

**NLAT 2020 – UG  
BATCH 1 QUESTION PAPER**

PASSAGE 1:.....	1
PASSAGE 2.....	6
PASSAGE 3.....	11
PASSAGE 4.....	16

**PASSAGE 1:**

*Each set of questions in this section is based on a single passage. Please answer each question relying on what is stated or implied in the corresponding passage. If more than one option provides a partial answer to the question, choose the option that most accurately and comprehensively answers the question.*

Risk is a central fact of life for the poor, who often run small businesses or farms or work as casual laborers, with no assurance of regular employment. In such lives a bad break can have disastrous consequences.

In summer 2008, Ibu Tina lived with her disabled mother, her two brothers, and her four children ages three to nineteen in a tiny house in Cica Das, the vast urban slum in Bandung, Indonesia. The three younger children were at least nominally in school, but the oldest had dropped out. **[1]** Her two unmarried brothers, a daily wage-earning construction workers and a taxi driver, kept the family from entirely going under, but there never seemed to be enough money for school fees, food, clothes for her children, and care for her aging mother. **[1]**

Yet this had not always been Ibu Tina’s life. When she was young, she worked in a garment factory. After she got married, she joined her husband’s garment business. They had four employees, and the business was doing well. Their problems started when a business acquaintance they trusted gave them a bad cheque worth 20 million Rupiah (or 3750 USD). They went to the police and reported the crime. Policemen demanded 2.5 million Rupiah in bribes even to start investigating; after they were paid, they did manage to arrest the defaulter. He ended up spending a week in prison before he was released, after promising to repay what he owed. After reimbursing 4 million Rupiah to Ibu Tina (of which the police claimed another 2 million Rupiah) and promising to repay the rest over time, he disappeared and has not been heard from since. Ibu Tina and her husband had paid 4.5 million Rupiah in bribes to recoup 4 million Rupiah.

For the next three or four years, they tried very hard to bounce back and eventually managed to get a loan of 15 million Rupiah from PUKK, a government lending program. They used the loan to start a garment-trading business. One of their first large orders was for shorts. They purchased the shorts

from the garment makers and had them ironed and packaged for sale, but then the retailers backed off, leaving them with thousands of shorts that no one wanted.

The sequence of disasters put enormous stress on their marriage, and shortly after the second mishap, they got divorced. Ibu Tina moved in with her mother, bringing with her the four children and the stacks of shorts. When we met her she was still trying to recover from that trauma and said that she did not really have the energy to start again. She thought that when she felt better, she would open a small grocery shop in a part of her mother's house, and maybe sell some of the shorts for Idul Fitri, the Muslim holiday.

[Extracted, with edits and revisions, from *Poor Economics: Rethinking Poverty and the Ways to End It*, by Abhijit V. Banerjee and Esther Duflo, Penguin, 2013.]

1. The sentence enclosed within '[1]' in the passage above may have a grammatical error. Which of the following would remove the error, if any?
  - (a) Replace 'entirely' with 'completely'.
  - (b) Replace 'care' with 'caring'.
  - (c) Replace 'workers' with 'worker'.
  - (d) No change required.

(Answer: (c))

2. Suppose the laws of Indonesia state that every person has a right to report a crime to the police, and if the police refuses to accept a report of a crime from any person, they have violated that person's rights. In the situation described above, relating to the bad cheque that Ibu Tina and her husband got, did the policemen violate Ibu Tina's and her husband's rights under this law?
  - (a) Yes, since they demanded a bribe to even start investigating the crime.
  - (b) No, since the report of the crime was recorded by the police.
  - (c) Yes, since they took a cut from the amount that was recovered from the debtor.
  - (d) The police had violated Ibu Tina's husband's rights, but not hers, since he owned the garment business.

(Answer: (b))

3. Assume the policemen would have asked Ibu Tina for a bribe to start investigating any crime she reported, and that the amount of the bribe would be the same percentage of the value of the crime as the bribe was to the value of the bad cheque in the passage above. They then split the bribe amongst them by the three ranks in the police station, such that the highest-ranked officer got three times the amount as the next-highest-ranked officer, and

four times the amount that the lowest-ranked officer (there are only three officers in the station, one in each rank). What would be the share of bribe, in Rupiah, that the lowest-ranked officer would get in relation to a crime of a value of 8,350 USD?

- (a) More than 1 million Rupiah
- (b) More than 0.5 million but less than 0.7 million Rupiah
- (c) Less than .5 million Rupiah
- (d) More than 0.7 million but less than 1.00 million Rupiah

(Answer: (d))

4. Which of the following best describes the main point that the authors make in the passage above?

- (a) That poor people live in very risky circumstances and can suffer greatly if they encounter a misfortune.
- (b) That the police in Indonesia are very corrupt.
- (c) That the garments industry is a very risky business.
- (d) That poor people should not try to run their own business.

(Answer: (a))

5. Suppose that after their divorce, Ibu Tina's husband had little to no contact with his ex-wife and children and spoke to them only once a year. He also started a profitable electronics business. The laws of Indonesia provide that "any parent whose child drops out of school would be punished with a fine of 10 million Rupiah, unless the parent is able to show that this was because of exigent circumstances". One day, the police arrive at Ibu Tina's husband's house, and arrest him for violating this law. Has he violated this law?

- (a) No, since Ibu Tina had taken the children and he had only become a successful businessman after his divorce.
- (b) No, the financial hardships he went through were exigent circumstances.
- (c) Yes, since his eldest child had dropped out of school.
- (d) No, since his oldest child was nineteen, and therefore an adult.

(Answer: (c))

6. Which among the following is not among the key findings of an Index that seeks to identify deprivation across health, education, and standard of living, shows the proportion of people who are poor and also sheds light on the average number of deprivations that each such person suffers simultaneously, and which was released by the Oxford Poverty and Human

Development Initiative at the University of Oxford and the Human Development Report Office of the United Nations Development Programme?

- (a) India doubled its Multidimensional Poverty Index value in the last year, in similar fashion as other South Asian countries.
- (b) Across 107 developing countries, 1.3 billion people—22%—live in multidimensional poverty.
- (c) About 84.3% of multidimensionally poor people live in Sub-Saharan Africa (558 million) and South Asia (530 million).
- (d) 107 million multidimensionally poor people are age 60 or older—a particularly importantly figure during the COVID-19 pandemic.

(Answer: (a))

7. Assume Ibu Tina and her husband spent the loan they received from PUKK in the proportion of 67% to purchase the shorts, 23% to pay the people who ironed the shorts and 10% on packaging them. Further, assume that four people were hired to iron the shorts and each of them could iron only 10 shorts in an hour. In that case, how many hours was each person hired for, if Ibu Tina and her husband purchased each pair of shorts for 200 Rupiah?

- (a) 1,250 hours
- (b) 1,320 hours
- (c) 1,275 hours
- (d) 1,330 hours

(Answer: (a))

8. Which of the following was not amongst the developmental and regulatory policies announced by the RBI to directly address the stress in financial conditions caused by COVID-19, in its document dated March 27, 2020 regarding a moratorium on term loans as a response to the circumstances caused by the COVID-19 pandemic?

- (a) Easing financial stress caused by COVID-19 disruptions by relaxing repayment pressures and improving access to working capital.
- (b) Encouraging conversations between farmers and private banks to explore the possibility of a complete waiver of all historically outstanding bank loans.
- (c) Reinforcing monetary transmission so that bank credit flows on easier terms are sustained to those who have been affected by the pandemic.
- (d) Improving the functioning of markets in view of the high volatility experienced with the onset and spread of the pandemic

(Answer: (b))

9. Which of the following, if true, would most weaken the authors' main argument in the passage above?

- (a) Indonesian anti-corruption laws are very strict.
- (b) The garments industry in Indonesia is booming.
- (c) Divorced women in Indonesia suffer a great deal of social harassment.
- (d) Poor people receive a great deal of economic support from the government and as such, they can recover easily from setbacks.

(Answer: (d))

10. Which among the following most accurately describes the state of Ibu Tina's three younger children's schooling?

- (a) They were not enrolled in school.
- (b) While they were enrolled in school, they did not actually attend.
- (c) They had graduated from school.
- (d) They had received a fee waiver from their school.

(Answer: (b))

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## PASSAGE 2

*Each set of questions in this section is based on a single passage. Please answer each question relying on what is stated or implied in the corresponding passage. If more than one option provides a partial answer to the question, choose the option that most accurately and comprehensively answers the question.*

The COVID-19 crisis and subsequent lockdown measures have adversely affected all forms of economic activity, including India's agricultural sector. The timing of these lockdowns coincided with the cropping cycles, particularly affecting the harvesting cycle of the Rabi crop.

In the major wheat producing states the supply of wheat dropped by an average 23% in March 2020 and by 42% in April 2020 relative to the previous cropping season. The situation was worse in the case of perishable food items such as vegetables, fruits, milk and poultry. Their supply was hit by the lack of infrastructure like warehousing facilities. Potato supply fell by almost 60% compared to the previous season in Uttar Pradesh and West Bengal, and that for oilseeds like mustard fell by roughly 52% in Rajasthan and Madhya Pradesh. The closure of sweet shops, teashops, restaurants and small eateries combined with high unemployment and reduced incomes ultimately led to the sudden drop in demand for these commodities: the milk demand declined by roughly 23% during the March to May period.

In recognition of the damage caused to farmers due to the imposition of strict lockdown measures, the central government announced a composite relief package in May 2020 that included enhanced credit availability to provide emergency working capital to farmers.

**[1]** However, a policy-level reliance on credit-based relief relies heavily on existing institutional mechanisms that are inefficient and would limited credit accessibility to only a select strata of India's rural society, potentially leading to higher inequality and higher incidence of poverty. **[1]** Therefore, alternative policy instruments such as direct benefit transfers should supplement the credit-linked relief measures to circumvent the ongoing COVID-19 crisis.

Over the years, the scope of priority sector lending evolved to additionally focus on those segments of the population that were historically excluded from accessing credit, thereby making it a tool to address the problem of financial exclusion. But, despite almost six decades of efforts to expand the institutional credit outreach, as of 2013, only 61% of the total credit disbursed to agricultural households came from institutional sources. Furthermore, to make matters worse, this limited access has been largely skewed towards the educated class and wealthier, land-owning farmers who belong to the upper castes. Data shows that the small and marginal farmers (those owning up to 2 acres of land) constitute roughly 92% of the total landholdings nationally, yet only received 29 per cent of institutional credit until 2013. Thus, not only is institutional credit access limited, it is also skewed away from those members of the agricultural community who would need it the most.

Clearly, while credit is an essential instrument to sustain household finance, relying extensively on formal credit channels can lead to the exclusion of small and marginal land-owners. Such interventions can even deepen existing income inequality in rural communities.

[Extracted, with edits and revisions, from “The credit burden”, by Sumedha Shukla and Gaurav Arora, *The Indian Express*, <https://indianexpress.com/article/opinion/columns/covid-credit-lockdown-demand-supply-chain-farmers-kharif-burden-6576476/>]

1. If Uttar Pradesh produced 357.19 lakh metric tons (“**MT**”) of wheat in 2019 and Punjab produced 275.8 lakh MT of wheat in 2020, then how much wheat did Uttar Pradesh produce in 2020 as compared to Punjab in the same year? (Assume that (i) both Uttar Pradesh and Punjab are “major wheat producing states” as described in the passage, (ii) both states only produce wheat in March and April, (iii) an equal amount of wheat is produced in each state in each of these months and (iv) both states suffered exactly the same amount of shortfall in wheat production in 2020 as described in the passage for “major wheat producing states”.)
  - (a) Between 45 and 50 lakh MT less than Punjab
  - (b) Between 30 and 35 lakh MT less than Punjab
  - (c) Between 20 and 25 lakh MT more than Punjab
  - (d) Between 50 and 55 lakh MT more than Punjab

(Answer: (b))

2. Which among the following are the authors most likely to agree with?
  - (a) Removing inefficiencies in institutional mechanisms would help extend credit access to a larger number of those who need it.
  - (b) Alternative policy instruments, such as direct benefit transfer, rely on inefficient institutional mechanisms.
  - (c) Credit-linked relief measures should be replaced entirely with direct benefit transfers.
  - (d) Direct benefit transfers are skewed towards the educated class and wealthier, land-owning farmers who belong to the upper castes.

(Answer: (a))

3. Which among the following schemes does the Government of India use to make direct benefit transfers?
  - (a) Aadhaar
  - (b) PAHAL
  - (c) Mahatma Gandhi National Rural Employment Guarantee Scheme
  - (d) All of the above

(Answer: (d))

4. Suppose the government passes a law named the *Priority Sector Lending Act, 2020* (the “Act”) which provides that banks must give loans upto Rs. 1 lakh (defined as “Small Loans” under the Act) to small and marginal farmers, if such loan is taken for agricultural purposes. Further, in such cases, the bank should not demand any collateral from such farmers. If the loan is not for agricultural purposes, the bank may demand a collateral for such loans. Rakesh owns 1.5 acres of land and applies for a loan of Rs. 70,000 from a regional bank to purchase a motorcycle for his son, who has just been admitted to a college in the nearby town. Rakesh says he has Rs.70,000 in savings, but that he needs to use his savings to purchase seeds and fertilisers for the upcoming sowing season. The bank asks Rakesh to provide collateral for the loan, but Rakesh claims this is a violation of the Act. Is he right?
- (a) Yes, since Rakesh is a ‘small and marginal farmer’ and the value of the loan is less than Rs. 1 lakh.
  - (b) No, since the bank can only demand collateral for a loan of more than Rs. 1 lakh from small and marginal farmers.
  - (c) Yes, since he had to use his savings for agricultural purposes.
  - (d) No, since he did not apply for the loan for agricultural purposes.

(Answer: (d))

5. Why, according to the authors, do credit-linked relief measures have the potential to increase income inequality in rural communities?
- (a) Because these tend to be inefficient and skewed towards educated, richer farmers, while remaining inaccessible to small and marginal farmers, who need them more.
  - (b) Because small and marginal farmers are unable to pay back loans, and thus, fall into poverty.
  - (c) Because farmers who belong to the poorer sections of society do not wish to take loans.
  - (d) All of the above.

(Answer: (a))

6. Which among the following, if true, would most weaken the authors’ arguments in the passage above?
- (a) Direct benefit transfers do not rely on the same inefficient institutional mechanisms that credit-linked relief measures do.
  - (b) The institutional mechanisms on which credit-linked relief measures rely are very inefficient.
  - (c) While credit-linked relief measures are skewed towards more privileged farmers, direct benefit transfers are so plagued by corruption that the benefits never reach the intended beneficiaries.
  - (d) While credit-linked relief measures are skewed towards more privileged farmers, direct benefit transfers always ensure that the benefits reach the intended beneficiaries.

(Answer: (c))

7. Assume that a total of Rs. 50,000 crore were provided as credit to agricultural households as of 2013 and that this was distributed amongst farmers who collectively owned 500 crore acres of land. If this is the case, then how much credit per acre of land owned was disbursed to small and marginal farmers from institutional sources until 2013?

- (a) Approximately 31 rupees/acre
- (b) Approximately 100 rupees/acre
- (c) Approximately 19 rupees/acre
- (d) Approximately 66 rupees/acre

(Answer: (c))

8. The sentence enclosed within '[1]' in the passage above may have a grammatical error. Which of the following would remove the error, if any?

- (a) No change required.
- (b) Replace 'potentially' with 'potential'.
- (c) Replace 'select' with 'selection'.
- (d) Replace 'limited' with 'limit'.

(Answer: (d))

9. In March 2020, farming activities in India were exempted from the lockdown measures necessitated by the COVID-19 pandemic to facilitate sowing of kharif crops and harvesting of rabi crops; which among the following allied activities was also exempted:

- (a) The movement of migrant workers to cities.
- (b) Manufacturing and packaging units of Fertilizers, Pesticides and Seeds.
- (c) Agencies engaged in importing food.
- (d) Factories engaged in manufacturing of farm equipment.

(Answer: (b))

10. Suppose the Government announces a composite relief package to provide emergency working capital to farmers who are in financial distress. Babu, a farmer, owns 300 acres of land on which he grows three rabi crops, wheat, gram and mustard. The lockdown precipitated by COVID-19 meant that he was unable to employ farm workers to harvest and sell the rabi crop, which led to large losses for his farming business. To make matters worse,

this financial loss meant that Babu had to halt his plans to expand the infrastructure and facilities available on his farm to include storage and processing of harvested crops, a new area of business that he had long been planning to enter. Babu applies to a bank under the composite relief package in order to fund the sowing of kharif crops and to act on his plans for infrastructure expansion. Is he eligible for a relief package for these purposes?

- (a) Babu is eligible for a loan for these purposes because he incurred financial losses as a result of his inability to sell the rabi crop.
- (b) No, the composite relief package is meant for small and marginal land-holders and Babu is a large land-holder owning 300 acres of land.
- (c) Yes, Babu is eligible for the loan to fund the sowing of kharif crops but not to act on his plans for infrastructure expansion.
- (d) No, since Babu can use the money meant for infrastructure expansion for the sowing of kharif crops, he does not have an emergency requirement for capital.

(Answer: (c))

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## PASSAGE 3

*Each set of questions in this section is based on a single passage. Please answer each question relying on what is stated or implied in the corresponding passage. If more than one option provides a partial answer to the question, choose the option that most accurately and comprehensively answers the question.*

In acknowledging the right of Hindu daughters to their fathers' properties, the Supreme Court in *Vineeta Sharma v. Rakesh Sharma* (2020) has restored the original intent of the Hindu Succession (Amendment) Act, 2005. The interpretation of this important social reform law was marred by conflicting and contradictory judgments by two-judge benches of the Supreme Court, and the three-judge bench in *Vineeta Sharma* case has cleared the confusion.

Research has revealed that property ownership gives women not just economic freedom and security, but also protection from marital violence. Scholars' work has shown how property ownership, even more than employment and education, seemed to correlate with a reduced incidence of domestic violence, especially marital violence in Kerala. Further studies have shown that there have been significant improvements in the educational attainment of girls and employment opportunities for women following the passage of the 2005 amendment. The second-order effects of property ownership, for women, are therefore quite significant.

[1] However, while the 2005 amendment guaranteed the rights of women to property on paper, its implementation on the ground, as reflected in property ownership by women, remaining ineffective. [1]

Drawing upon data from the 2011 census and the 2015–16 National Family Health Survey, the Centre for Land Governance has shown that there are vast disparities between India's states when it comes to ownership of land. Among the states, Meghalaya had the highest landholding by women (26%), while Punjab had the least (0.8%). States in the south and the north-east of India do much better than northern and western states on this front. States with large agricultural populations, such as Bihar and Rajasthan, also fared poorly on this index.

The data also shows that states that have given daughters coparcenary rights over their father's property (including all the southern states) have among the best rates of property ownership among women across the country.

One of the difficulties in effectively implementing the 2005 amendment is due to the chaotic and inconsistent manner in which landholdings are recorded across the country. While some states (such as Karnataka) have digitised rural landholdings, others still rely on paper documents, which are not always reliably maintained or updated. This means that women's rights to property are not always properly recorded, depriving them of their rights over it. This problem is most acutely felt by women farmers who, despite working on the land that they think they own, are unable to provide documentary evidence of the same when needed. This makes them vulnerable to land-grabs by their own relatives and others.

Similar problems persist in urban areas. In the absence of a clear title, women are forced to undertake long and expensive litigation and to claim what is rightfully theirs. This is only if they resist the pressure from the rest of the family to give up their rights in favour of their brothers “in the interests of family.”

[Extracted, with edits and revisions, from "Women's Right to Property Ownership", Economic & Political Weekly, Vol. 55, Issue No. 35, 29 Aug, 2020, available at:

<https://www.epw.in/journal/2020/35/editorials/womens-right-property-ownership.html>]

1. Assume that the *Hindu Succession (Amendment) Act, 2005* (the “**2005 Amendment**”) came into effect on 15 January 2006, and that it provides that in a Hindu joint family, women shall inherit the property of their parents who have died after the coming into effect of the 2005 Amendment, in the same manner and to an equal extent as any of their male siblings. Before the coming into effect of the 2005 Amendment, women only inherited half as much of their parents’ property as any of their male siblings would, and each male sibling would inherit an equal share as the other male siblings. Radha is one of three siblings in a Hindu joint family; she has two elder brothers. When her father passed away in December 2004, her mother got 50% of Radha’s father’s property, each of her siblings got 20%, and Radha got the remaining amount. Radha claims that because of the 2005 amendment, she should get an equal share in her father’s property as her siblings. Is she right?
  - (a) Yes, since the 2005 Amendment provides that women should inherit the property of their deceased parents to an equal extent as any of their male siblings.
  - (b) No, since her father had passed away before the 2005 Amendment came into effect.
  - (c) Yes, since the 2005 Amendment does not provide that a surviving wife should have any share in the property of her deceased husband.
  - (d) No, since Radha’s mother’s right to inherit in the property is not affected by the 2005 Amendment.

(Answer: (b))

2. The sentence enclosed within ‘[1]’ in the passage may have a grammatical error. Which of the following would be required to remove the error, if any?
  - (a) Replace ‘remaining’ with ‘remains’.
  - (b) Replace ‘ineffective’ with ‘useless’.
  - (c) Replace ‘rights’ with ‘right’.
  - (d) No change required.

(Answer: (a))

3. Which of the following, if true, would most strongly support the author's arguments in the passage above?
- (a) The low incidence of marital violence in Kerala is the result of long-term campaigns by the law enforcement agencies to ensure swift identification and punishment of persons responsible for such crimes.
  - (b) Law enforcement agencies do not discriminate between complaints brought by property owners and non-property owners.
  - (c) The reduced incidence of marital violence in states where women have higher property ownership is due to the fact that such states provide reservations for women in legislatures and not because of women having higher property ownership.
  - (d) Law enforcement agencies have been proven to take the complaints of property owners more seriously and are more likely to take action to address property owners' complaints as opposed to those who do not own property.

(Answer: (d))

4. Based on the information from the 2011 census and the 2015–16 National Family Health Survey set out in the passage above and assuming that women comprise 51% of the population in Meghalaya and 48% of the population in Punjab, what is the percentage of the total landholding in each state held by adult women, if adult women comprise 35% of the total number of women in each state?
- (a) 1% in Punjab and 9.1% in Meghalaya.
  - (b) Less than 10% in Meghalaya and less than 1% in Punjab.
  - (c) Less than 1% in Punjab and more than 10% in Meghalaya.
  - (d) More than 0.28% and 9.1% in Meghalaya and Punjab respectively.

(Answer: (b))

5. The renowned women's rights lawyer Flavia Agnes has authored which among the following books and co-founded which among the following organisations (choose the option that has the correct name of the book and the organisation, both.)
- (a) Book: Women's Human Rights in India, Organisation: Azad Foundation
  - (b) Book: Seeing Like a Feminist, Organisation: Snehalya
  - (c) Book: My Story ... Our Story of Rebuilding Broken Lives, Organisation: Majlis
  - (d) Book: Gender and Community: Muslim Women's Rights in India, Organisation: SEWA

(Answer: (c))

6. The Hindu Succession (Amendment) Act, 2005 mentioned in the passage above amends an Act which was originally a part of the Hindu Code Bill. The Hindu Code bill was later separated into different parts, and these were separately enacted. Which of the following was the first such law to be enacted?

- (a) The Hindu Succession Act
- (b) The Hindu Marriage Act
- (c) The Hindu Minority and Guardianship Act
- (d) The Hindu Adoptions and Maintenance Act

(Answer: (b))

7. If there are 14 states in the country (including Meghalaya) that provide women coparcenary rights over their father's property ("**Coparcenary States**") and 15 states that do not (including Punjab) ("**Non Coparcenary States**") and if the lowest percentage landholding by women in a Coparcenary State is 12%, while the highest percentage landholding by women in a Non Coparcenary State is 15%, then what is the average landholding percentage by women in Coparcenary States and in Non Coparcenary States? Assume that the highest and lowest percentage landholdings are representative of the spread of states between those two extremes.

- (a) 1.9% and 2.2% in Non Coparcenary States and Coparcenary States respectively.
- (b) 9.8% and 18.9% in Non Coparcenary States and Coparcenary States respectively.
- (c) 20.5% and 6.4% in Coparcenary States and Non Coparcenary States respectively.
- (d) 19% and 7.9% in Coparcenary States and Non Coparcenary States respectively.

(Answer: (d))

8. Based on the information provided in the passage above, which of the following is most likely to be true?

- (a) The pronouncement of a bench of any court comprising a larger number of judges can be used to resolve a lack of clarity where there are differences in opinion on the same matter expressed by different benches of any other court comprising a smaller number of judges.
- (b) The pronouncement of a bench comprising a larger number of judges can be used to resolve a lack of clarity where there are differences in opinion on the same matter expressed by different benches of the same court comprising a smaller number of judges.
- (c) The effective implementation of an amendment to a law cannot be achieved without a three-judge bench of the Supreme Court taking a decision on the validity of the amendment.
- (d) The intention of the people who framed the Hindu Succession (Amendment) Act, 2005 was to ensure that women are never actually able to realise their landholding rights.

(Answer: (b))

9. Which of the following most accurately describes the 'front' on which the author says states in the south and the north-east of India do much better than northern and western states?
- (a) The manner in which landholdings are recorded in these states.
  - (b) The extent to which daughters are given coparcenary rights over their father's property in these states.
  - (c) The percentage of crimes against women reported in these states.
  - (d) The percentage of landholding by women in these states.

(Answer: (d))

10. Assume Parliament passes a new law, the *Hindu Succession (Amendment) Act, 2020* (the "**2020 Amendment**") which came into effect on 15 January, 2020. The 2020 Amendment provides that adopted sons in a Hindu joint family shall inherit the property of their parents who have died after the coming into effect of the 2020 Amendment, in the same manner and to an equal extent as any natural children of the deceased person. The only exception to this rule is where the son had been adopted at least ten years before the death of the parent. Assume that prior to the coming into effect of the 2020 Amendment, the position was that adopted children in a Hindu joint family would not have any right to inherit the property of their deceased adoptive parents. Kamala is one of three siblings in a Hindu joint family. She was adopted 15 years before her adoptive mother died, but her siblings are the natural children of Kamala's adoptive parents. When her adoptive mother died in February 2020, she claimed that she should inherit an equal share in the property of her deceased adoptive mother. Her siblings refuse. Is Kamala correct?
- (a) No, since the 2020 Amendment only applies to adopted sons and not adopted daughters.
  - (b) No, since the 2020 Amendment had only come into effect after her adoptive mother had passed away.
  - (c) Yes, since not allowing Kamala to inherit in her deceased adoptive mother's property would be unfair.
  - (d) Yes, since she had been adopted more than ten years before her adoptive mother died.

(Answer: (a))

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## PASSAGE 4

*Each set of questions in this section is based on a single passage. Please answer each question relying on what is stated or implied in the corresponding passage. If more than one option provides a partial answer to the question, choose the option that most accurately and comprehensively answers the question.*

India's forex reserves have crossed an unprecedented mark — over half trillion USD — placing India only behind China and Japan in Asia. And while it may seem like a ray of hope amidst the economic turmoil in the country, one must scrutinise its utility. The issue is not about a “few extra” reserves but unused “excessive” reserves which may indicate that the Indian government is likely anticipating the need of an enormous economic stimulus and hence is banking on these reserves to support the failing Indian economy. If so, over-reliance on forex reserves to provide this stimulus may be dangerous and merely keeping reserves parked now is an opportunity lost.

The recent forex reserves surge was a result of two things: A spike in foreign institutional investments and savings in India's import bill. Foreign institutional investors reinvested in the Indian market in May-June 2020 after they exited their positions in panic in March. On the other hand, a global fall in fuel prices has reduced India's oil import bill allowing it to save up forex reserves. But why does India keep huge forex reserves despite the government's claim that the “fundamentals” of the economy are strong?

Sufficiency of forex reserves is sometimes measured on how many months' worth of imports a country can afford. While six months is considered sufficient, the RBI in December 2019 said it had enough to sustain for 10 months (the forex reserves were then \$ 0.4 trillion). Today the cover is 12 months! This is despite having a sufficient credit line from the IMF, should there be a credit shock. It is understandable for oil-rich countries — which largely sustain on international oil trade — to maintain high forex reserves. A single oil trade hiccup can derail their economy. Economists have theorised that holding high forex reserves are unnecessary for non-oil-rich countries. In fact, not using them for mega-projects (like financing infrastructure projects) are lost opportunities — and yet the Indian government has held these reserves in liquid, possibly for its feared D-day.

Last but not least, the fundamental use of India's foreign exchange should be to ensure the rupee stability. However, that hasn't been the case. Despite steadily rising forex reserves, the rupee has fluctuated between 77 and 75 against the US dollar in the last two months, between 71 and 77 in the last three months, and 68 and 77 in the last one year. The rupee has become one of Asia's worst currencies and the RBI may allow the rupee to devalue further to support its balance sheet, enabling it to transfer a big chunk of its realised profits as dividend to the starving government.

[Extracted, with edits and revisions, from "Over-reliance on forex reserves is problematic, not using them a lost opportunity", by Christophe Jaffrelot and Vihang Jumble, *The Indian Express*, <https://indianexpress.com/article/opinion/columns/forex-reserves-rising-indian-economy-gdp-covid-19-impact-6484029/>]

1. Assume Article 360 of the Constitution provides that “If the President is satisfied that a situation has arisen whereby India's ability to repay its foreign debts is threatened, he may by a Proclamation make a declaration to that effect”. Based on the information set out in the passage above, could the President have made a declaration under Article 360 in December 2019?
- (a) Yes, since there was a drop in imports around that time.
  - (b) No, since the high amounts of forex reserves show that there was no threat to India’s ability to repay its foreign debts in December 2019.
  - (c) No, since the President may not be an economist, and may not understand what level of forex reserves should be maintained to ensure there is no threat to India’s ability to repay its foreign debts.
  - (d) Yes, since it was clear in December 2019 that a situation had arisen whereby India’s ability to pay its foreign debts was threatened.

(Answer: (b))

2. What reasons do the authors provide in the passage above in support of their statement that “the fundamental use of India’s foreign exchange should be to ensure the rupee stability”?
- (a) The authors say that using forex reserves is the only way to ensure the stability of the rupee.
  - (b) The authors say that the RBI should pay a large amount as dividend to the government.
  - (c) The authors say that it is vital for India to maintain rupee stability.
  - (d) They do not provide any reasons in support of that statement.

(Answer: (d))

3. Which of the following can be inferred from the authors’ statements in the passage above?
- (a) That India should continue to pile up its forex reserves in case it needs them to provide a stimulus to support the failing Indian economy.
  - (b) That it would be better to use India’s forex reserves now, rather than letting them pile up.
  - (c) Neither (a) nor (b).
  - (d) Both, (a) and (b).

(Answer: (b))

4. Assume 30% of India’s forex reserves in December 2019 were used to pay for oil imports, and the remaining amount was used to pay back international loans (“**Loan Repayments**”) over the next ten months. If twice as much was used for Loan Repayments in each month as the preceding month, then what amount was used for Loan Repayments in the ninth month?
- (a) \$ .05 trillion to \$ .06 trillion

- (b) \$. 07 trillion to \$ .08 trillion
- (c) \$ .09 trillion to \$ .1 trillion
- (d) Less than \$ .05 trillion

(Answer: (b))

5. Who among the following is the Secretary of Commerce of India's current largest trading partner?

- (a) Michel Barnier
- (b) Wilbur Ross
- (c) Zhong Shan
- (d) Chrystia Freeland

(Answer: (b))

6. What is meant by the term 'open market operations'?

- (a) Buying and selling stocks of listed companies.
- (b) Buying and selling of debt obligations issued by the government in an open market.
- (c) Adjustment of interest rates by the RBI to control the supply of money in the open market.
- (d) A policy intervention to make markets open and transparent.

(Answer: (b))

7. The government passes a new law called the Forex Reserves Act (the "**FRA**"). The FRA provides that the Governor of the RBI must, within 30 days, reduce India's forex reserves to no more than \$ 0.5 trillion if they cross that amount at any time. The only exception to this rule in the FRA is in "extraordinary circumstances in which there is a high likelihood of a threat to the economic stability of the country". Assume India has \$ 0.8 trillion in forex reserves in July 2020 when the COVID-19 pandemic had broken out and strict lockdown measures were in place all over the country, severely restricting the ability of business and commerce to function. Under the FRA, was the Governor bound to reduce India's forex reserves to below \$ 0.5 trillion in July 2020?

- (a) Yes, since economists have theorised that maintaining high forex reserves is unnecessary for non-oil-rich countries.
- (b) Yes, since the pandemic and the lockdown had not created circumstances in which it was there was a high likelihood of a threat to the economic stability of the country in July 2020.
- (c) No, since the pandemic and the lockdown had created circumstances in which it was very likely that the economic stability of India would be badly affected then.
- (d) No, since it is best that the RBI Governor be left to take decisions as they like, without any control of the law.

(Answer: (c))

8. Based on the information in the passage above, which of the following is most likely to be true?

- (a) The authors feel that oil-rich companies should maintain high forex reserves.
- (b) The authors feel that using forex reserves for mega-projects would be a waste.
- (c) The authors feel that the rupee has not been stable in the last one year.
- (d) The authors feel that India should have the highest amount of forex reserves amongst all Asian countries.

(Answer: (c))

9. Assume that investments by foreign investors in Indian stock markets of \$5 billion in any month cause the Sensex to rise by 500 points. If the Sensex rose by 2,750 points in December due to such investments by foreign investors, then for how long would India's forex reserves sustain at the end of December 2019?

- (a) 11 months.
- (b) 10 months and 3 weeks.
- (c) 10 months and a half month.
- (d) 10 months and 1 week.

(Answer: (b))

10. Based on the information and arguments set out in the passage above, which among the following, if true, would justify India holding high forex reserves?

- (a) The sufficiency of forex reserves is usually measured in terms of how many months' worth of imports a country can afford.
- (b) Oil trade hiccups do not affect economies of oil-rich countries to a great extent.
- (c) Holding high forex reserves is of no benefit to economies.
- (d) India has very large oil reserves, and can be considered an oil-rich country.

(Answer: (d))

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