhaps be agnostic to the nature of short-term external and domestic data flow.

Q88.

The defence procurement procedure to permit liberalised government-funding for research and development (R&D) to private players must be given the go-ahead. Over the past five decades, huge public monies have been showered on the Defence Research and Development Organisation (DRDO) with precious little to show. Had there been accountability, heads of top scientists would have rolled. The DRDO route to developing indigenous technology has failed.

- Select projects have shown the vibrancy in our private sector, with the nuclear submarine INS Arihant being the prime example.
- (a) The answer lies in going back to the education policies governing higher education and instituting measures to stem this fatal rot in our system.



(b) Besides this, a whole bunch of other ministries are involved when setting up a defence manufacturing unit – involved in taxation, excise, foreign trade, industrial promotion, heavy engineering etc.

(c) And they bring with them a multitude of laws that need to be navigated.

(d) The only way of shortening the loop is to get all experts under one roof.

(e) So it would make eminent sense to finally financially empower the private sector and demand results.

Q89.

Immediate steps should be taken to generate a pool of scientists and engineers. Is the product coming out of our engineering colleges really fit for research work? The answer, sadly, is no. In 2008, the government constituted the Rama Rao Committee to review the DRDO's functioning. It found that 60% of its scientists were diploma-holders, engineering and science graduates. _____ Where does the private sector, when brought into mainstream defence manufacturing, source its manpower from?

(a) Only 10% of the DRDO's total scientific manpower were PhDs.

(b) The answer lies in going back to the education policies governing higher education and instituting measures to stem this fatal rot in our system.

(c) This would require inter-ministerial coordination, which leads to the fifth action required.

(d) Today, everyone in the defence ministry is marking time to see through his tenure without coming on the radar of the three Cs: the CBI, the CVC and the CAG.

(e) There is no continuity due to short tenures as bureaucrats move up the promotion chain.

Q90.

While there are no numbers or research on how many Indian startups have global operations, I suspect it will be a sizeable number – a number that is growing every month and every year. No longer are Indian startups content in serving merely the domestic market, this new breed of startups and entrepreneurs consider the world as their market. _____ We see a

considerable number of Indian companies like Zoho, Inmobi, Zomato going global and one consistent theme is that the entrepreneurs have some sort of a global stint.

(a) The second big pointer is the evolution of the Indian IT industry.

(b) This, however, is not something that has happened overnight.

(c) When we started the revolution of IT services in 1990s with companies like HCL, Wipro and Infosys, it was all about labour arbitrage and how to get things done in a cheaper, better and more efficient way in India.

(d) Now that story has been beaten to death and people are more aware of what services companies are doing in the context of the opportunities that exist globally.

(e) Hence, instead of being a mere back end provider, people want to move up the value chain.

Q91.

True to form, the Kathmandu SAARC Summit concluded by living up to expectations that it would yet again fail to deliver. After much arm-twisting Islamabad grudgingly relented on energy [electricity] cooperation, when it found itself isolated. On the agreements regarding rail and road cooperation, it claimed it had yet to complete internal consultations and sought more time.

_____ After a 30-year track record of consistently failed performance, none of this came as a surprise to most SAARC watchers.

(a) With 70 per cent of the land mass, shared borders with four countries [Bangladesh, Bhutan, Pakistan and Nepal] and the influence it enjoys on the world stage, India's centrality ought to have been used by the surrounding countries as a source of strength.

(b) It needs to be recognized that India's size and geographical location makes India central to the region.

(c) Effectively, at least another six months would be lost on both these agreements.

(d) Instead, Kathmandu, in particular, has regularly tried to counterbalance India's centrality and size by cozying up to Beijing.

(e) The bogey of India-Pakistan differences should be seen for what it is: a bogey that some countries invoke to explain SAARC's failure, without conceding that several Conventions already agreed to in SAARC Summits, have not yet been ratified by their national parliaments and hence, are un-enforceable.

Q92.

The underlying purpose of trade agreements is to obtain access to resources and markets that help in increasing the value and volume of trade. This adds to the domestic income. _____ However, national earnings are not truly reflected through values of trade.

This is because a country may be earning high on exports of a product, but its net earnings from the product may be low due to large imports of related inputs and a low value added component in the finally exported product.

(a) Already in the past, trade and investment agreements widened their horizon beyond trade in goods.

(b) For India, the experience with free trade agreements has been mixed.

(c) Assessment of their impact is impaired either due to data constraints or due to the inability to evaluate effect of the counterfactual.

(d) Traditionally, trade agreements are evaluated for their trade creation and diversion effects among the member countries based on the trade values.

(e) Issues relating to competition are increasingly emphasised by using the rules of origin (RoO) instrument of trade policy.

Q93.

SAARC is compared unfavourably with the EU or ASEAN, but there are important differences resulting in unrealisable hopes from summit meetings.

_____ Their inception was shepherded by the US in fear of a perceived common external security threat—communism. Contrarily, South Asian countries feel threatened from within: India by its



neighbours and the neighbours to varying degrees by India.

(a) Most other regions—Europe, Southeast Asia, Latin America and Africa are no longer contesting borders, so they can progress together less contentiously.

(b) The failed summit has clarified that Modi's ambitions for greater connectivity must be focused on India's North, East and South, regrettably leaving Afghanistan physically cut off from the rest of SAARC.

(c) This is an appropriate admission of the difficulties inherent in Pakistan's stubborn rivalry with India; that it repeatedly sacrifices its own economic interests for an illusory equality with India.

(d) In South Asia, nationalism is exacerbated by the absence of agreed borders.

(e) The relative cohesion and success of both the EU and ASEAN lies in their origin.

Q94.

What has changed over the years – the biggest factor is the Indian entrepreneur's ability to think big. About 5-10 years ago an Indian entrepreneur would want to create a niche business that would create a good amount of wealth for himself. _____ They want to create a dominant business and dominate globally. A startup today does not aim to be a \$100 million business, but dream to reach a billion dollars.

(a) An Indian entrepreneur now thinks differently where he wants to create a big billion dollar business that straddles continents.

(b) The reason behind the increasing appetite to operate on a global scale is because of professionals returning home from an overseas stint.

(c) When I started Rate Gain after returning from the US, I could see some clear business opportunities.

(d) While I was unsure if it would work out, I knew serving the world from India was possible.

(e) For entrepreneurs like me and many others, the fear and apprehension of dealing overseas do not exist.

Q95.

The business process outsourcing (BPO) and the services industries like Infosys and Wipro led to a lot of food for thought over the years. Enterprising individuals were not content with being mere back office providers. As global systems and processes became pervasive at work places, many stated seeing clear opportunities that could be addressed. _____ Starting product companies and not services suddenly became the vogue as factors like labour arbitrage took on a new meaning. Today it is a question of skill arbitrage where product companies are developing technology that are world class and price competitive.

(a) This is now having a cascading effect.

(b) These individuals were some of the early pioneers of Indian product companies operating and addressing global needs.

(c) For people with an entrepreneurial ambition, there are clear role models to follow.

(d) Companies like Druva, ours (Rate Gain), Zomato, InMobi are hugely successful and changing the status quo.

(e) The startup ecosystem in the country is maturing with a healthy mix of angel and venture investing and a good idea can now be converted into a sustainable company.

Q96.

India has the unique distinction of being a jurisdiction in the world which treats defaults in repayment of bank loans as bordering on criminal conduct.

_____ The persons may also be declared as willful defaulters, barring them and any other business entity with which they are associated, from borrowing money from banks. If such a borrower happens to have given post-dated cheques to the bank for loan repayment and such cheques are dishonoured on account of business failure or any other valid reason, he or she becomes a criminal who can be sentenced to imprisonment of up to two years for issuing cheques without maintaining adequate balance in the bank account.

(a) If at all, such actions need to be taken by an independent authority constituted under the substantive law instead of by banks pursuant to regulatory guidelines.

(b) While RBI may be within its rights to direct banks on who they can lend to, disqualifying all directors and guarantors associated with business entities, classified as willful defaulters, from borrowing money from banks is tantamount to penalising them by an administrative process in which the authority imposing the penalty (the bank) is an interested party.

(c) Loan defaults may result in publication of photographs of defaulters in newspapers with a declaration that he or she is a defaulter.

(d) Such offences of fraud are to be investigated by the Serious Fraud Investigation Office established under the Companies Act.

(e) It is unfortunate that in spite of special laws enacted for speedy recovery of defaulted loans by banks and FIs, it is proposed to amend debt recovery laws to make wilful default a criminal offence.

Q97.

Two possible outcomes have been projected. One, in which a not-so serious player manages to push up the bid price to very high values. The other, where one or both existing operators lose out. _____

The second will result in the closing down of some services leaving millions of customers in the lurch, rendering working infrastructure non-productive and lending banks holding large nonperforming assets.

(a) Providing a clear road map is, of course, the best recourse.

(b) It appears that this changed approach to spectrum auction has come about after the minister of communications held meeting with the ministry of defence and arrived at an in-principle agreement for a swap of spectrum that will lead to an additional 15 MHz



becoming available in the 2100 MHz band, making up a possible total of 2×20 MHz spectrum for auction.

(c) Promising and delivering spectrum a few months after the auction is quite acceptable to a spectrum-starved industry.

(d) The first will result in already financially-stressed operators being left with little funds for expansion.

(e) But if the auction can be made fair and equitable by including this spectrum of 2×20 MHz in the 2100 MHz band, a step in the direction of serving the interest of all stakeholders would have been taken.

91 c 92 d 93 e 94 a 95 b 96 c
97 d 98 e

Q98.

The Indian and Pakistani experience with mobile banking illustrates how simple reductions in transaction costs can induce inclusive innovation. The regulatory structure for mobile banking in both countries was laid out around the same time period. Pakistan, just as India, started in 2008 with a bank-led model that was expected to continue until the players and stakeholders had gained some maturity. Like in India, customer account relationship there had to reside with some financial institution (FI). Also, each transaction had to be through the customer account with no actual monetary value stored on the mobile-phone or server.

_____ Mobile banking transactions, at about 5.6 million, are still far too tiny compared with the country's large mobile subscriber base.

(a) Mobile banking services were also not restricted to just mobile service providers, but could be offered even by fuel distribution companies, Pakistan Post and chain stores.

(b) Comparing the regulations in India with those in Pakistan provides clues on the drivers of the relatively greater success achieved by the latter.

(c) Pakistan did insist on a key role for FIs and data records to ensure security and stability.

(d) But the critical differences were higher initial levels and limits, more income categories, a wider universe of business correspondents, more flexibility and functions for FIs, and reduction of transaction costs for users.

(e) But four years after the approval for mobile banking transactions, Indian volumes have remained low, even with some growth.

ANSWERS :

- | | | | | | |
|------|------|------|------|------|------|
| 1 a | 2 b | 3 c | 4 d | 5 e | 6 a |
| 7 b | 8 c | 9 d | 10 e | 11 a | 12 b |
| 13 c | 14 d | 15 a | 16 b | 17 c | 18 d |
| 19 e | 20 a | 21 b | 22 c | 23 d | 24 e |
| 25 a | 26 b | 27 c | 28 d | 29 e | 30 a |
| 31 a | 32 b | 33 c | 34 d | 35 e | 36 a |
| 37 b | 38 c | 39 d | 40 e | 41 a | 42 b |
| 43 c | 44 d | 45 e | 46 a | 47 b | 48 c |
| 49 d | 50 e | 51 a | 52 b | 53 c | 54 d |
| 55 e | 56 a | 57 e | 58 a | 59 b | 60 c |
| 61 d | 62 e | 63 a | 64 b | 65 c | 66 d |
| 67 e | 68 a | 69 b | 70 c | 71 d | 72 e |
| 73 a | 74 a | 75 b | 76 c | 77 d | 78 e |
| 79 a | 80 b | 81 c | 82 d | 83 e | 84 a |
| 85 b | 86 c | 87 d | 88 e | 89 a | 90 b |