Q56

Consider the following statements: 1. The Reserve Bank of India manages and services Government of India Securities but not any State Government Securities. 2. Treasury bills are issued by the Government of India and there are no treasury bills issued by the state Governments. 3. Treasury bills are issued at a discount from the par value. Which of the statements given above is/are correct? (a) 1 and 2 only (b) 3 only (c) 2 and 3 only (d) 1, 2 and 3 Official key: C.

UPSC Civil Services Prelims 2018 · General Studies · 2 marks · Economy

Indian economy, budget, schemes - Prelims GS Paper I.

Explanation

(a)

(a) 1 and 2 only. Statement 2 is right-only the Union issues treasury bills-but statement 1 is wrong because RBI manages and services both Government of India securities and State Development Loans. Pairing 1 with 2 therefore fails. This option is not the key.

(b)

(b) 3 only. T-bills are indeed issued at a discount to face value and redeemed at par, so statement 3 is true, yet statement 2 is also true. Isolating 3 under-counts. This option is not the key.

(c) Official key

(c) 2 and 3 only. States do not issue treasury bills; only the Government of India does. Those bills are discount instruments. Statement 1 fails because RBI is banker and manager for State government securities as well. Hence 2 and 3 together. This option is the official key.

(d)

(d) 1, 2 and 3. Statement 1 is false, so the full set cannot stand. This option is not the key.

Summary

Official key is (c) 2 and 3 only. RBI manages both Union dated securities and State Development Loans, so statement 1 is incorrect. Treasury bills are a Union cash-management tool; States do not issue T-bills. T-bills are sold below par and repaid at face value, which is statement 3. The surviving pair is therefore 2 and 3. That is the stored key.

Related possible facts

These can be asked in a future Prelims paper.

T-bill tenors
91-day, 182-day and 364-day

SDL
State Development Loans; RBI-managed dated State paper

Ways and Means Advances
RBI cash accommodation to States, distinct from T-bills

G-Sec
Dated Government of India securities plus T-bills

Discount vs coupon
T-bills carry no coupon; yield is the discount to par