

6.4 percent to 7.3 percent on January 1, 2018. Over that period, the outlook for **policy rates has deteriorated as the RBI has shifted from rate-cutting to a more hawkish stance.** But this shift would not seem to warrant a nearly 1 percentage point increase in long-term rates. **Neither would the changes in international rates, which have only increased modestly**

- The **government gets deposits from the public—independent of its deficit-induced borrowings—in the form of various savings schemes to the public,** encompassed in the NSSF. Currently, these schemes offer above-market rates, risk-free investment options, and favorable tax breaks, both at the time of deposit and withdrawal, not available in most regular savings schemes. The Economic Survey of 2015-16 had estimated the magnitude of the implicit subsidies to small savers under the NSSF. But what is relevant here is that the flows into the NSSF are autonomous, determined by their perceived attractiveness, rather than the size of the fiscal deficits. The following identity captures the idea.
- Net Market Borrowings = Fiscal Deficit - NSSF net flows
- **If NSSF net flows increase, for any given fiscal deficit, market borrowings should decline; and vice versa. Market borrowings and hence the supply of g-secs are endogenous to these autonomous flows.** So it's perfectly

possible for market borrowing to increase, even when the fiscal deficit decreases or remains constant.

30. Correct Option: (b)

Explanation:

- **Statement 1 is incorrect:** India's R&D Expenditures has tripled in nominal terms and doubled in real terms since 2004-05 to 2016-17. However, it has **remained stagnant at 0.6-0.7% of GDP over the past two decades.** This is well below other countries such as **US (2.8), China (2.1), Israel (4.3) and Korea (4.2).**
- This is not surprising given the fact that India is a lower middle-income country. **However, it currently underspends even relative to its income level.**
- **Statement 2 is correct:** The **government is the primary source of fund** (compared to other countries where private sector carries the bulk of R&D) as well as the primary user of these funds.
- Further, **the Central government undertakes almost entire R&D expenditure with limited State government spending but spending by state governments** is needed especially for application oriented R&D aimed at problems specific to their economies and populations.

31. Correct Option: (a)

Explanation:

Table 2. Expenditure of Principal Science Government Agencies (Rs. Crores)

Agency	2010-11	2012-13	2014-15
1. Council of Scientific & Industrial Research (CSIR)	2929	2910	3335
2. Defense Research & Development Org. (DRDO)	10149	9895	13258
3. Department of Atomic Energy (DAE)	2855	3191	4075
4. Department of Biotechnology (DBT)	921	1031	1021
5. Department of Science & Technology (DST)	2133	2378	2701
6. Department of Space (DOS)	4482	4856	5818
7. Indian Council of Agricultural Research (ICAR)	3182	3569	3983
8. Indian Council of Medical Research (ICMR)	679	808	843
Total	27330	28636	35034

Source: DST.