

# All-Inclusive Current Affairs for Prelims 2023

In exam hall, difficult question, will become simple, if you understand concept in class.

## Economy Class-11

Classes 1-10 are same as 2022 course

 News On AIR  
<https://newsonair.gov.in> > News > ti...

Economic Survey envisages Indian economy to grow at 6.5 % in 2023-24 fiscal; CEA says India to be 5 trillion dollar economy by 2025-26

01-Feb-2023 — Economic Survey envisages Indian economy to grow at 6.5 % in 2023-24 fiscal; CEA says India to be 5 trillion dollar economy by 2025-26.

### GDP

Please also see 2021 classes

- To become \$5 trillion economy, GDP must grow at least 6.5% per year?
  - Incorrect !
- India will become \$5 trillion economy, irrespective of GDP growth rate?
  - Yes, as long as growth is not negative.

### Prelims 2015:

With reference to Indian economy, consider the following statements:

1. Rate of growth of Real GDP has steadily increased in the last decade.
2. GDP at market prices (in rupees) has steadily increased in the last decade.

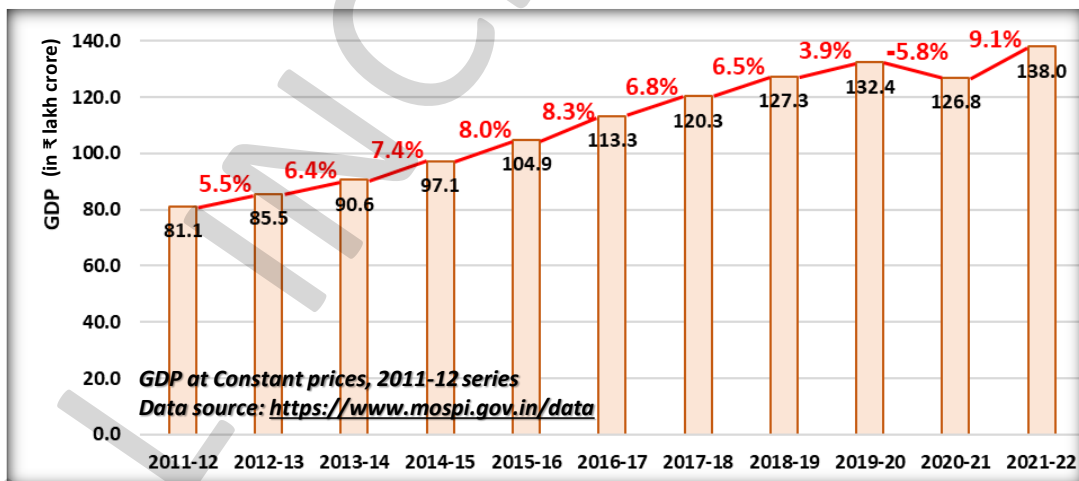
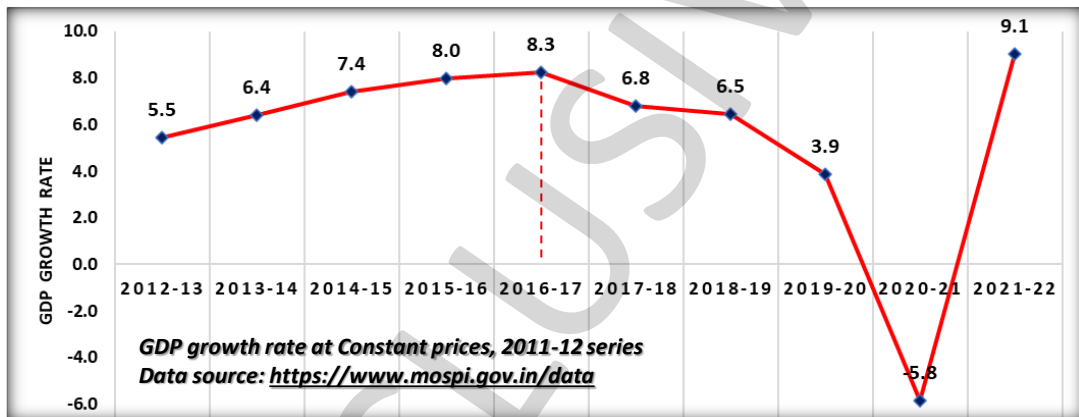
Which of the statements given above is/are correct?

- (a) 1 only      **(b) 2 only**      (c) Both 1 and 2      (d) Neither 1 nor 2

### Note:

Size of GDP is natural consequence of GDP growth rate.

### Explanation



If policy was good for economy,

➤ GDP growth rate will be better than previous year

If policy was bad for economy,

➤ GDP growth rate will be worse than previous year

As long as growth rate is positive, size of GDP will increase.

Govt frames policy → Policy impacts economy  
Time lag can be of 2-3 days/years/decades

Besides govt policy, there are other factors also, like 'base effect', crude oil price, economy of other countries, etc.

I read I forget, I see I remember

See explanation of this PDF on  [www.youtube.com/c/allinclusiveias](https://www.youtube.com/c/allinclusiveias)

**NDTV**  
https://www.ndtv.com › All India

**India To Become \$5 Trillion Economy By 2025, Says PM Modi In Davos ...**

23-Jan-2018 — Davos: India is poised to become a \$5 trillion dollar economy by 2025, Prime Minister Narendra Modi said today as he addressed world...

**BS Business Standard**  
https://www.business-standard.com › ...

**India's economy to double in size to \$5 trillion by 2022: PM Modi**

20-Sept-2018 — Prime Minister Narendra Modi said Thursday the size of Indian economy will double to \$5 trillion by 2022 with manufacturing and agriculture ...

**Live Mint**  
https://www.livemint.com › policy

**Maths does not matter, India will be a \$5-trillion economy: Piyush Goyal**

13-Sept-2019 — Commerce and Industry minister Piyush Goyal stoked a controversy on Thursday when he said India's decision to become a \$5-trillion economy ...



**Growing @ 6% per annum**

**Growing @ 8% per annum**

Think of GDP like bank FD and GDP growth rate like FD interest rate. FD growing at 6% will double slower than FD growing at 8%.

**Question:**

A bank is offering you Fixed deposit @ 6% compounded annually. Bank claims your Rs 3 lakh will become Rs 5 lakh in 5 years. Will you invest?

**6% growth rate, over 10 years**

101	111	121	131	141	151	161	171	181	191
102	112	122	132	142	152	162	172	182	192
103	113	123	133	143	153	163	173	183	193
104	114	124	134	144	154	164	174	184	194
105	115	125	135	145	155	165	175	185	195
106	116	126	136	146	156	166	176	186	196
107	117	127	137	147	157	167	177	187	197
108	118	128	138	148	158	168	178	188	198
109	119	129	139	149	159	169	179	189	199
110	120	130	140	150	160	170	180	190	200

**8% growth rate, over 10 years**

101	111	121	131	141	151	161	171	181	191	201	211
102	112	122	132	142	152	162	172	182	192	202	212
103	113	123	133	143	153	163	173	183	193	203	213
104	114	124	134	144	154	164	174	184	194	204	214
105	115	125	135	145	155	165	175	185	195	205	215
106	116	126	136	146	156	166	176	186	196	206	216
107	117	127	137	147	157	167	177	187	197	207	217
108	118	128	138	148	158	168	178	188	198	208	218
109	119	129	139	149	159	169	179	189	199	209	219
110	120	130	140	150	160	170	180	190	200	210	220

- If GDP grows at 6% for 10 years, it will become 1.8 times
- If GDP grows at 8% for 10 years, it will become 2.1 times

**Test yourself**

With 6% annual growth rate, GDP can double in 8 years? No

**Tips for CSAT paper Rule of 72**

**72 = rate x time**

To find approximately in how many years money will double, just **divide 72 by interest rate**. Example:  
 Money (or GDP) growing at **6%** compound interest will double in approx **72÷6 ≈ 12 years**  
 Money (or GDP) growing at **7%** compound interest will double in approx **72÷7 ≈ 10.2 years**  
 Money (or GDP) growing at **8%** compound interest will double in approx **72÷8 ≈ 9 years**  
 Money (or GDP) growing at **9%** compound interest will double in approx **72÷9 ≈ 8 years**  
 Money (or GDP) growing at **10%** compound interest will double in approx **72÷10 ≈ 7.2 years**

**Prelims 2017:**

What are the most likely advantages of **implementing GST**?

- It will replace multiple taxes collected by multiple authorities and will thus create a single market in India.
- It will drastically reduce the 'Current Account Deficit' of India and will enable it to increase its foreign exchange reserves.
- It will **enormously increase the growth and size of economy of India and will enable it to overtake China in the near future.**

Select the correct answer:

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

**Practice question:**

What are the most likely advantages of becoming **\$ 5 trillion economy**?

- Everyone will have a house
- Every house will have toilet
- Farmers income will double
- No child will have to sleep hungry.

Select the correct answer:

- (a) 1 & 2 only (b) 3 only (c) 4 only **(d) None**

- ❖ **Social media is full of unrealistic optimism**
- ❖ **Such messages are created for general public**
- ❖ **They should not impact your answer in exam**

**India's global ranking by GDP**

Rank	Method	Size
3	GDP (PPP)	\$ 11 trillion
5	GDP (nominal)	\$ 3.5 trillion
127	GDP (PPP) per capita	\$ 8293 (₹ 6.8 lakh)
139	GDP (nominal) per capita	\$ 2466 (₹ 2.0 lakh)

**Don't learn exact number.... Just get approximate idea**

Rank	Country	GDP (PPP)	Rank	Country	GDP (nominal)
1	China	\$30 trillion	1	USA	\$25 trillion
2	USA	\$25 trillion	2	China	\$18 trillion
3	India	<b>\$11 trillion</b>	3	Japan	\$4.3 trillion
4	Japan	\$6 trillion	4	Germany	\$4.0 trillion
5	Germany	\$5 trillion	5	India	<b>\$3.5 trillion</b>

**Per capita income as per Mospi**

At constant price : ₹ 92,583 (2022)

At current price : ₹ 1.48 lakh (2022)

At current price : ₹ 1.72 lakh (2023 estimates)

I read I forget, I see I remember

See explanation of this PDF on **YouTube** [www.youtube.com/c/allinclusiveias](https://www.youtube.com/c/allinclusiveias)

**Practice Question for CSAT**

In terms of nominal GDP, India became \$1 trillion economy in 2007 and \$2 trillion economy in 2014. If govt is able to maintain that growth rate, what will be the size of economy in 2021 and 2028?

- (a) \$3 trillion and \$4 trillion
- (b) \$4 trillion and \$8 trillion**
- (c) \$5 trillion and \$10 trillion
- (d) \$6 trillion and \$12 trillion

**F** Fortune India  
<https://www.fortuneindia.com/macro/india-can-bec...>  
**India can become \$47 trillion economy by 2047: Piyush ...**  
 22-Feb-2023 — It is not at all inconceivable for India to achieve an economy of \$47 trillion by 2047, Piyush Goyal, Union Minister of Commerce & Industry, ...

**M** Live Mint  
<https://www.livemint.com/economy/india-to-beco...>  
**India to become a \$26 trillion economy by 2047: EY report**  
 18-Jan-2023 — NEW DELHI : The Indian economy is likely to reach the \$26 trillion mark by 2047, the 100th year of the country's independence, according to ...

**Despite not knowing future govts and their economic policies, such predictions are made. How?**

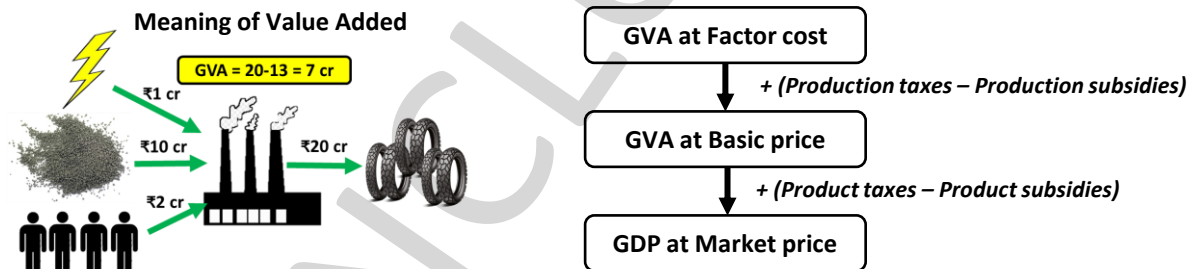
- In general, GDP growth rate of developing countries is more than developed countries.
  - Smaller economy usually grows faster compared to bigger economy
  - Developing countries 6-7%    Developed countries 2-3%
- Countries growing at 6-7% will gradually overtake those growing at 2-3%
  - In 2012, India overtook Japan to become 3<sup>rd</sup> largest economy (PPP)
  - In 2022, India overtook UK to become 5<sup>th</sup> largest economy (nominal)

**Mains 2021:** Explain the difference between computing methodology of India's Gross Domestic Product (GDP) before the year 2015 and after the year 2015. (150 Words)

**System of National Accounts:**

- international standards for national accounts
- by UN Statistical Commission
- first published in 1953
- latest edition in 2008

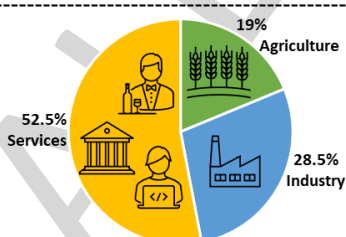
	Earlier	Now
<b>Change of Base year</b>	Base year was 2004-05	Base year is 2011-12
<b>Use of SNA</b>	GVA was calculated at factor cost	GVA is calculated at basic price
<b>Use of MCA21</b>	'Annual Survey of Industries' was used which gave data from 2 lakh companies	MCA21 database is used, which gives data from more than 5 lakh companies
<b>Use of ELI method</b>	'Labour Input Method' was used. It assumed that all workers add equal value.	'Effective Labour Input method' is used. It assumes that better skilled workers add more value.



**Production tax vs Product tax**

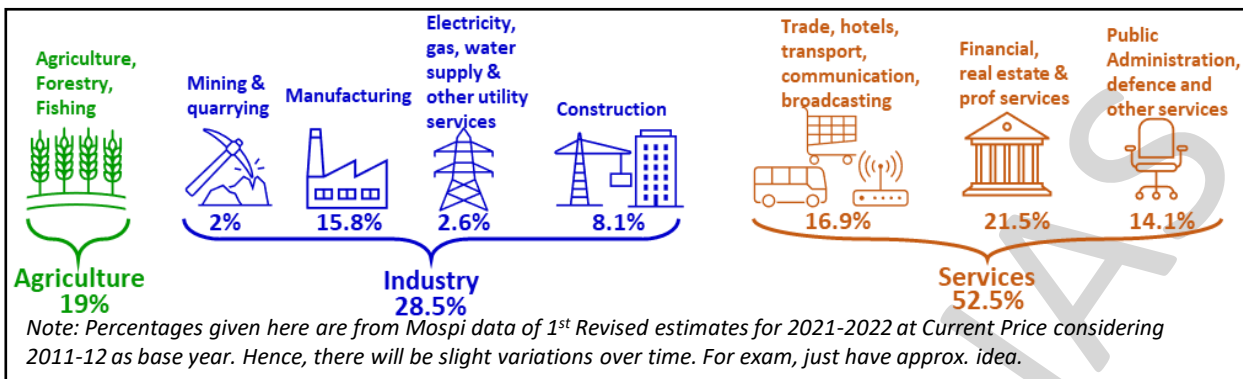
- Production taxes or subsidies** are applied on production, irrespective of volume of actual production
  - **Production Taxes** - Land Revenues, Stamps & Registration fees and Tax on profession
  - **Production Subsidies** - Subsidies to Railways, Subsidies to village and small industries
- Product taxes or subsidies** are applied on per unit of product
  - **Product Taxes** - Excise duties, Sales tax, Service Tax and Import, Export duties
  - **Product Subsidies** - Food, Petroleum and fertilizer subsidies.

Source: <https://pib.gov.in/PressReleasePage.aspx?PRID=1903091>



**In exam, if you have to guess, what will you chose?**

- Which sector has greater share in GVA?
- ❖ Agriculture or Manufacturing? **Agriculture**
  - ❖ Manufacturing or Construction? **Manufacturing**
  - ❖ Construction or Mining? **Construction**
- Agri > Manufacturing > Construction > Mining



**Prelims 1999** Since 1980, the share of the tertiary sector in the total GDP of India has:  
**(a) shown an increasing trend**  
 (b) shown a decreasing trend  
 (c) remained constant  
 (d) been fluctuating

**Prelims 2017** Which of the following has/have occurred in India after its liberalization of economic policies in 1991?  
 1. Share of agriculture in GDP increased enormously  
 2. Share of India's exports in world trade increased  
 3. FDI inflows increased  
 4. India's foreign exchange reserves increased enormously  
 Select the correct answer using the codes given below:  
 (a) 1 and 4 only **(b) 2, 3 and 4 only** (c) 2 and 3 only (d) 1, 2, 3 and 4

**Prelims 2011** In the context of Indian economy, consider the following statements:  
 1. The growth rate of GDP has steadily increased in the last five years.  
 2. The growth rate in per capita income has steadily increased in the last five years.  
 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**

**Prelims 2017** Consider the following statements:  
 1. Tax revenue as a per cent of GDP of India has steadily increased in the last decade.  
 2. Fiscal deficit as a per cent of GDP of India has steadily increased in the last decade.  
 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**

**Prelims 2010:**  
 With reference to Indian economy, consider the following statements:  
 1. GDP has increased by 4 times in the last 10 years.  
 2. The percentage share of Public Sector in GDP has declined in the last 10 years.  
 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 question**  
 With reference to Indian economy, consider the following statements:  
 1. Farmer income almost doubled in last 5 years  
 2. GDP almost doubled in the last 5 years  
 3. Sensex almost doubled in last 5 years  
 Which of the statements, given above is/ are correct?  
 (a) 1 and 2 only (b) 2 and 3 only  
 (c) 1 and 3 only **(d) 3 only**

**Let's take this opportunity to discuss stock market**

Govt policy may be focused on farming, mining, manufacturing, banking, insurance, IT, etc.  
 Sector/company which gets most favorable policy, experiences maximum growth.



Annual Profit = 5 crore  
 Valuation = 100 crore

News: Favorable govt policy, more number of tenders, more contracts, etc.

	Immediate	Later
Annual Profit	5 crore	25 crore
Valuation	500 crore	1000 crore

Company's stock price is valuation (or market cap) of the company.

**Nifty** is index of India's 50 biggest companies listed on **NSE**

**Sensex** is index of India's 30 biggest companies listed on **BSE**