# Indian Economy

DAILY PRACTICE 06/11/2026 · UPSC CSE · Indian Economy

**Q1.**

**With reference to Information Technology (IT) hubs and innovation ecosystems in India, consider the following statements:**

1. Hyderabad is an important centre for India's information technology and pharmaceutical industries.
2. Special Economic Zones (SEZs) are intended to promote exports through fiscal and other policy incentives.
3. The Startup India initiative was launched to promote entrepreneurship, innovation and startup development.
4. State governments have no role in developing technology parks, startup ecosystems or digital infrastructure.

**Which of the statements given above is/are correct?**

**A.** 1 and 2 only

**B.** 1, 2 and 3 only

**C.** 2 and 4 only

**D.** 1, 2, 3 and 4

**Correct answer:** Option B — 1, 2 and 3 only

## Explanation

**Correct Answer: (b) — Statements 1, 2 and 3 are correct.**

1. **Statement 1 is correct:** Hyderabad has developed as a major IT and pharmaceutical industry centre.
2. **Statement 2 is correct:** SEZs aim to promote exports through fiscal incentives and a supportive regulatory framework.
3. **Statement 3 is correct:** Startup India promotes innovation, entrepreneurship and startup growth.
4. **Statement 4 is incorrect:** State governments actively support technology parks, digital infrastructure and startup ecosystems.

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**Q2.**

**With reference to industrial investment promotion and industrial development in India, consider the following statements:**

1. State governments can offer fiscal incentives to attract private investment and promote industrial development.
2. Production Linked Incentive (PLI) schemes are designed to provide incentives linked to incremental production or sales, subject to scheme conditions.
3. The Constitution prohibits state governments from providing incentives to industries within their respective states.
4. Industrial development requires coordination between infrastructure creation, skill development and investment facilitation.

**Which of the statements given above is/are correct?**

**A.** 1 and 2 only

**B.** 1, 2 and 4 only

**C.** 2 and 3 only

**D.** 1, 2, 3 and 4

**Correct answer:** Option B — 1, 2 and 4 only

## Explanation

**Correct Answer: (b) — Statements 1, 2 and 4 are correct.**

1. **Statement 1 is correct:** States use fiscal and policy incentives to attract industries and generate employment.
2. **Statement 2 is correct:** PLI schemes link eligible incentives to incremental production or sales.
3. **Statement 3 is incorrect:** States can provide industrial incentives within the constitutional and legal framework.
4. **Statement 4 is correct:** Sustainable industrial growth requires infrastructure, skilled workers and effective investment facilitation.

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**Q3.**

**With reference to taxation and fiscal policy, consider the following statements:**

1. A progressive income tax system imposes higher marginal tax rates on higher income slabs.
2. A standard deduction reduces the portion of income subject to taxation.
3. Inflation adjustments to tax brackets can help prevent bracket creep.
4. An increase in the standard deduction necessarily increases the statutory marginal tax rates.

**Which of the statements given above is/are correct?**

**A.** 1 and 2 only

**B.** 1, 2 and 3 only

**C.** 2, 3 and 4 only

**D.** 1, 2, 3 and 4

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**Correct answer:** Option B — 1, 2 and 3 only

## Explanation

**Correct Answer: (b) — Statements 1, 2 and 3 only.**

1. **Statement 1 is correct:** Progressive taxation applies higher marginal rates to higher income brackets.

2. **Statement 2 is correct:** A standard deduction reduces taxable income by an eligible fixed amount.
3. **Statement 3 is correct:** Inflation adjustments prevent nominal income increases from pushing taxpayers into higher brackets.
4. **Statement 4 is incorrect:** Standard deductions and statutory marginal tax rates are separate components of a tax system.

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**Q4.**

**With reference to Free Trade Agreements (FTAs), Rules of Origin and the European Union's Carbon Border Adjustment Mechanism (CBAM), consider the following statements:**

1. Rules of Origin determine the national origin of goods for preferential tariff treatment under an FTA.
2. A product automatically qualifies for preferential tariff benefits merely because it is shipped from a country that has an FTA with the importing country.
3. The EU's CBAM seeks to address carbon emissions associated with certain imported goods.
4. CBAM is intended to encourage cleaner production and reduce carbon leakage.

**Which of the statements given above is/are correct?**

**A.** 1 and 2 only

**B.** 1, 3 and 4 only

**C.** 2 and 3 only

**D.** 1, 2, 3 and 4

**Correct answer:** Option B — 1, 3 and 4 only

## Explanation

**Correct Answer: (b) — Statements 1, 3 and 4 only.**

1. **Statement 1 is correct:** Rules of Origin establish where goods originate for determining preferential tariff eligibility.
2. **Statement 2 is incorrect:** Goods must satisfy the applicable Rules of Origin to receive FTA benefits.
3. **Statement 3 is correct:** CBAM addresses embedded emissions in specified imported goods.
4. **Statement 4 is correct:** CBAM aims to prevent carbon leakage and encourage cleaner production.

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**Q5.**

**With reference to the Fair and Remunerative Price (FRP) of sugarcane in India, consider the following statements:**

1. FRP is the minimum price that sugar mills are legally required to pay sugarcane farmers.
2. FRP is recommended by the Commission for Agricultural Costs and Prices (CACP).
3. The Central Government fixes FRP under the Sugarcane (Control) Order, 1966.
4. State Advised Prices (SAPs) fixed by some states cannot be higher than the centrally announced FRP.

**Which of the statements given above is/are correct?**

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**A.** 1 and 2 only

**B.** 1, 3 and 4 only

**C.** 1 and 3 only

**D.** 2, 3 and 4 only

**Correct answer:** Option C — 1 and 3 only

## Explanation

**Correct Answer: (c) — Statements 1 and 3 only.**

1. **Statement 1 is correct:** Sugar mills are legally required to pay farmers at least the prescribed FRP.
2. **Statement 2 is incorrect:** CACP recommends FRP for sugarcane, but the final decision is taken by the Central Government.
3. **Statement 3 is correct:** FRP is fixed under the Sugarcane (Control) Order, 1966.
4. **Statement 4 is incorrect:** States can announce SAPs higher than the centrally fixed FRP.

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**Q6.**

**With reference to the Strait of Hormuz and India's energy security, consider the following statements:**

1. The Strait of Hormuz connects the Persian Gulf with the Gulf of Oman and the Arabian Sea.
2. The Strait is an important global maritime chokepoint for crude oil and liquefied natural gas transportation.
3. India can completely eliminate its exposure to disruptions in the Strait of Hormuz by importing crude oil exclusively from West Asian countries.
4. Ship-to-ship transfer involves transferring cargo between two vessels at sea.

**Which of the statements given above is/are correct?**

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**A.** 1, 2 and 4 only

**B.** 1 and 3 only

**C.** 2 and 3 only

**D.** 1, 2, 3 and 4

**Correct answer:** Option A — 1, 2 and 4 only

## Explanation

**Correct Answer: (a) — Statements 1, 2 and 4 are correct.**

1. **Statement 1 is correct:** The Strait connects the Persian Gulf to the Gulf of Oman.
2. **Statement 2 is correct:** It is a critical global route for oil and LNG shipments.
3. **Statement 3 is incorrect:** Exclusive dependence on West Asian imports would not eliminate exposure to disruptions in this route.
4. **Statement 4 is correct:** Ship-to-ship transfer enables cargo movement between vessels without requiring port-based unloading.

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**Q7.**

**Consider the following statements:**

1. Capital Adequacy Ratio (CAR) is the amount that banks have to maintain in the form of their own funds to offset any loss that banks incur if the account-holders fail to repay dues.
2. CAR is decided by each individual bank.

**Which of the statements given above is/are correct?**

**A.** 1 only

**B.** 2 only

**C.** Both 1 and 2

**D.** Neither 1 nor 2

**Correct answer:** Option A — 1 only

## Explanation

**Correct Answer: (a) — 1 only:**

Statement 1 is correct. Capital Adequacy Ratio measures a bank's capital in relation to its risk-weighted assets. It acts as a financial cushion against potential losses, including those arising from loan defaults.

Statement 2 is incorrect. Minimum capital adequacy requirements are prescribed by banking regulators, such as the Reserve Bank of India, in

accordance with applicable regulatory standards. Individual banks cannot independently decide their minimum regulatory CAR.

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**Q8.**

**With reference to monetary policy and inflation in India, consider the following statements:**

1. The Monetary Policy Committee (MPC) of the RBI determines the policy repo rate.
2. An increase in crude oil prices can contribute to imported inflation in India.
3. A reduction in the repo rate generally increases borrowing costs for commercial banks.
4. The primary objective of India's monetary policy framework is to maintain price stability while keeping growth in mind.

**Which of the statements given above is/are correct?**

**A.** 1 and 2 only

**B.** 1, 2 and 4 only

**C.** 1, 3 and 4 only

**D.** 1, 2, 3 and 4

**Correct answer:** Option B — 1, 2 and 4 only

## Explanation

**Correct Answer: (b) — Statements 1, 2 and 4 are correct.**

1. **Statement 1 is correct:** The RBI's MPC determines the policy repo rate.

2. **Statement 2 is correct:** Higher crude oil prices increase import costs and can raise domestic inflation.
3. **Statement 3 is incorrect:** A repo rate reduction generally lowers the cost of short-term borrowing from the RBI.
4. **Statement 4 is correct:** Price stability is the primary objective, keeping economic growth in mind.

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**Q9.**

**With reference to ports and Special Economic Zones (SEZs) in India, consider the following statements:**

1. Major ports in India are under the administrative control of the Union Government.
2. The Major Port Authorities Act, 2021 provides for the governance of major ports in India.
3. A Special Economic Zone is a geographically demarcated area treated as a foreign territory for specified trade and customs purposes.
4. The Sagarmala Programme aims to promote port-led development in India.

**Which of the statements given above is/are correct?**

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**A.** 1 and 2 only

**B.** 1, 2 and 3 only

**C.** 2, 3 and 4 only

**D.** 1, 2, 3 and 4

**Correct answer:** Option D — 1, 2, 3 and 4

## Explanation

**Correct Answer: (d) — All four statements are correct.**

1. **Statement 1 is correct:** Major ports are administered by the Union Government through the Ministry of Ports, Shipping and Waterways.
2. **Statement 2 is correct:** The 2021 Act provides the framework for the governance of major ports.
3. **Statement 3 is correct:** SEZs receive special treatment for specified trade and customs operations under Indian law.
4. **Statement 4 is correct:** Sagarmala promotes port modernisation, connectivity and port-led development.

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**Q10.**

**With reference to medicinal plants and Geographical Indication (GI) tags in India, consider the following statements:**

1. Ashwagandha is a medicinal plant traditionally used in Ayurveda.
2. A Geographical Indication tag identifies products whose quality, reputation or other characteristics are essentially attributable to their geographical origin.
3. GI registration in India is governed by the Geographical Indications of Goods (Registration and Protection) Act, 1999.
4. GI registration automatically grants protection to a product in every country of the world.

**Which of the statements given above is/are correct?**

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**A.** 1 and 2 only

**B.** 1, 2 and 3 only

**C.** 2 and 4 only

**D.** 1, 2, 3 and 4

**Correct answer:** Option B — 1, 2 and 3 only

## Explanation

**Correct Answer: (b) — Statements 1, 2 and 3 are correct.**

1. **Statement 1 is correct:** Ashwagandha is widely used in traditional Ayurvedic preparations.
2. **Statement 2 is correct:** A GI links a product's reputation or characteristics to its geographical origin.
3. **Statement 3 is correct:** India's GI framework is governed by the 1999 Act.
4. **Statement 4 is incorrect:** GI protection is territorial and requires protection under the laws of individual jurisdictions.

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