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Passage No. 145

Direction: Read the following passage carefully and answer the following questions.

For an economy that is undeniably in slowdown mode, it does come as a surprise that the first Budget of the Modi 2.0 government has eschewed any sort of pump priming, instead preferring to leave the job of stepping up investment to the private sector. The template for a growth process driven by monetary accommodation and fiscal prudence was spelt out rather clearly in the Economic Survey, tabled in Parliament on Thursday. If one were to compare this growth slide with the post-GFC period, it is clear that the Centre has consciously chosen not to go down the path laid out by the then finance minister Pranab Mukherjee. It is believed, and not without reason, that the fiscal stimulus then administered led to both deficit and inflation going out of gear. Expenditures were poorly managed, with corruption in delivery processes no doubt playing a role in the double digit inflation rates of the UPA-2 years. Yet, from there, it seems a tad excessive to altogether shut out the fiscal option to get the economy moving, particularly when there are better technological processes in place to ensure quality spending. An increase of Rs. 3.3 lakh crore in the projected expenditure of the Centre in 2019-20 over the revised estimates of 2018-19 is insignificant when seen against the Rs. 3.15 lakh crore increase in 2018-19 over the actuals of 2017-18 — given inflation and nominal GDP growth of 12 per cent projected in 2019-20. The fiscal squeeze is underscored in relation to capital expenditure: it has been slashed to Rs. 8.7 lakh crore in 2019-20 from Rs. 9.2 lakh crore in the revised estimates for 2018-19, with Railways bearing the brunt. It would appear that uncertain revenue collections on both the direct taxes and GST fronts have prompted this fiscal conservatism. While the tax revenue estimates for 2019-20 are conservative in relation to the interim Budget, they seem ambitious when seen against the revisions made by the Controller General of Accounts for 2018-19. The Centre has budgeted a disinvestment mop-up of Rs. 1.06 lakh crore to plug this gap.

Indeed, the push to privatisation marks one of the boldest aspects of this Budget, highlighting the quiet confidence of a government that is looking at the medium term to execute structural reforms. In a significant departure, government holding would include shares held by public sector entities as well. Air India has been squarely placed on the bloc and others shall follow suit. The 51 per cent threshold too may be relooked at. This marks a break, after more than a decade of pussyfooting over disinvestment. While NDA 1 botched it up, leading to adverse political fallout, this government is expected to learn from earlier mistakes.

The Budget is rich in micro details, having proposed several positive steps to galvanize the capital and debt markets, the latter aimed at pushing infrastructure finance. The Centre will back by one-time guarantee the purchase of high-rated pooled assets of NBFCs by PSBs, a move that could ease the liquidity crisis in the sector and help MSMEs conduct their business. Banks will be recapitalized to the extent of Rs. 70,000 crore to boost credit. With a view to expanding financing options, mandatory

public float level has been raised from 25 per cent to 35 per cent. This is a far-sighted move, aimed at raising retail participation. Possibly responding to criticism post-DeMo, that the taxman had become an **obstreperous** presence in the business ecosystem, the Finance Minister announced steps to make procedures easier, including making PAN and Aadhaar inter-operable. Start-ups too have much to cheer about, as do women in the SHG space. However, it seems that some proposals have not been thought through. The prospect of a tax benefit from a sale of a house being ploughed into a start-up could give rise to malpractices.

However, the big picture that emerges from both the Survey and the Budget is that big ticket public spending in economic sectors will be restricted, possibly to affordable housing, road building and PM-Kisan. Worryingly, the role of education, public health and skills-building in powering a '\$5 trillion economy' has not received much attention. The transformative potential of Swachh Bharat in recycling waste has received welcome emphasis. But how 'nal se jal' for all by 2024 will become a reality is not very clear. The Modi government has brought about game-changing reforms by way of the bankruptcy code, GST and direct benefit transfers. In the rural space, income transfers indicate a paradigm shift. This vision needs to be carried forward, with private players – creating a stock market niche for social activities is an innovative step. Finally, it is not clear whether private sector will pick up the tab. In the US and EU, negative interest rates didn't **spur** investment. Triggers to investment have remained one of those mysteries in economics.

1. Which among the following can sum up the opinion of the author regarding the budget proposals of the government?

- A. The author is of the opinion that the Budget has not included the finer details of the economy.
- B. The government has not taken into account the details of the macro factors of the economy before going into the details.
- C. The author does not know how to yield to the private sector without making it too obvious.
- D. The author is optimistic regarding certain aspects whereas he has lauded the government in some other as well.
- E. None of the above

2. Which among the following is correct regarding the public investments in the economy as per the Union Budget?

- A. The government is going to ensure that there is more public spending in the economy though it is not certain.
- B. The government is going to ensure that the needy sectors are focused properly without any kind of hassle.
- C. The government does not want to see that there is no public spending in the economy in the last year.
- D. The government does not want to invest but it wants the private sector to come forward and invest.
- E. The government wants the private sector to invest in areas it wants only and not in all the sectors of the economy.

3. Which among the following is/are correct regarding the 'nal se jal' scheme announced by the government in the Union Budget?

- I. The scheme will be implemented by the Government of India through the state governments.
- II. The government wants to ensure that it is implemented within the next five years i.e. before the end of its term.
- III. The author is very much hopeful regarding the scheme that it will do wonders for the country in the years to come.

A. Both I and II B. Both II and III C. Both I and III D. Only I E. Only II

4. Which among the following is/are correct regarding the reforms introduced in the Union Budget by the government?

- I. The MSME Sector is going to get a boost since the government has decided to buy the high-rated assets of the NBFCs.
- II. The banks in the country are going to be capitalized by the government so that they can start lending more.
- III. The government has decided to decrease the income tax levels for the middle-class population of the country.

A. Both I and II B. Both II and III C. Both I and III D. Only III E. All I, II and III

5. Which among the following will give us an idea regarding the disinvestment by the government, as described in the passage?

- A. The government is of the view that no privatization should be done in order to protect the interests of the people.
- B. The government is of the view that it should be noted without any conviction to pursue any dream of private investment.
- C. The government is ready to relax norms as well in order to make sure that private sector comes on board to buy the public sector companies.
- D. The government does not want to privatize companies at all so that it has no conviction regarding it.
- E. None of the above

6. Which among the following is/are SIMILAR in meaning to the word Obstreperous as used in the given passage?

- I. Unruly
- II. Disruptive
- III. Wild

A. Both I and III B. Both I and II C. Both II and III D. Only III E. All I, II and III

7. Which among the following is OPPOSITE in meaning to the word Spur as used in the given passage?

A. Discourage B. Stimulate C. Ponder D. Induce E. None of the above

8. Which among the following gives us an idea regarding the point of view of the author regarding the plan of the government to boost investment?

- A. The author is sure that the government will understand the facts of the public and private sector in order to withdraw the same.
- B. The author is of the opinion that the government does not understand the necessity of the investments.
- C. The author thinks that it is not very encouraging to think that the government will succeed in boosting private investment.
- D. The author has no idea regarding the next step in the investment cycle in the economy though it is too good.
- E. None of the above

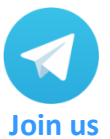
Correct Answers :

| | | | | | | | |
|----------|----------|----------|----------|----------|----------|----------|----------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| D | D | E | A | C | B | A | C |



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Explanations:

1. In the given passage it can be seen that the author is appreciating some of the proposals of the government since it has brought about changes in the ecosystem of the country whereas the rest are not clear in terms of implementation guidelines and the execution of the same. The author is not sure whether the government will be able to execute these things at all. Among the given options, we can see that Option D gives us the correct choice whereas others can be eliminated because of the fact that they do not follow from the passage.

This makes Option D the correct choice among the given options.

2. It is clear from the passage that the government has decided to restrict the public spending in the economy and it mainly wants the private sector to come forward and contribute to the economy. The private sector is expected to be a part of the growth story of the country and that is why the government has set an ambitious growth target but has not stepped up the public spending. Among the given options we can see that Option D is our pick whereas the rest can be eliminated for the fact that they are not correct as per the information given in the passage.

This makes Option D the correct choice among the given options.

3. Refer to, **“The transformative potential of Swachh Bharat in recycling waste has received welcome emphasis. But how ‘nal se jal’ for all by 2024 will become a reality is not very clear.”**

Statement I is not correct since it is not mentioned how the scheme is going to be rolled out in the country. The author has also mentioned that the execution part of the said scheme is not clear at all and that is why he is not at all expectant regarding the said scheme.

Statement II is correct since the government has set a target in order to finish the scheme by the year 2024. In 2024, this government is also going to finish its term and that is why it won't be an aberration to say that the government wants to conclude the implementation part by the end of its term.

Statement III is not correct for the fact that the author is not at all hopeful regarding the scheme of providing water to the citizens of the country due to the fact that the implementation part is not at all clear in the Union Budget.

This makes Option E the correct choice among the given options



4. Statement I is correct since it is mentioned in the passage that the government has decided to purchase the high-rated assets from the NBFCs and it is going to give a one-time guarantee to such organizations. Therefore the MSME sector is going to get a boost since it will get credit from the NBFCs more. Refer to, **“The Budget is rich in micro details, having proposed several positive steps to galvanize the capital and debt markets, the latter aimed at pushing infrastructure finance. The Centre will back by one-time guarantee the purchase of high-rated pooled assets of NBFCs by PSBs, a move that could ease the liquidity crisis in the sector and help MSMEs conduct their business. Banks will be recapitalized to the extent of Rs. 70,000 crore to boost credit.”**

Statement II is also correct for the fact that the banks are going to be given capital by the government so that they are also interested in lending to the MSME sector of the country and also to the others. It will ensure that the growth cycle of the economy is in track.

Statement III is not correct since there is no reference in the passage regarding the decrease in the income tax slab for the middle class population of the country. So it cannot be termed as correct.

This makes Option A the correct choice among the given options.

5. Refer to, **“Indeed, the push to privatisation marks one of the boldest aspects of this Budget, highlighting the quiet confidence of a government that is looking at the medium term to execute structural reforms.”**

It is clear that the government is going to give a push to the privatization of the economy by selling stake in various public sector companies of the country. It is even ready to relax norms for the same. Among the given options, we can see that Option C gives us the correct choice whereas the rest are incorrect for being out of context.

This makes Option C the correct choice among the given options.

6. Here the word *obstreperous* has been used in the sense that the taxmen have become so unruly that it was becoming very difficult to carry on with the business ecosystem of the country. They disrupted the business atmosphere of the country after the demonetization announced by the Prime Minister Narendra Modi. Among the given options, we can use both *unruly* and *disruptive* as the synonyms of the given word whereas *wild* cannot fit in this context though in general it is similar in meaning.

This makes Option B the correct choice among the given options.

7. The word *spur* has been used in the passage in the sense that the decision to move to negative interest rates in the US and EU has not gone down well with the investors and that is why the investment scenario has not changed much in these regions of the world. That implies the decision has failed to encourage investments in the countries. Therefore the opposite of the given word would be *discourage*. *Ponder* implies *think over something* whereas *induce* and *stimulate* are similar in meaning to the given word.

This makes Option A the correct choice among the given options.

8. Refer to, “Finally, it is not clear whether private sector will pick up the tab. In the US and EU, negative interest rates didn’t *spur* investment. Triggers to investment have remained one of those mysteries in economics.”

It is clear from the above lines that the author thinks that it is very difficult to make the private sector come and invest in the economy when there is no public sector investment. It has also been observed in other countries such as US, EU etc. Among the given options, we can see that Option C provides us the correct option since it gives us the correct idea about the opinion of the author whereas the rest can be eliminated for being out of context.

This makes Option C the correct choice among the given options.



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