Q10

With reference to the Indian economy, consider the following statements: 1. A share of the household financial savings goes towards government borrowings. 2. Dated securities issued at market-related rates in auctions form a large component of internal debt. Which of the above statements is/are correct? (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2 Official key: C.

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Explanation

(a)

1 only. Dated securities at auction are also the bulk of internal debt.

(b)

2 only. Household financial saving finances a share of government borrowing (SIH / G-secs).

(c) Official key

Both. Household financial saving recycles into G-secs; dated securities at market rates dominate internal debt.

(d)

Neither. Both are standard public-debt facts.

Summary

Official key is (c) both. A slice of household financial saving is intermediated into government borrowing. Internal debt is mostly dated G-secs issued at auction at market-related rates, not only small savings.

Related possible facts

These can be asked in a future Prelims paper.

Internal debt

G-secs, T-bills, 14-day instruments - the rupee public debt.

Market borrowing

Auctioned dated securities; the large component.