

9 + 8 + 11 + 11 + 10 + 7 + 9 + 6 + 7 + 8 + 9 + 4 1/2 + 5 + 4 + 14 + 8 = 130 1/2

Q1. Answer in about 250 words each (5 x 20 = 100 marks)

Q 1.a An important feature of India's reform program is that it has emphasized gradualism and evolutionary transition rather than rapid restructuring or "shock therapy". Review some of the main reasons why India's reforms have followed a gradualist path? (20 marks)

India's reforms have followed a gradualist path because of following main reasons:

1. Lack of sudden massive political change as happened in eastern Europe. Hence there was no need for sudden restructuring of economy.
2. India is a vibrant democracy with checks and balances between institutions. Thus it is not healthy to bulldoze concerns of various institutions in the name of 'reforms'. For example, concerns of MoEF and Ministry of Tribal Affairs can't be looked aside simply to 'kick start' stalled projects.
3. The emphasis on India over major policy initiatives is to build a consensus behind it. We don't want to initiate reforms only to see a roll back by the subsequent government. Coalition politics necessitates such a consensus building exercise even further which makes any change gradual only.
4. There are strong pro status quo lobbies - in academia, in government and in business - which resist such a change. They are quite influential and thus it takes time.
5. There is lack of public awareness in India over economic reforms i.e. reforms don't translate into votes directly at grass root level. In fact many reforms like reducing fuel subsidy are actually counter populist. This makes it difficult for the leaders to garner sufficient political capital to back the reform process.
6. A sudden restructuring for the economy in whatever way is bad. Gradual reforms are any day better. We have the example of the pain eastern European countries had to go through in 1990s and 2000s and now the PIGS nations in the Eurozone crisis.
7. India never had to be arm twisted by the IMF except perhaps in 1991. So we could chalk out our own path to reforms.

9

Give a brief overview of what is shock therapy with a regulation
SOS-80s: shock therapy was not a bad idea but it was not a long term solution for gradualism with a regulation
Give major reason for gradualism - weak industrial base, not

Q 1.c Discuss financial inclusion as a means to inclusive growth. Also identify associated issues. (20 marks)

Financial inclusion serves as a means to inclusive growth in the following ways:

1. It gives access to credit by the formal sector. Currently over 95% of the MSME sector doesn't have access to formal credit and has to rely on money lenders who charge exorbitant interest rates and follow fraudulent practices or have to rely totally on self generated savings. This severely restricts the capabilities at the bottom of the pyramid to grow.
2. It gives access to safe financial savings. Otherwise these savings are parked in either physical assets such as gold which harm the economy overall or these are invested in chit funds, ponzi schemes and other collective investments schemes of dubious nature.
3. Having Aadhar linked bank accounts also enables one to receive various subsidies directly into the bank account under the Direct Benefits Transfer Scheme. With time more and more subsidies would be covered into it and so it is very important to help the poor and inclusive growth.

Credit also provided to MSMEs
Refer to the answer for more points
Quote fig only if sure

Various issues in financial inclusion are:

1. High last mile connectivity costs. The people at the bottom of the pyramid are distributed sparsely in terms of geography. Rural settlements are sparse and small and infrastructure and maintenance costs in such areas is high.

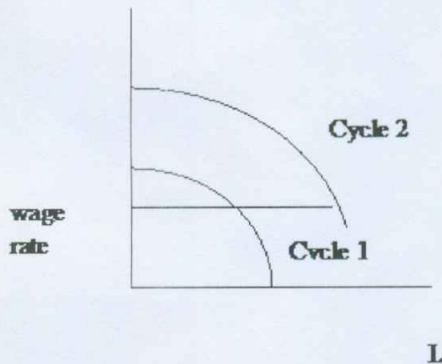
This is not correct point in this language, it creates negative bias. It can be valid for small patches in country but not always.

Non-av. of branches, beneficiary identification etc.

2. The banks suffer from informational asymmetry and it is expensive to gather knowledge about the people for KYC and credit distribution purposes.
3. The accounts so maintained are small and are costlier for banks to maintain.
4. People lack the financial strength needed to be able to borrow from the banks. This can be overcome by the Self Help Group model.
5. There are issues of illiteracy and the people may not be aware of their rights as consumers which may lead to corruption.
6. High costs and small revenues necessitate innovative solutions suited to Indian conditions. These are like Kisan Credit Cards, Business Correspondent model under the Swawlamban scheme. We need more such innovations.

8

Q 1.d Explain the Lewis model of economic development and its relevance to Indian planning model. (20 marks)



11

which is provided.

Lewis model of investment assumes that there is surplus labor in agriculture which provides only subsistence wages. The industrial sector pays a wage higher than the agriculture and hence there is a migration of labor from agriculture to industry. But this migration is costless and because there is a large surplus in agriculture, such a migration doesn't push up wages in industry.

In the above figure, in the cycle 1, there is some investment in industry. The arc shows marginal product of labor and economic theory tells us that labor will be employed until the marginal product equals the wage rate. Some profit is generated which is reinvested.

This reinvestment increases the capital and hence marginal productivity of labor in cycle 2. Because wage rate remains same, this time more labor will be employed until the marginal product becomes equal to the wage rate. But this time higher profits are generated.

This profit is reinvested again and this cycle goes on and on until all the surplus labor from agriculture is absorbed into the industry. The share of industrial sector in the economy and employment increases while that of the agricultural sector decreases.

India's planning model was earlier based on this only specially the Nehru – Mahalanobis model. However the pace of development clearly proved inadequate to absorb all the surplus labor (even today 52% of workforce is in agriculture

Briefly explain the model for connecting Lewis model to NM model.

while it contributes just 13% in GDP). Situation became so bad that it was leading to large scale 'push migration' and increase in slums and unorganized sector in the cities.

So off late planning has shifted to improving the conditions in rural areas themselves through schemes such as MGNREGS, NRLM, NRHM, SSA, Nirmal Bharat Abhiyan, PURA 2.0 and Bharat Nirman.

But at a conceptual level, the model still is important in discourses in the policy circles.

Q1.e India's financial year 2012-13 GDP growth hit a decade low of 5%. Explain the causes behind the decline and suggest a roadmap for economic progress of the country in the near future. (20 marks)

The main causes behind the decline of the economy are as follows:

1. There is a global slowdown. USA is still to recover from the 2008-09 recession, Europe is in a heavy recession and a sovereign debt crisis and even China's growth has fallen to multi decade low of 7% in 2012. This means our exports have failed to lead India's growth. This also means outflow of capital, slowdown in FDI, depreciation in the currency and higher borrowing costs for the Indian firms abroad.
2. There have been supply side constraints mainly because of delay in project approvals and implementation. The environmental, forest, land acquisition problems mean even key projects have been stalled for many years now. Bank funds have been tied up in those and higher NPAs as a result of slower growth means bank funding is becoming increasingly non available for the new investments. This further reduces supply.
3. Policy uncertainties have dampened investor confidence further. Issues such as retrospective application of tax laws (on Vodafone), concerns over change in tax treatment for Mauritius, policy uncertainty in the coal, telecom, power sector are examples.
4. High fiscal deficit is crowding out private investment. Interest rates have gone up and borrowings are costlier for the private sector.
5. Macroeconomic imbalances such as high current account deficit (at a historic high of over 5%) reduce investor confidence further. No one wants to invest in a shaky economy.

Following steps can be taken to revive the economic growth:

1. Major policy reforms are needed to tackle the problems at the core of the slowdown i.e. environmental, forest clearances and land acquisition. The Cabinet Committee on Investments, removal of the gram sabha sanction requirement for linear projects are welcome steps. We need a balanced land acquisition and rehabilitation law immediately. Options such as land pooling and land banks may be explored.
2. FDI must be encouraged. More sectoral caps (defence, retail, insurance) should be revised up and automatic route preferred. Red tapism must be restricted.
3. Manufacturing should be given a major push by the accelerated development of NIMZ and industrial corridors such as DMIC, Chennai-Bangalore, Eastern Corridor. More foreign investment must be sought in these.
4. Exports must be given more incentives.
5. Human capital development efforts must be accelerated. Recent skill training initiatives of NSDC are a welcome move. SSA should be scaled up to cover secondary education now and also improve quality. Healthcare should be made a public priority.
6. Steps must be taken to reduce fiscal deficit and current account deficit to improve macroeconomic stability and prevent crowding out. Subsidies should be reduced like fuel and power. Fertilizers subsidies should be rationalized.



Q1.f In the context of Indian economy, it is said that there are three macro challenges – managing growth inflation, mitigating vulnerability of the external factors and managing the political economy of fiscal consolidation. Discuss. (20 marks)

Growth – Inflation Management

Economic growth has slowed down to a decadal low of 5% in 2012-13 and still shows no signs of improvement. IIP and export figures are dismal. On the other hand, inflation continued to be a major concern until very recently with double digit prints in CPI and particularly food inflation.

This makes economic management very difficult because traditional economic theory suggests that interest rates should be cut and fiscal stimulus provided when economic growth is low. However doing so will fuel inflation which is already high.

However, the key lies in addressing the supply side issues here. Major infrastructure and industrial projects are stalled due to environmental clearances and land acquisition issues (Over 7.5 lac crores worth as per the Economic Survey 2013). Taxation and policy uncertainties are dampening investor confidence. Corrective measures taken here will boost growth as well as reduce inflation.

External Vulnerability Management

India ran a high trade deficit (over 10% of GDP) and a high current account deficit (over 5% of GDP) in 2012-13. The reason for such high deficits is that while our exports have fallen 1.6% due to global slowdown, our exports have not fallen due to spike in gold and oil imports.

This makes us heavily reliant on capital inflows to finance the CAD. Here too the stable FDI flows are slowing down which makes us vulnerable to the 'hot money' flows i.e. FII flows. Such flows can only make an economy more vulnerable and cannot be apart of our long term external balance strategy. So we need to give more incentives to our exports and take steps to curb gold imports (like inflation indexed bonds).

Political Economy of Fiscal Consolidation

The fiscal deficit of centre was a high 5.75% in 2011-12 and 4.9% in 2012-13. This leads to crowding out of private investment. A large part of it is used to finance unproductive subsidies like the fuel. These need to be curtailed.

However cutting subsidies is an unpopular move and in the age of coalition politics, is a risky move for the government. After the walkout of a major coalition partner, however, we have seen a firm commitment from the government to reduce fiscal deficit. Clear roadmaps have been established to phase out the fuel subsidies and steps are being taken to review fertilizer subsidies. At the state level, power distribution companies are being forced to revise up the tariffs and improve their operational efficiency so as to reduce the power subsidy bill.

Q2. Answer in about 200 words each (6 x 15 = 90 marks)

Q2.a Private participation in infrastructure has failed to live up to the expectations. Comment on the veracity of the claim and the way forward. (15 marks)

In the 11th Plan, the headline target of 33% for PPP in infrastructure had been largely met. Sectors such as telecom, roads, power, minor ports and airports exceeded their PPP investment target while railways, irrigation, major ports lagged behind.

PPP models are also increasingly being contemplated in the social infrastructure sector like education and healthcare. The 12th Plan sets aside a target of 50% PPP investment in infrastructure.

However recent trends in private investments makes this target look very difficult to achieve.

- 7
- In the power sector, private investments have now dried up due to coal linkages and pass through issues. Imports of coal are costly after Indonesia levied a special export tax on its coal, coal price pooling was rejected by the government recently and domestic production is unlikely to go up significantly in the absence of privatization and fast clearances. So we need a pass through mechanisms for the power producers for higher fuel costs and speedy clearances and land acquisition.

In the roads sector, PPP projects are stalled now due to land acquisition, environmental clearances and want of bank funding. Banks are unwilling to lend as their pipeline is clogged up. Infra Debt Funds are a welcome step. MoRTH should address the policy issues.

- Major ports have seen less investment because the pricing of the port services is administered by the government and hence it is not viable for the private investors to invest. Pricing should be left to the market forces.
- Telecom sector is suffering due to policy uncertainties over spectrum, retrospective tax amendments and also high competition. Government should iron out the policy issues here.
- Irrigation, PURA projects, social sector projects and railway projects should be made eligible for higher viability gap funding and bureaucratic issues in PPP contracts in such projects should be addressed.

*Provide flow
broad issues
also for better
marks like
land acq; financing
risk factors etc.*

Q2.b What are the benefits of Bilateral Investment Promotion and Protection Agreements (BIPA) in a globalised economy and comment on the present status in India with respect to BIPA. (15 marks)

BIPA signal the commitment of a country to encourage and protect FDIs. It also signals that a country is willing to adhere to modern international practices of domestic treatment, avoiding arbitrary executive and legislative actions against the foreign investments and follow arbitration method to settle disputes.

In the globalized world where FDIs have become very important, BIPA helps in standardizing the operating environment for the FDIs and thus increase FDIs.

India is a supporter of the BIPAs and has signed multiple BIPAs. Some of the important ones are with Japan, Singapore, Thailand, Mauritius, Australia, Netherlands. However, recently some of these BIPAs have come under controversy for the following issues:

- 9
- These BIPAs have a 'most favored nation' clause which allow the foreign investor to import any clause of any other BIPA into its own agreement. So for instance, if we make a special concession towards Nepal in the BIPA, such a concession can be imported by investors of other countries as well.
 - The recent Sistema controversy involving Russian BIPA raises the issue whether BIPAs can provide protection against judicial action as well.
 - The White controversy involving Australian BIPA (where the company has made even the prime minister accused) has forced government to change the dispute resolution from international arbitration to domestic court based.
 - Vodafone is a British company and yet it invoked Netherlands BIPA while presenting its claim in the Huch tax case. Should such a thing be allowed?

As a result India is in the process of renegotiating its BIPAs.

Q2.c Analyze the role and challenges of foreign investments by Indian companies for improving the prospects of national energy security. (15 marks)

ONGC is involved in oil field projects in Sakhalin in Russia, Satyapev in Kazakhstan, Cam Ranh Bay in Vietnam and in Venezuela. In Venezuela India will also invest in a refinery. In Myanmar, Indian companies are involved in constructing gas pipelines (although the gas will flow to China). India has proposed to construct oil pipelines in South Sudan to take out its oil via Ethiopia rather than Sudan. Indian companies have acquired coal mines in Indonesia to

source coal for power projects back home (for example the Tata Mundra project). Powergrid has constructed regional transmission lines in Bangladesh, Nepal and Sri Lanka for electricity trade. India is involved in hydel projects in Nepal and Bhutan. It is also interested in acquiring stakes in the oil fields of Kuwait and Iraq and in coking coal projects in Russia. Finally it is investing in the construction of Chah Bahar port in Iran to counter the influence of Pakistan and China in its dealing with Central Asia. Thus overall Indian company investments are playing a crucial role in the energy security of the nation.

Some of the challenges faced are:

- 6
- Heavy competition specially from the state owned Chinese companies. Not only do they get state subsidies but also get orders due to ultra cheap financing provided by the Chinese state owned banks.
 - Indian companies have to deal with the sovereignty disputes as well and were forced to withdraw from the Cam Ranh Bay explorations. → they were not forced, they left
 - More autonomy from the governmental interference and larger investment funds are needed.
 - Some investments like the coal investments in Indonesia also face dangers of adverse local tax regime and creeping nationalization.
 - Challenges of terrorism, local land acquisition issues are also there.

Q2.e "Public Sector Units in India are white elephants". In this context list out the reform initiatives taken by the government in the public sector units. (15 marks)

Some PSUs are characterized by lower efficiency and a drag on government resources. To improve the situation, the government has initiated following major reforms:

- No need for special mention of Air India.
- 7
1. Air India: The company has been restructured, the new management has been given more autonomy to carry out restructuring plans, political interference has come down, recommendations of the Dharmadikari committee are being implemented, route and services rationalization exercises are being carried out and the fleet of new Boeings has been acquired which is helping Air India to cut its losses.
 2. Steps such as disinvestment and public listing are being carried out. Listing on stock exchanges forces the company management to become more transparent, improves corporate governance, focus on delivering shareholder value.
 3. The management of PSUs is being given more autonomy. Various 'ratna' statuses have come up and companies meeting required criteria are given autonomy as per the ratna status. → Mention it separately. It is an imp. point.
 4. To shed the extra labor force, schemes such as Voluntary Retirement Schemes have come up. Fresh hirings have reduced and contract labor is employed. Outsourcing of operations is taking place and service quality is being assured.
 5. Procurement operations are being made more transparent. e-procurement models are being followed. RTI has brought in more transparency. The proposed Citizen Charters and Grievance Redressal Bill also seeks to improve service delivery, reduce corruption and increase PSU efficiency.
 6. BIFR has been constituted to handle the case of sick units.

Q 2.f Scrutinise the major technological measures taken by the Government of India towards achieving inclusive growth. Suggest some more technological applications which will speed up the inclusive growth. (15 marks)

Some of such major technological measures include:

1. Aadhar card, biometric based authentication and direct benefits transfer scheme.
2. Various e-governance projects like end to end computerization of PDS, fund flow tracking of MGNREGS, land

- records computerization.
3. Smart chips for Rashtriya Swasthya Bima Yojana, mobile based solutions for PDS.
 4. Kisan Credit Cards for reducing cost of delivering credit to the farmers, e-kiosks in the villages to provide weather, cropping pattern and price information to the farmers, e-marketing for better sales.
 5. Use of remote sensing technology to assess disaster risks, spatial development patterns, weather patterns, cropping patterns, pest risk etc.
 6. The computer based Business Correspondent model for financial inclusion.

DO mention National e-Governance Plan.

Refer model addresses for more points like PRI empowerment etc.

Some more desired technological applications could be:

1. Extension of aadhar card and direct benefits transfer scheme to include most subsidies eventually.
2. Instead of dedicated subsidies like the fertilizers and power, give electronic chip based smart subsidies where the beneficiary will be free to choose the combination which suits her best. It would be like a prepaid account.
3. Speeding up electricity provision in villages and connecting panchayats with 2Mbps internet. Establishing more kiosks on a PPP basis.
4. Providing more services via electronic mode. Amending necessary laws to give legal backing to electronic submissions and service delivery.

Q2.g Planning as practiced in India, without really a socialist economy, with a private sector responsible for producing consumer goods and a public sector concentrating on producer goods, is unlikely to achieve results. Examine. (15 marks)

India followed this model of planning after independence. Although commendable progress was made in many areas, it overall failed to match up the rising expectations of the society. The reasons were as follows:

1. State enterprises could never produce efficiently. Excessive bureaucratization and political control meant little concern for efficiency. As a result producer goods came under shortage.
2. The private owned consumer good sector could not also flourish as a result of shortage of producer goods. The state imposed rationing, licenses, quotas, red tapism and as a result competition was reduced and rent seeking and corrupt behavior crept into the private sector.
3. Lack of economic growth meant poor revenues for the state and coupled with excessive red tapism and a poor, illiterate public, the projects for human capital development (health, education and anti poverty) could never reach the desired scale.
4. To begin with Indian society was highly unequal and when masses remained poor and illiterate, whatever little opportunities were there in the economy were captured by the elites. Thus land reforms could never make a meaningful progress, caste based discrimination continued, backward geographical regions received very little projects despite the licensing.

Thus a need is there to decentralize the planning and increase overall opportunities by making our policies more market friendly.

Q3. Answer in about 150 words each (3 x 10 = 30 marks)

Q3.a Explain the objective and functioning of "Infrastructure Debt Funds" in India. (10 marks)

The Infrastructure Debt Funds (IDF) are dedicated funds to finance the long term infrastructure projects in India.

India needs \$1 trillion to finance its infrastructure projects in the 12th 5 year Plan. Currently banks are unable to lend the needed to the infrastructure projects and the cost of financing remains very high. It is also desirable to diversify the source of funding and to develop the bond markets. So through the IDF channel, it is sought to raise long term savings from the general public and market and then to provide it to the long term infrastructure projects.

These IDFs would get favorable tax treatment and would be managed by dedicated fund managers including private financial service providers.

The target for current fiscal year is to raise Rs. 30,000 crores through this route.

Functionary? As a trust or a company.

Q3.b The Cabinet Committee on Investments is a welcome move given the economic situation in India. Discuss. (10 marks)

The Economic Survey 2013 talks about projects over Rs. 7 lac crores being stalled due to issues regarding land acquisition, environmental and forest clearances and other red tapism. Out of this an overwhelming majority comes from only a handful big ticket projects.

Projects in India have to obtain multiple clearances from multiple governmental bodies and departments. Very often these work in isolation (for example, while the petroleum ministry granted clearance for exploration in the Andaman and Nicobar region, the defence ministry stonewalled the proposal). There are no time bound procedures for the grant of clearances and the entire process thus becomes very frustrating and corruption prone. Compounding it are the land acquisition issues arising out of archaic land acquisition and rehabilitation policies.

As a result of these delays, these projects are unable to repay the borrowed funds. Banks thus are facing higher NPAs and are unable to lend any more to the infrastructure projects. So the new investment too has taken a sharp hit and overall growth and inflation situation has worsened.

So to clear the bureaucratic hurdles, the Cabinet Committee on Investments headed by the PM himself was constituted with the power to overrule the concerns of individual ministries and provide speedy clearances to the big ticket investment projects.

work to improve
CC I will
then
Mention

Q3.c Do you think that monsoon is one of the critical determinants in India's economic policy? (10 marks)

Despite all the technological and institutional progress, the fact remains that Indian agriculture still remains overwhelmingly dependant upon rains. Even the irrigated areas depend upon monsoon because the recharge of rivers and groundwater is dependent upon rains only.

As per latest GDP figures, agriculture contributes only 13% of the total GDP. This may tempt one to dismiss the importance of monsoons for the Indian economy. But other facts highlight to us that it still remains a very important factor.

Over 52% of the workforce still depends primarily on agriculture for their living. And most of them represent the poor and marginalized sections. So no inclusive growth is possible without agriculture doing well.

Then a good agricultural season also increases the rural purchasing power (over 70% of the people still live in villages). This increased purchasing power constitutes the demand for the industrial sector and leads to its growth. Many capital goods industries like tractors, machines and basic goods industries like fertilizers are directly dependent upon agriculture for their demand.

A failure of monsoon also means fall in food supply and pushes up inflation.

Its importance is rightly reflected in the fact that recently RBI governor himself said that further monetary policy direction will depend upon the monsoons.

Do not focus only on agriculture & dearth of monsoon. Focus on social factors etc. Refer to all answers for more points.

Q4. Answer in about 50 words each (4 x 5 = 20 marks)**Q4.a Zero Based Budgeting (5 marks)**

Traditional budgeting involves only incremental changes to the previous year's allocations. Zero based budgeting involves discarding previous allocations, taking a fresh view of each program, its necessity, the priorities of the government and then making allocation for it in the current budget.

Q4.b Effective Revenue Deficit (5 marks)

A part of revenue deficit includes grants from the centre to the states. Now a part of these grants is utilized by the states for capital projects and not revenue expenditure. So it should not count under revenue expenditure. Thus,

Effective Revenue Deficit = Revenue Deficit - Part of grants to states utilized by them for capital creating projects.

Q4.d Commodity Transaction Tax (5 marks)

CTT is a tax levied in this year's budget (to bring commodities markets at par with the equities markets in terms of taxation) on the transactions happening on the commodities exchange. Thus a tax of 0.08% means that if the total size of the transaction is Rs. 100, then 8 paise are payable to the government as the CTT.

It is the counterpart of STT which is levied in the equity markets.

Q4.e Inflation Linked Bonds (5 marks)

Inflation Linked Bonds have their principle and interest both indexed to inflation. Thus they promise returns to the investors in real terms and work as an effective hedge against inflation.

They would be issued this year in India and linked to WPI. This is being done to check import of gold for inflation hedge.

Q5. Answer in about 20 words (5 x 2 = 10 marks)**Q5.a Pareto Optimality (2 marks)**

When it is not possible to reach a stage via a policy change where at least one person is better off and no one is worse off compared to present stage, the present stage is called a pareto optimal stage.

In a pareto suboptimal stage, such a transition is always possible.

Q5.b Sunset Legislation (2 marks)

Legislations which have a specific time period mentioned in their text itself after which they would cease to be in force are called sunset legislations.

Q5.c Core Inflation (2 marks)



Section 1: Introduction

The purpose of this document is to provide a comprehensive overview of the project's objectives and scope. It is intended for the use of all stakeholders involved in the project.



Section 2: Objectives

The primary objectives of this project are to identify the key areas for improvement, develop a strategic plan, and implement the necessary changes to achieve the organization's long-term goals.



Section 3: Methodology

The methodology adopted for this project involves a combination of qualitative and quantitative research methods. This includes interviews, surveys, and data analysis to ensure a thorough understanding of the current state and future needs.



Section 4: Results

The results of the initial assessment indicate that there are significant opportunities for growth and efficiency. The data shows a clear need for a structured approach to address the identified challenges.

Section 5: Conclusion

In conclusion, the project is well-positioned to succeed. By following the outlined methodology and focusing on the key objectives, the organization can achieve its desired outcomes and maintain a competitive edge in the market.

For further information, please contact the project manager at [contact details].

Section 6: Appendix

The appendix contains additional data and supporting documents that provide further context and detail for the project findings.

Section 7: References

The following references were consulted during the research and development of this document.

Headline inflation consists of volatile items like food and fuel. Once we remove these volatile items from it, we get the core inflation.

It is the central index tracked by central banks in advanced countries.

Q5.d GDP Deflator (2 marks)

Nominal GDP may change due to change in quantity of production as well as change in prices. Real GDP is the change in GDP assuming constant prices and only accounting for change in quantity of production.

GDP Deflator = $\text{Nominal GDP} / \text{Real GDP}$.

Q5.e Gold ETF (2 marks)

Gold ETFs are exchange traded fund schemes whose value tracks the value of a pre-defined standard of gold directly.

They are document and bank based, so investment in them is free from concerns about black money.
