

# THE PALA CIVIL TIMES



Civil Service Institute | Pala | Thiruvananthapuram | South India's Premier Civil Service Coaching Institute | www.civilservicepala.org

## P2. NATIONAL



**Services commanders' spend power doubled to fast-track procurement** - Defence Ministry expands financial powers of armed forces to speed up procurement

## P4. SCIENCE



**A liver protein triggered by exercise reversed memory loss in mice** - Scientists identify GPLD1, a liver-derived exerkine released during exercise, as a potential protector against brain ageing

## P8. ECONOMICS



**GDP growth estimated at 7.7% in 2025-26: govt.** - Manufacturing, trade, transport, communication and financial services emerged as major contributors

## Editor's Note

In today's edition of the Pala Civil Times, we revisit some of the most important topics of the week. On the national front, we examine the debate surrounding the Great Nicobar Infrastructure Project, balancing strategic imperatives against ecological concerns, and analyse the growing role of Direct Benefit Transfer (DBT) schemes through the lens of West Bengal's newly launched Annapurna Bhandar programme.

Among the decoded editorials, readers will find discussions on the Monetary Policy Committee's decision to maintain a neutral stance, the long-term governance and accountability challenges posed by recurring public examination irregularities, and the fragile state of West Asian geopolitics, where progress on a potential U.S.-Iran understanding remains closely linked to stability in Lebanon.

The economics section explores India's latest measures to attract foreign capital, including reforms aimed at boosting investment in government securities. It also examines the revised GDP estimates, highlighting both India's growth drivers and the evolving statistical architecture underpinning national income calculations.

Readers are encouraged to pay close attention to these developments and their wider implications for governance, economy, security and public policy.

## Editorials Decoded

THE HINDU

### Incomplete truce



The Israel-Lebanon conflict remains a critical obstacle to regional stability and wider diplomatic efforts in West Asia

The Indian EXPRESS

### Impunity for exam leaks undermines trust



Accountability and transparency under scrutiny as recurring exam leaks erode trust in India's recruitment and admission systems.

BusinessLine

### Regulatory overreach



RBI maintains a neutral policy stance as it balances growth concerns against rising inflation risks



## Nicobar port has no 'strategic goals, govt. body said in 2024

The controversy surrounding the ₹81,000-crore Great Nicobar Project intensified after records showed that the Public Investment Board (PIB) had reportedly observed in 2024 that the proposed International Container Transshipment Port (ICTP) lacked clearly defined strategic objectives. However, by March 2026, the Ministry of Defence had formally classified the project as a "strategic project". This shift has renewed debate over whether the project's primary rationale is strategic, commercial, or a combination of both.

### Why the Government Calls It Strategic

The government argues that Great Nicobar's location near major Indo-Pacific shipping routes and close to the approaches of the Malacca Strait gives it immense strategic value. The proposed transshipment port could reduce India's dependence on foreign hubs such as Colombo and Singapore while strengthening maritime logistics and security. Supporters also view the project as a means to enhance India's presence in the Indian Ocean Region and serve as a counterweight to growing Chinese maritime influence.

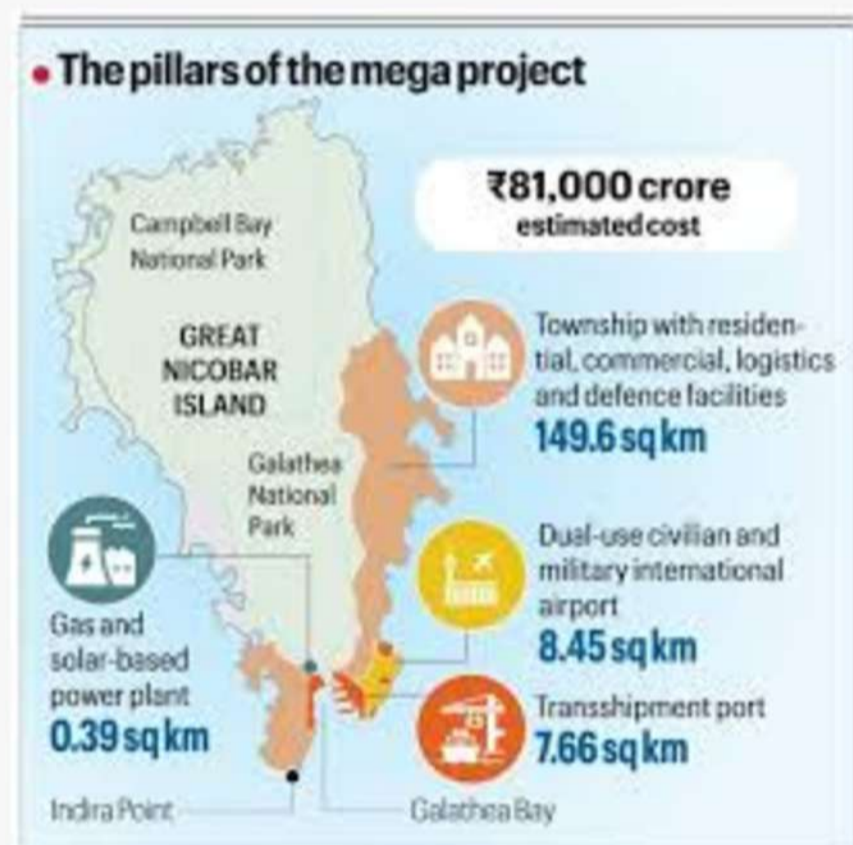
### Enhanced Financial Autonomy

Critics argue that the project's strategic justification has gained prominence only in recent years, whereas earlier documents focused largely on commercial and transshipment objectives. They highlight concerns regarding forest diversion, biodiversity loss and ecological damage to a fragile island ecosystem. Furthermore, there is an argument that India's security objectives could be achieved through strengthening existing military infrastructure in the islands, without undertaking a project of such scale and environmental impact.

Great Nicobar's location undoubtedly offers India a rare geopolitical advantage, making infrastructure development strategically attractive. At the same time, the island's ecological sensitivity requires exceptional caution in planning and implementation. A balanced approach would involve transparent environmental assessments, strong mitigation measures and periodic review of strategic objectives.

### The Core Policy Debate

The central question is whether the current model of development appropriately balances national security, economic gains and ecological costs. Supporters view the project as essential for maritime power projection, supply-chain resilience and economic development. Critics maintain that strategic goals should not override environmental safeguards, transparency requirements and scientific assessment of long-term ecological consequences.



### PYQ Compass

UPSC questions previously asked from the themes discussed on this page.



Q.) Rehabilitation of human settlements is one of the important environmental impacts which always attracts controversy while planning major projects. Discuss the measures suggested for mitigation of this impact while proposing major developmental projects.

### PRACTICE QUESTION

Q. With reference to the proposed Great Nicobar Infrastructure Project, consider the following statements:

1. The proposed International Container Transshipment Port (ICTP) is intended to reduce India's dependence on foreign transshipment hubs such as Colombo and Singapore.
2. Great Nicobar's location near major Indo-Pacific sea lanes contributes to its strategic significance.

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

### RELEVANCE

GS III : Infrastructure: Energy, Ports, Roads, Airports, Railways

## Bengal govt. rolls out Annapurna Bhandar scheme

The newly elected West Bengal government has launched the Annapurna Bhandar Scheme, providing ₹3,000 per month to eligible women aged 25–60 through Direct Benefit Transfer (DBT). The scheme replaces the earlier Lakshmir Bhandar framework and fulfills a major electoral promise. More than 28 lakh beneficiaries have already been approved, with fresh applications being scrutinised to improve targeting and reduce irregularities.

### Expansion of Unconditional Cash Transfers

The scheme reflects a wider national trend toward large-group unconditional cash transfer programmes, under which beneficiaries receive money without performance conditions or restrictions on its use. According to the 16th Finance Commission, such schemes now account for 20.2% of total subsidy spending across 21 states, up from just 3% in 2018–19. Major examples include West Bengal's Lakshmir Bhandar, Karnataka's Gruha Lakshmi and Maharashtra's Majhi Ladki Bahin Yojana.



### Why States Prefer Cash Transfers

The rapid expansion of these programmes has been enabled by the **JAM (Jan Dhan–Aadhaar–Mobile) architecture**, which has improved beneficiary identification and reduced leakages. Compared to in-kind subsidies, direct transfers are easier to administer, provide recipients with greater spending flexibility and can quickly support household consumption. They are also politically attractive because benefits are visible, targeted and directly credited into beneficiaries' bank accounts.

### PYQ Compass

UPSC questions previously asked from the themes discussed on this page.



Q.) Besides the welfare schemes, India needs deft management of inflation and unemployment to serve the poor and the underprivileged sections of the society. Discuss. (GS II – 2022)

### RELEVANCE

**GS II : Welfare schemes for vulnerable sections of the population by the Centre and States**

### Concerns Raised by the 16th Finance Commission

The Finance Commission has cautioned that the growing reliance on unconditional cash transfers could place significant pressure on state finances. Total spending on such schemes is projected to reach ₹1.96 lakh crore in 2025–26, with much of the increase occurring after 2023–24. The Commission has therefore recommended periodic review of subsidies, rationalisation of beneficiary lists and the introduction of sunset clauses or exit mechanisms to ensure that schemes remain fiscally sustainable and well targeted.

### Way Forward

Direct cash transfers have emerged as an important welfare instrument capable of enhancing financial inclusion, reducing leakages and providing income support to vulnerable households, particularly women. However, their long-term success depends on balancing welfare objectives with fiscal prudence. Effective targeting, periodic evaluation and clear eligibility criteria are essential to ensure that such schemes strengthen social protection without creating unsustainable burdens on state finances.

## PRACTICE QUESTION

Q. With reference to the 16th Finance Commission's observations on large-group unconditional cash transfer schemes, consider the following statements:

1. Such schemes accounted for nearly one-fifth of total subsidy spending across 21 States in the 2025–26 Budget Estimates.
2. Their share in total subsidy spending has increased by more than six-fold since 2018–19.
3. The growth in such schemes has been aided by improvements in the JAM architecture.

Which of the statements given above are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

## A liver protein triggered by exercise reversed memory loss in mice

Ageing is often accompanied by cognitive decline - memory loss, reduced learning ability and impaired decision-making. Scientists have long known that exercise improves brain health, but the exact biological mechanisms remain unclear. A recent study published in *Cell* identified a liver-derived molecule called GPLD1, released after exercise, as a key factor that helps protect the brain from age-related cognitive decline. The findings provide new insight into how physical activity influences brain function beyond its general health benefits.

### Exerkines and the Discovery of GPLD1

Exercise triggers the release of signalling molecules known as **exerkines** from organs such as the liver, muscles, heart and brain. These molecules mediate many of the beneficial effects of physical activity throughout the body. Researchers found that older mice that exercised had higher levels of the liver-derived exerkine **GPLD1**. When GPLD1 levels were artificially increased in older mice, their performance in memory and learning tests improved significantly, suggesting that GPLD1 can help counter ageing-related cognitive deficits.

### Implications for Alzheimer's Disease

Because ageing is a major risk factor for Alzheimer's disease, researchers examined whether GPLD1 could also help in a mouse model of the disorder. Exercise increased GPLD1 levels and improved cognitive performance in Alzheimer's-modelled mice. Direct GPLD1 treatment reduced TNAP levels, improved blood-brain barrier function, lowered amyloid plaque accumulation and mitigated cognitive decline. These findings suggest that strengthening the blood-brain barrier may emerge as a promising therapeutic strategy alongside existing approaches focused directly on the brain.

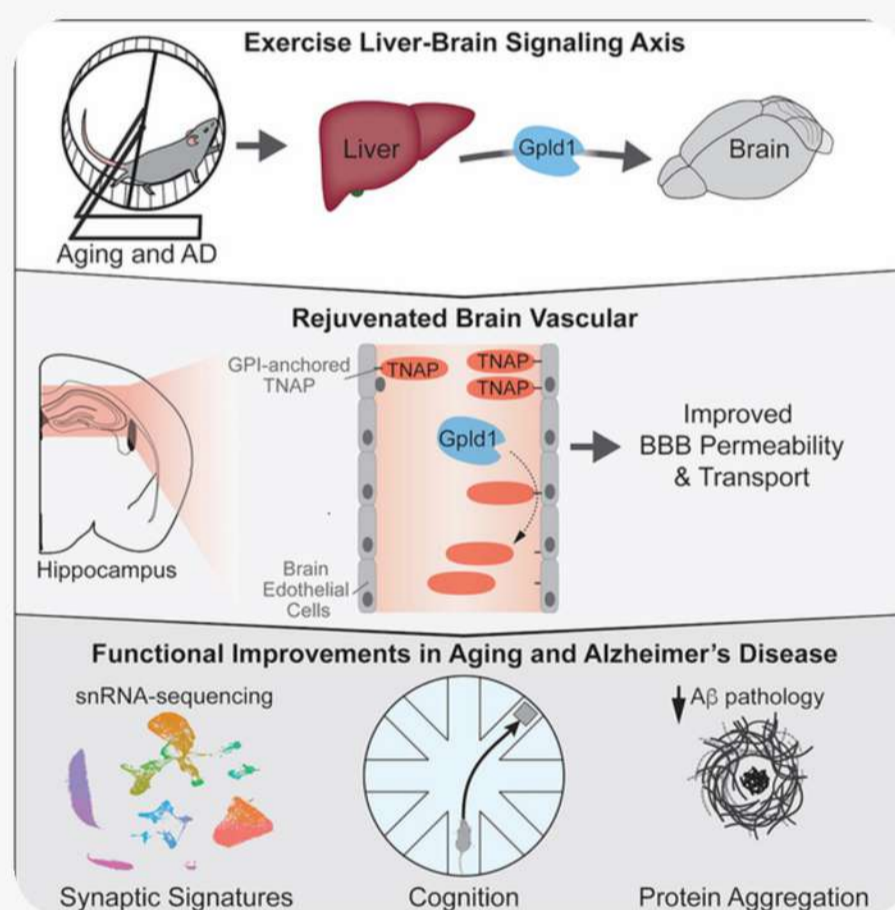
#### PYQ Compass

UPSC questions previously asked from the themes discussed on this page.



Q.) What are the research and developmental achievements in applied biotechnology? How will these achievements help to uplift the poorer sections of the society? (GS III - 2021)

Q.) Why is there so much activity in the field of biotechnology in our country? How has this activity benefitted the field of biopharma? (GS III - 2018)



### GPLD1, TNAP and the Blood-Brain Barrier

The study revealed that GPLD1 exerts its effects through the blood-brain barrier, a protective interface that regulates exchanges between the bloodstream and the brain. Ageing causes accumulation of a protein called TNAP, which makes the barrier leaky and promotes inflammation. Researchers demonstrated that GPLD1 breaks down TNAP, thereby restoring blood-brain barrier integrity. Experiments showed that elevated TNAP levels caused cognitive impairment, while GPLD1 reduced blood vessel leakage and improved cognitive function in ageing mice.

#### RELEVANCE

GS III : Biotechnology

### Broader Significance

Researchers emphasise that the benefits of exercise are unlikely to be explained by a single molecule. Other studies have identified additional exerkines released by skeletal muscles that can directly enter the brain and stimulate new neuron formation in the hippocampus. Together, these findings indicate that exercise triggers a coordinated whole-body response involving multiple pathways. While GPLD1 offers promising possibilities for future drug development and personalised therapies, experts caution that no treatment currently replicates the wide-ranging benefits of regular physical exercise.

## Incomplete truce (The Hindu : 06-06-2026)

The proposed diplomatic opening between the United States and Iran is closely tied to stability in Lebanon. Before tensions escalated, Washington and Tehran were discussing a preliminary understanding that could reopen the Strait of Hormuz, ease restrictions on Iranian ports, and create conditions for broader negotiations on Iran's nuclear programme. However, Iran suspended talks after Israel intensified military operations in Lebanon, arguing that previous ceasefire understandings were meant to apply across all fronts. This prompted renewed U.S. efforts to secure a ceasefire between Israel and Hezbollah as a prerequisite for keeping diplomacy with Iran alive

### Prolonged Conflict

Despite ceasefire announcements, the prospects for a durable truce remain weak. The Israel-Hezbollah conflict is rooted in decades of confrontation, beginning with Israel's invasions of Lebanon, the rise of Hezbollah after the 1982 war, and repeated cycles of conflict in 2000, 2006 and beyond. Hezbollah has become Iran's principal regional proxy and one of the world's most heavily armed non-state actors, while Israel views the group as a major security threat. Recent developments, including Israel's reoccupation of the strategically significant Beaufort Castle in southern Lebanon, suggest continued military escalation rather than de-escalation.

### Accountability and Enforcement Challenges

Going forward, the success of any U.S.-Iran diplomatic initiative will depend on whether temporary ceasefires can evolve into credible political arrangements. A sustainable settlement would require security assurances for Israel, limits on Hezbollah's military activities, and progress toward restoring Lebanese state authority in the south. At the same time, Israel would need to provide clearer commitments regarding military operations and territorial withdrawals. While short-term ceasefires may create space for diplomacy, the deep-rooted political, security and regional rivalries underlying the conflict suggest that lasting peace will require broader negotiations involving all key stakeholders.

## STATIC CORE LINKAGE

Lebanon has become a battleground due to its weak state structure, sectarian divisions and strategic location.

### Operation Litani (1978)

- First major Israeli invasion of southern Lebanon.
- Objective: Push Palestine Liberation Organization (PLO) forces away from Israel's northern border.
- Beaufort Castle emerged as an important military objective.

### First Lebanon War (1982)

- Israel launched Operation Peace for Galilee.
- Objective: Push Palestinian militants 40 km north of the border.
- Israel occupied large parts of southern Lebanon and captured Beaufort Castle.
- This conflict laid the foundations for the rise of Hezbollah.

### Strategic Importance of Beaufort Castle

- Medieval fortress overlooking the Litani River and border region.
- Used by the PLO, later occupied by Israel (1982-2000).
- Recaptured by Israel in 2026.



### PYQ Compass

UPSC questions previously asked from the themes discussed on this page.



Q.) The proposed withdrawal of International Security Assistance Force (ISAF) from Afghanistan in 2014 is fraught with major security implications for the countries of the region. Examine in light of the fact that India is faced with a plethora of challenges and needs to safeguard its own strategic interests. (GS II - 2013)

### RELEVANCE

GS II : International Relations

## Impunity for exam leaks undermines trust (Indian Express : 06-06-2026)

Competitive examinations form the backbone of India's admission and recruitment system. Various national and state agencies conduct examinations for entry into higher educational institutions, professional courses, and public sector employment. For millions of aspirants, these examinations serve as a gateway to higher education, government jobs, social mobility and financial security. Therefore, the credibility of examination systems is critical to ensuring public trust in institutions and maintaining confidence in merit-based selection processes.

### Structural weakness

Despite their importance, India's examination ecosystem has witnessed repeated instances of paper leaks, impersonation, organised cheating and administrative failures over the past two decades. Investigations indicate that examination malpractices often involve sophisticated networks operating across states. According to available data, several examinations have been cancelled or postponed due to such irregularities, affecting crores of candidates. Low conviction rates and delays in investigation have raised concerns regarding accountability and the effectiveness of existing enforcement mechanisms.

### Corrective measures so far

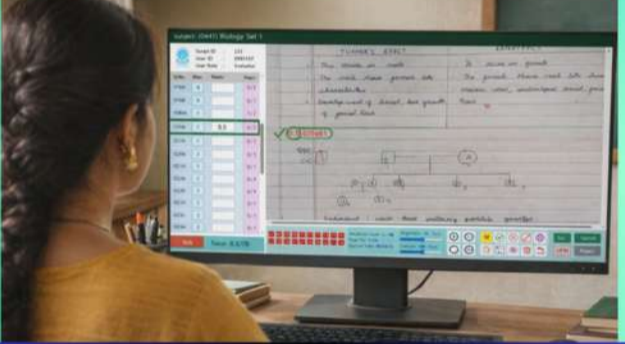
To address these challenges, examination authorities have increasingly adopted technological safeguards. **Cybersecurity measures, encrypted transmission of question papers, biometric verification, AI-based surveillance, digital monitoring systems and secure examination centres** are being used to reduce opportunities for leaks and impersonation. The growing reliance on digital infrastructure aims to strengthen confidentiality and improve real-time oversight of examination processes, especially in large-scale national recruitment and admission tests.

### Remaining Vulnerabilities

However, technology alone has not eliminated risks. The outsourcing of logistical functions, involvement of private testing agencies, digital vulnerabilities, insider threats and the emergence of organised coaching and cheating networks continue to create opportunities for malpractice. Investigations into recent examination controversies suggest that individuals associated with paper preparation, translation, transportation and distribution processes can exploit systemic weaknesses. These developments underline the need for stronger institutional safeguards and continuous monitoring.

**BRAIN BOOSTERS** #233 26-05-2026

Did You Know?



**On-Screen Marking**

**Why in news?** The Central Board of Secondary Education introduced the On-Screen Marking (OSM) system for evaluating Class 12 answer sheets in 2026, which later became controversial due to reported technical glitches and evaluation-related complaints.

**On-Screen Marking (OSM)**

- Under the OSM system, physical answer sheets are scanned and digitally evaluated by examiners on computer screens instead of through traditional manual checking.
- The reform was intended to improve transparency, speed, standardisation, and efficiency in board examination evaluation.
- The controversy emerged after many students complained about unexpected marks, technical glitches, and irregularities in the re-evaluation process.
- Experts highlight that digitisation alone cannot guarantee fairness unless supported by strong infrastructure, training, and quality control systems.
- The controversy revived broader concerns regarding examination integrity after recent irregularities involving the National Testing Agency.

### Way Forward

Examination integrity is fundamentally linked to the principles of fairness, meritocracy and equal opportunity. Recognising this, several states have enacted stringent anti-cheating laws prescribing severe penalties, including imprisonment and substantial fines for examination-related offences. Effective enforcement of these laws, combined with robust technological safeguards, transparent investigations and timely prosecution, is essential for restoring confidence in public examinations and ensuring that educational and employment opportunities are determined by merit rather than corruption.

### PYQ Compass

UPSC questions previously asked from the themes discussed on this page.



Q.) e-governance, as a critical tool of governance, has ushered in effectiveness, transparency and accountability in governments. What inadequacies hamper the enhancement of these features? (GS II - 2023)

### RELEVANCE

GS II : Education; Governance - Transparency and Accountability

## Fine balance (TH BusinessLine : 06-06-2026)

The RBI's Monetary Policy Committee retained the repo rate unchanged at 5.25% and continued with a neutral policy stance, reflecting a cautious, data-dependent approach amid global uncertainty. While the central bank expects economic growth to remain resilient, it revised its 2026–27 **GDP growth forecast downward to 6.6%** and raised its **inflation projection to 5.1%**. The decision signals that the RBI is prioritising stability while keeping future policy options open as geopolitical and domestic risks evolve.

### External Sector and Capital Flow Measures

A key focus of the policy was strengthening capital inflows and supporting the rupee without resorting to interest-rate changes. The RBI expanded the **Fully Accessible Route (FAR)** to include longer-tenure government securities, making them more attractive to global investors. Additional relaxations were provided for NRIs, OCIs and other overseas investors, while measures to reduce hedging costs aim to encourage higher NRI deposits and external commercial borrowings. These steps seek to deepen foreign participation in India's debt and capital markets.

### Why RBI Adopted This Approach

The RBI's cautious stance reflects growing uncertainty surrounding the Iran conflict, which could affect global crude oil prices, inflation and financial markets. Rising inflationary pressures, coupled with the possibility of a sub-normal monsoon, have increased concerns about food and commodity prices. At the same time, growth remains sensitive to global developments, as prolonged uncertainty could discourage fresh private investment. In this environment, the RBI has preferred flexibility over aggressive monetary tightening.

### Implications

The policy attempts to balance two competing objectives—containing inflation while preserving economic growth. Greater foreign investment in government securities could strengthen external financing and support currency stability. At the same time, strong domestic indicators such as rising consumption and capital formation suggest that growth momentum remains intact. However, persistently high inflation could reduce India's real interest-rate advantage and affect investor sentiment. The effectiveness of the policy will therefore depend on how inflation, capital flows and global conditions evolve in the coming months.

#### CAPITAL MAGNET

- Interest and capital gains of FPIs from G-Secs exempt from income tax. Same to be applicable for the Bank for International Settlements (BIS)
- List of specified securities under Fully Accessible Route (FAR) expanded to include fresh G-Secs with tenors of 15, 30 and 40 years and Sovereign Green Bonds
- Individual Persons Resident Outside India (PROI) can invest up to 10% in listed Indian companies



(Check Economics Page 9 for full report)

#### PYQ Compass

UPSC questions previously asked from the themes discussed on this page.



Q.) With reference to Indian economy, consider the following: (2015)

- Bank rate
- Open market operations
- Public debt
- Public revenue

Which of the above is/are component/components of Monetary Policy?

- 1 only
- 2, 3 and 4
- 1 and 2
- 1, 3 and 4

### PRACTICE QUESTION

Q.) With reference to the Fully Accessible Route (FAR), consider the following statements:

- It allows non-residents to invest in specified Government of India securities without investment limits.
- The RBI has expanded FAR eligibility to include new issuances of 15-, 30- and 40-year government bonds.

Which of the statements given above is/are correct?

- 1 only
- 2 only
- Both 1 and 2
- Neither 1 nor 2

#### RELEVANCE

GS III : Indian Economy

## GDP growth estimated at 7.7% in 2025-26: govt.

According to the provisional estimates released by the **Ministry of Statistics and Programme Implementation**, India's GDP grew by 7.7% in 2025-26, higher than the 7.1% growth recorded in 2024-25 and slightly above the 7.6% estimate made in February 2026. GDP growth in the fourth quarter stood at 7.8%. The estimates are based on the **revised GDP series with 2022-23 as the new base year** and an updated methodology.

### Drivers of Growth

The strongest drivers of growth were **manufacturing, trade, repair, hotels, transport, communication, broadcasting and storage services**, along with **robust expansion in financial, real estate and professional services**. On the demand side, **private final consumption expenditure accelerated to 7.7%**, while gross fixed capital formation (investment) grew by 8.2%, indicating stronger household spending and asset creation. In contrast, agriculture growth slowed to 3% from 4.2% in the previous year.

### Future implications

The data suggests that India's growth is increasingly being driven by manufacturing, services, consumption and investment, reflecting improving domestic demand and productive capacity. However, the slower performance of agriculture highlights uneven sectoral momentum. While the Reserve Bank of India expects growth to moderate to 6.6% in 2026-27, the latest figures indicate resilience in the economy, supported by ongoing reforms, rising investments and stronger consumer activity, even amid a more challenging global economic environment.

## STATIC CORE LINKAGE

**GDP is the value of final goods and services produced** within a country in an accounting period.

**GDP Base year revision** : The year 2022-23 has been selected as the new base year as it represents the most recent "normal" period following the disruptions of 2019-2021. It has been applied to key indicators such as the Consumer Price Index (CPI) and the Index of Industrial Production (IIP)

India compiles its GDP estimates in line with the **2008 System of National Accounts (SNA 2008)**

### Data sources being used in new series :

Household Sector Measurement, Use of GST Data, Public Finance Management System (PFMS), e-Vahan Database etc.

The revised GDP series introduces several methodological enhancements :

- Refined Deflation Techniques
- Segregation of Multi-Activity Corporations,
- Improved Estimation of Private Final Consumption Expenditure



## PYQ Compass

UPSC questions previously asked from the themes discussed on this page.



Q.) Explain the difference between computing methodology of India's Gross Domestic Product (GDP) before the year 2015 and after the year 2015. (GS III - 2021)

Q.) Do you agree with the view that steady GDP growth and low inflation have left the Indian economy in good shape? Give reasons in support of your arguments. (GS III - 2019)

## RELEVANCE :

**GS III : Indian Economy**

## To draw funds, prop rupee, Govt scraps FII capital gains, withholding tax on bonds

The Central Government and the RBI have announced a coordinated package of measures to attract foreign capital into India and strengthen the external sector. The government removed taxes on foreign investment in government securities, while the RBI liberalised investment rules for foreign investors and introduced measures to encourage NRI deposits and overseas borrowings. The initiatives come amid concerns over capital outflows, rupee depreciation and a projected Balance of Payments (BoP) deficit in FY27.

### Key Measures Introduced

#### Government Measures

- Abolition of long-term capital gains tax on FII/FPI investments in government securities.
- Abolition of short-term capital gains tax on such investments.
- Removal of withholding tax on interest income earned from government bonds.

#### RBI Measures

- Expansion of the **Fully Accessible Route (FAR)** to include new **15-, 30- and 40-year government securities**.
- Removal of several investment restrictions under the General Route for foreign investors.
- Measures to promote **Foreign Currency Non-Resident [FCNR(B)] deposits** and other NRI deposits by lowering hedging costs.
- Additional facilitation of **External Commercial Borrowings (ECBs)** and overseas participation in Indian financial markets.

### Why Were These Measures Needed?

India faces external-sector challenges arising from global uncertainty, foreign portfolio outflows and a weakening rupee. Economists have projected a sizeable BoP gap in FY27, requiring stronger foreign exchange inflows. Policymakers have long viewed high taxation on government bond investments and regulatory restrictions as barriers to foreign participation. Encouraging debt inflows, NRI deposits and overseas borrowings is therefore intended to diversify sources of foreign capital and improve external-sector resilience.

### Expected Outcomes

The measures are expected to make Indian government securities more attractive to global investors by increasing post-tax returns and reducing regulatory frictions. Higher FPI participation in debt markets, increased FCNR(B) deposits and greater ECB inflows could help bridge the projected BoP gap, support government borrowing programmes and strengthen the rupee. Estimates suggest that these reforms could potentially attract \$40–50 billion in additional foreign inflows over the coming years, improving overall macroeconomic stability.

FAR (Fully Accessible Route) bonds are Government of India securities designated for unrestricted investment by non-residents, allowing foreign investors to buy them without any investment caps or quantitative limits. In practice, these are selected government dated securities and long-term bonds that the government notifies in advance as eligible under the FAR framework.

### PYQ Compass

UPSC questions previously asked from the themes discussed on this page.



Q.) In India, which of the following can trade in Corporate Bonds and Government Securities? (2024)

1. Insurance Companies
2. Pension Funds
3. Retail Investors

Select the correct answer using the code given below:

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

**RELEVANCE :**

**GS III : Indian Economy**

### PRACTICE QUESTION

Q.) With reference to recent measures announced to attract foreign investment into government securities, consider the following statements:

1. Capital gains tax on FII investments in government securities has been removed.
2. Withholding tax on interest income earned by FIIs from government securities has also been removed.

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

## Practice Questions and answers

Q. With reference to the 16th Finance Commission's observations on large-group unconditional cash transfer schemes, consider the following statements:

- Such schemes accounted for nearly one-fifth of total subsidy spending across 21 States in the 2025–26 Budget Estimates.
- Their share in total subsidy spending has increased by more than six-fold since 2018–19.
- The growth in such schemes has been aided by improvements in the JAM architecture.

Which of the statements given above are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Answer: D (1,2 and 3)**

**Statement 1 is correct.** Such schemes accounted for nearly **one-fifth** of total subsidy spending across 21 States in the 2025–26 Budget Estimates.

The 16th Finance Commission noted that large-group unconditional cash transfer schemes constituted **20.2%** of total subsidy expenditure across 21 states in 2025–26, which is approximately one-fifth.

**Statement 2 is correct.** Their share in total subsidy spending has increased by more than six-fold since 2018–19.

The share of these schemes rose from 3% in 2018–19 to 20.2% in 2025–26, representing an increase of about 6.7 times, or more than six-fold.

**Statement 3 is correct.** The growth in such schemes has been aided by improvements in the JAM architecture.

The Finance Commission observed that the Jan Dhan–Aadhaar–Mobile (JAM) framework improved beneficiary identification and DBT delivery, making large-scale cash transfer programmes easier and more efficient to implement.

Q. With reference to the proposed Great Nicobar Infrastructure Project, consider the following statements:

1. The proposed International Container Transshipment Port (ICTP) is intended to reduce India's dependence on foreign transshipment hubs such as Colombo and Singapore.
2. Great Nicobar's location near major Indo-Pacific sea lanes contributes to its strategic significance.

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

**Answer: C. Both 1 and 2**

**Statement 1 is correct.** One of the primary objectives of the ICTP is to capture a larger share of India's transshipment cargo, much of which is currently routed through foreign ports such as Colombo (Sri Lanka), Singapore and Port Klang (Malaysia). This is expected to improve logistics efficiency, reduce dependence on external hubs and generate foreign exchange savings.

**Statement 2 is correct.** Great Nicobar lies close to the Malacca Strait, one of the world's busiest maritime chokepoints connecting the Indian and Pacific Oceans. Its proximity to major shipping routes gives it strategic importance for maritime trade, naval logistics, surveillance and India's broader Indo-Pacific strategy.

## Practice Questions and answers

- Q.) With reference to the Fully Accessible Route (FAR), consider the following statements:
- 1.It allows non-residents to invest in specified Government of India securities without investment limits.
  - 2.The RBI has expanded FAR eligibility to include new issuances of 15-, 30- and 40-year government bonds.

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

**Answer: C. Both 1 and 2**

**Statement 1 is correct.** FAR is a special channel through which foreign investors can invest in designated government securities without quantitative restrictions.

**Statement 2 is Correct.** The RBI recently expanded the FAR universe by including new issuances of long-tenure government bonds.

- Q.) With reference to recent measures announced to attract foreign investment into government securities, consider the following statements:

- 1.Capital gains tax on FII investments in government securities has been removed.
- 2.Withholding tax on interest income earned by FIIs from government securities has also been removed.

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

**Answer: C. Both 1 and 2**

**Statement 1 is correct.** The Centre exempted FIIs from both short-term and long-term capital gains tax on government securities.

**Statement 2 is Correct.** The withholding tax on interest income from government securities was also eliminated to make Indian debt more attractive.