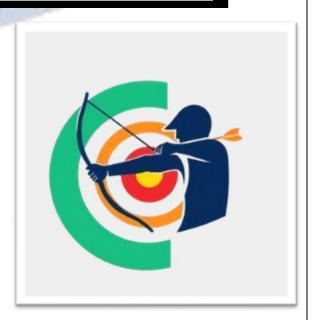
The Pension Fund Regulatory and Development Authority (PFRDA), established under the PFRDA Act, 2013, invites applications for 40 Assistant Manager (Grade A) vacancies across multiple streams.

This prestigious opportunity offers aspirants a chance to contribute to India's pension sector, ensuring financial security for millions.



MOST PROBABLE MCQS ON ECONOMICS (QUESTIONS 361-430)



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PART 6: MCQS ON ECONOMICS (QUESTIONS 361-430)

Below is the sixth part of the 500 MCQs for PFRDA Grade A preparation, focusing exclusively on the "Economics" topic in the financial/pension sector.

These 70 MCQs cover subtopics comprehensively, including basics of economics, microeconomics (demand/supply, market structures), macroeconomics (national income, inflation, unemployment), growth and development, money and banking, public finance (fiscal policy, taxation, budget), international economics (trade, BoP, exchange rates), Indian economy (planning, reforms, sectors), and their linkages to pension systems like NPS, financial stability, and retirement planning.

Explanations provide key concepts, ensuring syllabus coverage through practice and analysis.

- 361. Economics is the study of
 - A) Wealth only
 - B) Allocation of scarce resources to satisfy unlimited wants
 - C) Politics
 - D) History

Correct Answer: B

Explanation: Scarcity leads to choices, opportunity costs; foundational for pension resource allocation in aging populations.

- 362. Microeconomics focuses on
 - A) Individual units like households, firms

B) Aggregate economy
C) Global trade
D) Government policy
Correct Answer: A
Explanation: Analyzes price determination, consumer behavior, relevant for individual pension decision
363. Law of Demand states
A) Inverse relationship between price and quantity demanded
B) Direct relationship
C) No relationship
D) Constant
Correct Answer: A
Explanation: Ceteris paribus, higher price reduces demand; applies to pension product pricing.
364. Elasticity of demand measures
A) Responsiveness of quantity to price change
B) Total demand
C) Supply
D) Income
Correct Answer: A
Explanation: Ed = $\%\Delta Q$ / $\%\Delta P$; inelastic for necessities, elastic for luxuries like optional pensions.
365. Supply curve slopes
A) Upward to the right
B) Downward
C) Horizontal
D) Vertical

Correct Answer: A

Explanation: Higher price incentivizes more supply; equilibrium with demand sets market prices.

366. Perfect competition features

- A) Many sellers, homogeneous products, free entry/exit
- B) One seller
- C) Few sellers
- D) Differentiated products

Correct Answer: A

Explanation: Price takers, efficient allocation; ideal for competitive pension markets.

367. Monopoly is characterized by

- A) Single seller, barriers to entry
- B) Many sellers
- C) Perfect information
- D) No barriers

Correct Answer: A

Explanation: Price maker, potential inefficiency; regulated in financial services to protect pensioners.

368. Macroeconomics deals with

- A) Aggregates like GDP, inflation
- B) Firm level
- C) Consumer choice
- D) Market structures

Correct Answer: A

Explanation: Guides policy affecting pension fund returns via economic cycles.

369. GDP measures
A) Market value of final goods/services in a period
B) Intermediate goods
C) Non-market activities
D) Wealth stock
Correct Answer: A
Explanation: Nominal vs. real (adjusted for inflation); indicator of economic health for pensions.
370. National income accounting includes
A) GDP, GNP, NNP, NI
B) Only GDP
C) Assets

D) Debts

Correct Answer: A

Explanation: GNP = GDP + NFIA; NNP = GNP - depreciation; vital for per capita income in development.

371. Inflation is

- A) Sustained rise in general price level
- B) One-time increase
- C) Deflation
- D) Stable prices

Correct Answer: A

Explanation: Measured by CPI/WPI; erodes pension purchasing power, hedged via indexed schemes.

372. Types of inflation include

- A) Demand-pull, cost-push, structural
- B) Only hyper

C) Deflationary
D) No types
Correct Answer: A
Explanation: Demand-pull from excess demand; cost-push from rising inputs; affects retirement savings.
373. Unemployment types are
A) Frictional, structural, cyclical, seasonal
B) Only voluntary
C) Involuntary only
D) No unemployment
Correct Answer: A
Explanation: Natural rate = frictional + structural; cyclical from recessions impacting pension contributions.
374. Phillips curve shows
A) Trade-off between inflation and unemployment
B) Direct relation
C) No relation
D) Long-run vertical
Correct Answer: A
Explanation: Short-run inverse; long-run vertical at NAIRU, policy dilemma for stable pensions.
375. Economic growth is
A) Increase in real GDP over time
B) Nominal increase
C) Population growth
D) Inequality reduction
Correct Answer: A

Explanation: Driven by capital, labor, technology; sustains pension systems via larger tax base.
376. Economic development includes
A) Growth + qualitative changes like HDI
B) Growth only
C) GDP alone
D) Industrialization
Correct Answer: A
Explanation: HDI (health, education, income); ensures inclusive growth for universal pensions.
377. Money functions as
A) Medium of exchange, unit of account, store of value
B) Only barter
C) No functions
D) Debt only
Correct Answer: A
Explanation: Facilitates transactions; in pensions, as deferred consumption.
378. Central bank controls money supply via
A) OMO, CRR, SLR, repo rate
B) Fiscal policy
C) Taxation
D) Spending
Correct Answer: A
Explanation: RBI tools; influences interest rates affecting pension yields.
379. Commercial banks create money through

A) Credit creation via fractional reserves	
B) Printing	
C) Government grants	
D) No creation	
Correct Answer: A	
Explanation: Multiplier = I/CRR; expands economy, funds pension investments.	
380. Fiscal policy involves	
A) Government spending and taxation	
B) Monetary	
C) Trade	
D) Exchange	
Correct Answer: A	
Explanation: Expansionary (deficit) for growth; contractionary for inflation control.	
381. Budget deficit is	
A) Expenditure > Revenue	
B) Surplus	
C) Balanced	
D) No budget	
Correct Answer: A	
Explanation: Financed by borrowing; impacts public debt, pension sustainability.	
382. Direct taxes are	
A) Progressive, e.g., income tax	
B) Regressive	
C) Indirect	

D) Fixed	
Correct Answer: A	
Explanation: Based on ability to pay; tax incentives for pensions like 80C deductions.	
383. Indirect taxes like GST are	
A) On goods/services, shiftable	
B) Direct	
C) No shifting	
D) Voluntary	
Correct Answer: A	
Explanation: Uniform tax, reduces cascading; affects pension costs indirectly.	
384. Public debt management aims at	
A) Sustainable borrowing	
B) No debt	
C) Unlimited	
D) Only external	
Correct Answer: A	
Explanation: FRBM Act targets; high debt crowds out private investment, affects pensions.	
385. Balance of Trade is	
A) Exports - Imports of goods	
B) Services included	
C) Capital	
D) All transactions	
Correct Answer: A	
Explanation: Part of current account; surplus strengthens currency.	

386. Balance of Payments (BoP) includes
A) Current + Capital + Financial accounts
B) Trade only
C) Reserves
D) Errors
Correct Answer: A
Explanation: Always balances; deficits financed by reserves/FDI, impacts forex for global pensions.
387. Exchange rate determination in floating system by
A) Market forces of demand/supply
B) Fixed by government
C) Gold standard
D) No determination
Correct Answer: A
Explanation: Depreciation if demand for foreign currency rises; affects international pension funds.
388. Comparative advantage theory by Ricardo suggests
A) Trade based on lower opportunity cost
B) Absolute advantage
C) No trade
D) Protectionism
Correct Answer: A
Explanation: Gains from specialization; promotes open economies for pension investments.
389. WTO promotes
A) Free trade, dispute settlement

B) Tariffs	
C) Quotas	
D) Isolation	
Correct Answer: A	
Explanation: GATT successor; reduces barriers, benefits Indian financial services exports.	
390. Indian economy is classified as	
A) Mixed, developing	
B) Socialist	
C) Capitalist	
D) Agrarian only	
Correct Answer: A	
Explanation: Public-private coexistence; post-1991 liberalized.	
201 Five Very Blancin In discipled to	
391. Five-Year Plans in India aimed at	
A) Balanced growth, self-reliance	
B) No planning	
C) Annual only	
D) Decentralized	
Correct Answer: A	
Explanation: NITI Aayog replaced Planning Commission; focused on poverty, employment for social security.	
392. 1991 Reforms included	
A) Liberalization, Privatization, Globalization (LPG)	
B) Nationalization	
C) Controls	

	D) Isolation
	Correct Answer: A
	Explanation: Deregulation, FDI; boosted growth, pension market development.
3	393. Agriculture sector contributes
	A) ~15-20% to GDP, employs ~45% workforce
	B) 50% GDP

- C) Negligible
- D) 80% employment

Correct Answer: A

Explanation: Green Revolution; subsidies, MSP; rural pensions like PM-KISAN linked.

394. Industrial sector growth driven by

- A) Make in India, PLI schemes
- B) Agriculture
- C) Services
- D) No growth

Correct Answer: A

Explanation: MSMEs, infrastructure; creates jobs, tax revenue for pensions.

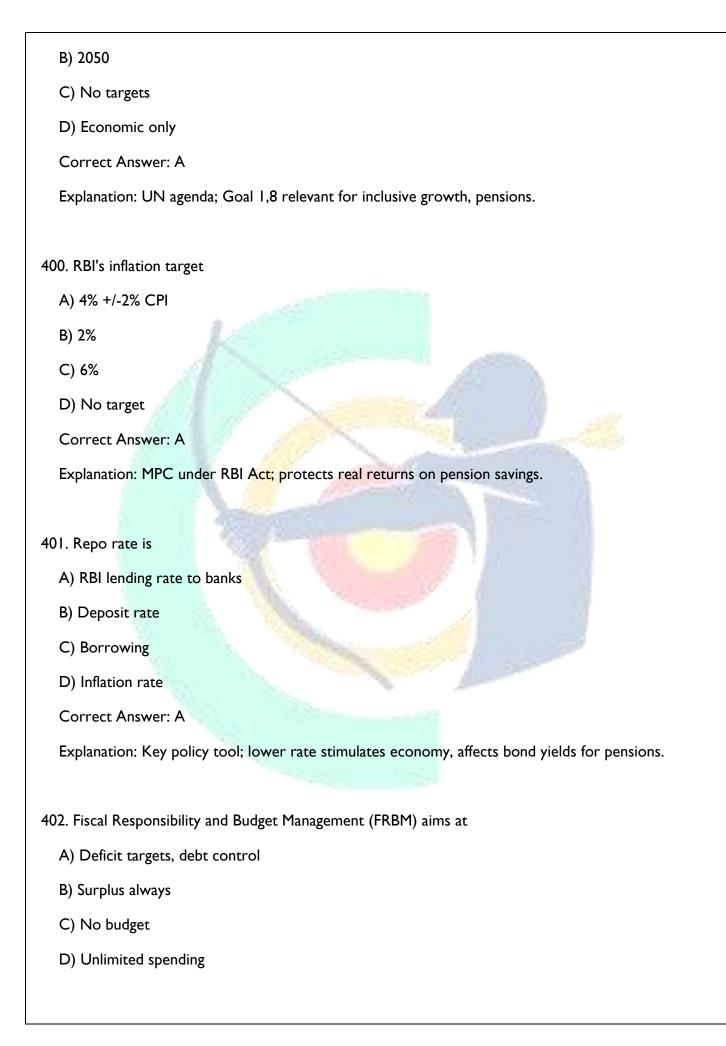
395. Services sector share in GDP

- A) ~55%, IT, finance dominant
- B) 20%
- C) 10%
- D) 70%

Correct Answer: A

Explanation: Outsourcing hub; financial services include pensions, insurance.

396. Poverty measurement in India uses
A) Tendulkar/Rangarajan methodologies, MPI
B) GDP only
C) No measurement
D) Income alone
Correct Answer: A
Explanation: Calorie-based, now multidimensional; anti-poverty programs support old-age security.
397. Inequality measured by
A) Gini coefficient, Lorenz curve
B) Average income
C) GDP
D) Inflation
Correct Answer: A
Explanation: India ~0.4; progressive taxes, transfers reduce it, aid equitable pensions.
398. Demographic dividend refers to
A) Large working-age population
B) Aging
C) Child labor
D) Migration
Correct Answer: A
Explanation: India 2020-2040 window; skill development for productive workforce, pension funding.
399. Sustainable Development Goals (SDGs) target
A) 2030, 17 goals like no poverty, zero hunger



Correct Answer: A
Explanation: 3% fiscal deficit target; ensures intergenerational equity for pensions.
403. Goods and Services Tax (GST) implemented in
A) 2017, one nation one tax
B) 1991
C) 1950
D) 2005
Correct Answer: A
Explanation: Rates 0-28%; boosts revenue, indirect impact on pension affordability.
404. Foreign Direct Investment (FDI) in India
A) Automatic in most sectors, up to 100%
B) Prohibited
C) 26% max
D) Government only
Correct Answer: A
Explanation: Attracts capital; in pensions/insurance up to 74%, enhances competition.
405. Make in India initiative for
A) Manufacturing hub, job creation
B) Services
C) Agriculture
D) Export ban
Correct Answer: A
Explanation: 25 sectors; supports economic growth, pension contributions.

406. Atmanirbhar Bharat emphasizes
A) Self-reliance, vocal for local
B) Imports
C) Dependency
D) No emphasis
Correct Answer: A
Explanation: Stimulus packages; builds resilient economy for stable pensions.
407. Human Development Index (HDI) components
A) Life expectancy, education, GNI per capita
B) GDP only
C) Population
D) Trade
Correct Answer: A
Explanation: India medium HDI; improves with health/education, supports longer retirements.
408. Lorenz curve plots
A) Cumulative income vs. population
B) Inflation
C) Growth
D) Unemployment
Correct Answer: A
Explanation: Gini = area between curve and equality line; measures distribution for pension equity.
409. Okun's law relates
A) GDP growth and unemployment
B) Inflation-unemployment

	C) Trade-growth
	D) No relation
	Correct Answer: A
	Explanation: I% unemployment rise = 2% GDP loss; policy for full employment pensions.
4	0. Laffer curve shows
	A) Tax rate vs. revenue, optimal rate
	B) Linear increase
	C) No revenue
	D) Fixed
	Correct Answer: A
	Explanation: High rates may reduce revenue; guides tax policy for pension funding.
4	1. Purchasing Power Parity (PPP) adjusts
	A) GDP for cost of living differences
	B) Nominal
	C) No adjustment
	D) Inflation only
	Correct Answer: A
	Explanation: India higher PPP GDP; better compares living standards, pension adequacy.
4	2. Terms of trade is
	A) Export prices / Import prices
	B) Volume
	C) Currency
	D) No terms
	Correct Answer: A

413. IMF provides
A) Financial assistance, SDRs
B) Trade rules
C) No assistance
D) Military
Correct Answer: A
Explanation: Quota-based; India borrows during crises, stabilizes economy.
414. World Bank focuses on
A) Development loans, poverty reduction
B) Monetary policy
C) Trade
D) Currency
Correct Answer: A
Explanation: IBRD, IDA; funds infra, human capital for sustainable pensions.
415. SEZs in India promote
A) Exports, tax incentives
B) Imports
C) No zones
D) Agriculture
Correct Answer: A
Explanation: 2005 Act; creates jobs, forex earnings.
416. Black economy refers to

Explanation: Improvement benefits economy; affects BoP, forex for pensions.

A) Unaccounted income, tax evasion
B) Formal
C) White
D) No economy
Correct Answer: A
Explanation: Demonetization aimed to curb; reduces tax base for social security.
417. Inclusive growth means
A) Benefits all sections, reduces disparities
B) Elite only
C) Urban
D) No growth
Correct Answer: A
Explanation: Policies like MGNREGA; ensures pension access for marginalized.
418. Capital account convertibility allows
A) Free capital flows
B) Current only
C) Restricted
D) No convertibility
Correct Answer: A
Explanation: India partial; full risks volatility in pension investments.
419. Twin deficit hypothesis links
A) Fiscal and current account deficits
B) No link
C) Inflation-unemployment

- D) Growth-trade
- Correct Answer: A

Explanation: High fiscal deficit may widen CAD; policy coordination needed.

- 420. Solow model explains growth via
 - A) Capital accumulation, technology
 - B) Consumption only
 - C) No growth
 - D) Labor alone

Correct Answer: A

Explanation: Steady state; exogenous tech progress for long-term growth.

- 421. Kuznets curve hypothesizes
 - A) Inequality rises then falls with growth
 - B) Constant
 - C) Falls always
 - D) Rises always

Correct Answer: A

Explanation: Inverted U; India in rising phase, needs policies for equitable pensions.

- 422. Big Push theory for development
 - A) Coordinated investments in multiple sectors
 - B) Small steps
 - C) No investment
 - D) One sector

Correct Answer: A

Explanation: Rosenstein-Rodan; breaks low-level equilibrium traps.

423. Monetary policy transmission via A) Interest rate, credit, asset price channels B) Fiscal C) No transmission D) Trade Correct Answer: A

Explanation: Effectiveness depends on banking health; impacts pension returns.

424. Crowding out effect when

- A) Government borrowing raises interest rates, reduces private investment
- B) Increases investment
- C) No effect
- D) Lowers rates

Correct Answer: A

Explanation: In fiscal expansion; limits growth potential for pensions.

425. Stagflation is

- A) High inflation + high unemployment
- B) Low both
- C) Growth with inflation
- D) Deflation

Correct Answer: A

Explanation: 1970s oil shocks; challenges policy, erodes fixed pensions.

426. Rational expectations theory assumes

A) Agents use all information, no systematic errors

	B) Irrational
	C) Adaptive
	D) No expectations
	Correct Answer: A
	Explanation: Policy ineffectiveness if anticipated; for forward-looking pension planning.
4′.	27. Ricardian equivalence suggests
	A) Debt-financed spending = tax-financed, no stimulus
	B) Stimulus always
	C) No equivalence
	D) Only taxes
	Correct Answer: A
	Explanation: Households save for future taxes; questions deficit spending efficacy.
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4:	28. Engel's law states
4 2	28. Engel's law states A) Food expenditure share f <mark>alls with income rise</mark>
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4 2	A) Food expenditure share falls with income rise
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	A) Food expenditure share falls with income rise B) Increases C) Constant D) No law Correct Answer: A Explanation: Indicates development; higher income for savings, pensions. 29. Heckscher-Ohlin model bases trade on A) Factor endowments

D) Scale

Correct Answer: A

Explanation: Export factor-abundant goods; India labor-intensive exports.

430. New Trade Theory incorporates

- A) Economies of scale, imperfect competition
- B) Perfect competition
- C) No trade
- D) Barter

Correct Answer: A

Explanation: Krugman; intra-industry trade, benefits diversification in pensions.

