Q7

Which of the following activities constitute real sector in the economy? 1. Farmers harvesting their crops 2. Textile mills converting raw cotton into fabrics 3. A commercial bank lending money to a trading company 4. A corporate body issuing Rupee Denominated Bonds overseas Select the correct answer using the code given below: (a) 1 and 2 only (b) 2, 3 and 4 only (c) 1, 3 and 4 only (d) 1, 2, 3 and 4 Official key: A.

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Explanation

(a) Official key

1 and 2 only. Harvesting and spinning cotton into cloth are real-sector production. Bank lending and masala bonds are financial.

(b)

2, 3 and 4 only. 3 and 4 are finance, not the real sector.

(c)

1, 3 and 4 only. Drops mills and keeps finance.

(d)

All four. Money-lending and overseas INR bonds are not real-sector output.

Summary

Official key is (a) 1 and 2 only. The real sector is goods and non-financial services - farms and textile mills. A bank loan and a rupee-denominated overseas bond are financial-sector flows.

Related possible facts

These can be asked in a future Prelims paper.

Real sector

Production of goods and non-financial services.

Masala bond

Rupee-denominated bond issued overseas.