



### 30 Days Revision Module Day 25 - Economic Survey (UPSC Prelims 2021)

1) With respect to COVID-19 lockdown and recovery in India, consider the following statements

1. Service sector have seen larger contractions than manufacturing sector.
2. The economic activity was disrupted initially by demand shock followed by a supply shock.

Which of the statement(s) given above is/are correct?

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

Answer : a

- Service sectors reliant on face-to-face interactions—particularly wholesale and retail trade, hospitality, and arts and entertainment— have seen larger contractions than manufacturing sector.
- These service sectors, in most economies, contribute a significant portion to both incomes and employment.
- The scale of disruption in these sectors has, therefore, had a severe impact on the livelihoods of sections engaged in these sectors.
- The pandemic induced lockdowns led to local, regional, and global supply disruptions hitting economic activity - rendering a 'first order' supply shock.
- This, in turn, has led to a demand shock both through disruptions in the labour market.

2) Basic Reproduction Number ( $R_0$ ) is sometimes seen in the news recently in the context of COVID - 19. With respect to  $R_0$ , consider the following statements:

1. It refers to the expected number of new infections caused by a typical infected individual.
2. If  $R_0 > 1$ , each existing infection causes more than one new infection and there may be an outbreak or epidemic.

Which of the statement(s) given above is/are correct?

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

Answer : c

- The transmission potential of COVID - 19 is often summarized by the expected number of new infections caused by a typical infected individual during the early phase of the outbreak.
- It is usually denoted by the Basic Reproduction Number, ( $R_0$ ).
- It is simply the expected number of new cases of the disease caused by a single individual.
- Three possibilities exist for the potential transmission or decline of a disease, depending on its  $R_0$  value:

- If  $R_0 < 1$ , each existing infection causes less than one new infection and the disease eventually peters out
- If  $R_0 = 1$ , each existing infection causes one new infection and will not lead to an outbreak or an epidemic
- If  $R_0 > 1$ , each existing infection causes more than one new infection and there may be an outbreak or epidemic.
- Occasionally, one person may transmit to tens or even hundreds of other cases - this phenomenon is called super-spreading.

3) Consider the following statements

1. Agriculture was largely insulated from the lockdown imposed due to COVID-19 in India.
2. Construction and Services sector were hit the hardest due to the pandemic.

Which of the statement(s) given above is/are **not correct**?

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

Answer : d

- The impact of the pandemic and associated health measures has been unique as it has affected every sector of the economy.
- Agriculture was largely insulated from the lockdown in India as timely and proactive exemptions from COVID-induced lockdowns to the sector facilitated uninterrupted harvesting of rabi crops and sowing of kharif crops.
- However, supply chain disruptions impacted the flow of agricultural goods leading to high food inflation and adverse initial impact on some major agricultural exports.
- The manufacturing sector was hit hard in the first quarter but has since picked up though mining still remains impacted.
- Construction and Services sector were hit the hardest due to the pandemic induced requirements of social distancing and minimising of personal interaction.

4) Consider the following statements:

1. Counter-Cyclical Fiscal Policy stabilizes the business cycle by being contractionary in good times and expansionary in bad times.
2. Pro-cyclical fiscal policy reinforces the business cycle by being expansionary during good times and contractionary during recessions.

Which of the statement(s) given above is/are correct?

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

Answer : c

## Counter-Cyclical Fiscal Policy

- It refers to strategy by the government to counter boom or recession through fiscal measures.
- It works against the ongoing boom or recession trend; thus, trying to stabilize the economy.
- A Counter-Cyclical Fiscal Policy stabilizes the business cycle by being contractionary (reduce spending/increase taxes) in good times and expansionary (increase spending/reduce taxes) in bad times.

- It softens the recession and moderates the expansions, thereby decreasing fluctuations in the business cycle.
- In a country like India, which has a large workforce employed in the informal sector, counter-cyclical fiscal policy becomes even more paramount.
- In advanced economies, where the public and private sector labour markets are not too segmented, fiscal spending can increase public sector employment, reduce the supply of labour in the private sector, bid up wages, and thereby crowd out private sector employment.
- However, in a country like India, where the private and public sector labour markets are largely segmented, such crowding out of private sector employment is minimal.
- Thus, debt-financed public expenditure is more cost-effective to employ during recessions than during economic booms.

### Pro-Cyclical Fiscal Policy

- On the contrary, a pro-cyclical fiscal policy is the one wherein fiscal policy reinforces the business cycle by being expansionary during good times and contractionary during recessions.
- It deepens recessions and amplifies expansions, thereby increasing fluctuations in the business cycle.

5) With respect to Credit Rating, consider the following statements:

1. A sovereign credit rating is an independent assessment of a country's ability to repay its debt obligations.
2. India, being the fifth largest economy of the world, has been rated as the lowest rung of the investment grade BBB-.

Which of the statement(s) given above is/are correct?

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



Answer : c

- India had been rated as the lowest rung of the investment grade (BBB-/Baa3).
- It is never in the history of sovereign credit rating, the fifth largest economy in the world, has been rated the lowest.
- Reflecting the economic size and thereby the ability to repay debt, the fifth largest economy has been predominantly rated AAA.
- China and India are the only exceptions to this rule.
- China was rated A-/A2 in 2005 and now India is rated BBB-/Baa3.
- Currently, India is rated investment grade by three major rating agencies - S&P, Moody's and Fitch.

6) Consider the following statements

1. Health is a state subject in India.
2. India ranks 179th among 189 countries in prioritization accorded to health in its government budgets.
3. According to National Health Accounts, 2017, 66% of spending on healthcare is done by the states.

Which of the statements given above are correct?

- a. 1 and 2 only
- b. 1 and 3 only
- c. 2 and 3 only
- d. 1, 2 and 3

Answer : d

- Health is a state subject in India.
- Spending on healthcare by states matters the most when examining government healthcare spending.
- According to National Health Accounts, 2017, 66 per cent of spending on healthcare is done by the states.
- India ranks 179th out of 189 countries in prioritization accorded to health in its government budgets (consolidated union & state government).

7) With respect to Telemedicine Practice Guidelines, 2020, consider the following statements:

1. Telemedicine includes all channels of communication that leverage Information Technology platforms including video, audio and text.
2. A Registered Medical Practitioner (RMP) is entitled to provide telemedicine consultation to patients from any part of India.
3. Only persons who are enrolled in the Indian Medical Register can be allowed to practice Telemedicine in India.

Which of the statement(s) given above is/are correct?

- a. 3 only
- b. 1 and 2 only
- c. 2 and 3 only
- d. 1, 2 and 3

Answer : b

- A 'Registered Medical Practitioner' (RMP) is defined as a person who is enrolled in the State Medical Register or the Indian Medical Register under the IMC Act 1956.
- A Registered Medical Practitioner is entitled to provide telemedicine consultation to patients from any part of India.
- Telemedicine includes all channels of communication with the patient that leverage Information Technology platforms, including Voice, Audio, Text and Digital Data exchange.

8) Consider the following statements with respect to Consolidated Sinking Fund (CSF)

1. It will be maintained by the State governments with the Reserve Bank of India (RBI) as a buffer for repayment of their liabilities.
2. It was set up in 1999-2000 by the Department of Economic Affairs, Ministry of Finance.
3. The Fund is administered by the Central Accounts Section of RBI Nagpur.

Which of the statements given above are correct?

- a. 1 and 2 only
- b. 1 and 3 only
- c. 2 and 3 only
- d. 1, 2 and 3

Answer : b

### **Consolidated Sinking Fund (CSF)**

1. State governments maintain a Consolidated Sinking Fund (CSF) with the Reserve Bank as a buffer for repayment of their liabilities.
2. Set up in 1999-2000 by the RBI, the fund gets contribution from State governments in the range of 1-3 per cent of their outstanding market loans each year.

3. The Fund is administered by the Central Accounts Section of RBI Nagpur.
4. As on March 31, total corpus of the fund was over Rs.1.30-lakh crore.

9) Consider the following statements with respect to National Faceless Assessment Centre (NFAC)

1. It aims to eliminate face-to-face contact through automated random allocation of cases across Income Tax teams.
2. It will be headed by Principal Chief Commissioner of Income Tax.

Which of the statement(s) given above is/are correct?

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

Answer : c

### **National Faceless Assessment Centre (NFAC) (or) National e-Assessment Centre (NeAC)**

- It is the single point of contact for the taxpayer as well as for all units conducting assessment.
- It was located in Delhi and headed by the Principal Chief Commissioner of Income Tax.
- It is the NeAC which issues notices under Section 143(2) to the assessee for which the assessee is required to respond within 15 days of receipt of notice.
- Upon the issue of a notice, NEC allocates the case to any Assessment Unit through an automated allocation system, ensuring anonymity.
- The conventional system of scrutiny assessment involved a high level of personal interaction between the tax payer and the Income Tax Department officials.
- Under the faceless e-assessment system, the tax payer would not know by whom his /her return is being assessed or in which city.
- The anonymity and the absence of human interface will go a long way in addressing the issue of harassment as well as curb instances of corruption.

10) Consider the following statements with respect to State Disaster Response Fund (SDRF)

1. It is the primary fund available with State Governments for responses to notified disasters, constituted under the Disaster Management Act, 2005.
2. The Central Government contributes 60% of SDRF allocation for general category States/UTs and 90% for special category States/UTs.
3. A State Government may use up to 10% of the SDRF for disasters within the local context in the State.

Which of the statements given above are correct?

- a. 1 and 3 only
- b. 2 only
- c. 1 and 2 only
- d. 1, 2 and 3

Answer : a

### **State Disaster Response Fund (SDRF)**

- It was constituted under Section 48 (1) (a) of the Disaster Management Act, 2005.
- It is the primary fund available with State Governments for responses to notified disasters.
- The Central Government contributes 75% of SDRF allocation for general category States/UTs and 90% for special category States/UTs (NE States, Sikkim, Uttarakhand, Himachal Pradesh, Jammu and Kashmir).
- The annual Central contribution is released in two equal installments as per the recommendation of the Finance Commission.
- SDRF shall be used only for meeting the expenditure for providing immediate relief to the victims.
- Disaster (s) covered under SDRF: Cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloudburst, pest attack, frost and cold waves.
- A State Government may use up to 10% of the funds available under the SDRF for providing immediate relief to the victims of natural disasters that they consider to be 'disasters' within the local context in the State and which are not included in the notified list of disasters of the Ministry of Home Affairs.

