PAPER I - INDIAN ECONOMY & INDIAN FINANCIAL SYSTEM

Module A: INDIAN ECONOMIC ARCHITECTURE

Chapter 9: International Economic Organizations (World Bank, IMF etc.)

MCQs Practice Pack

Question 1: What is the primary role of the World Bank?

A. To oversee the international monetary system and ensure exchange rate stability.

B. To provide long-term financial assistance and policy advice to developing countries for poverty reduction and economic development.

C. To act as a forum for governments to negotiate international trade agreements and settle disputes.

D. To create and manage an international reserve asset to supplement the official reserves of member countries.

Question 2: Which international agreement and organization was the direct predecessor to the World Trade Organization (WTO)?

A. The Bretton Woods Agreement

B. The International Monetary Fund (IMF)

C. The General Agreement on Tariffs and Trade (GATT)

D. The Organisation for Economic Co-operation and Development (OECD)

Question 3: What is the Special Drawing Right (SDR)?

A. A type of long-term development loan provided by the World Bank.

B. A currency used by all member countries of the European Union.

C. An international reserve asset created by the IMF, whose value is based on a basket of major currencies.

D. The voting share a country holds within the World Trade Organization.

Question 4: The International Finance Corporation (IFC) is an arm of the World Bank Group. What is its main objective?

A. To provide interest-free loans and grants to the world's poorest countries.

B. To protect foreign investors against political risks in developing countries.

C. To promote private sector investment in developing countries by providing loan and equity financing.

D. To settle investment disputes between international investors and states.

Question 5: What economic condition is described by the term 'Stagflation'?

A. A period of rapid economic growth combined with falling prices (deflation).

B. A situation where a country's currency rapidly loses its value.

C. A combination of stagnant economic growth, high unemployment, and high inflation.

D. A phase in the trade cycle characterized by a deep and prolonged recession.

Question 6: Complete the following sentence: When a member country faces a temporary __________ crisis, it can seek short- to medium-term financial assistance from the __________.

A. political leadership, World Bank

B. balance of payments, IMF

C. agricultural production, WTO

D. industrial, G-7

Question 7: Complete the following sentence: The International Monetary Fund (IMF) and the World Bank were both conceived at the __________ Conference in 1944.

A. Geneva

B. Bretton Woods

C. San Francisco

D. Paris

Question 8: Which of the following statements about the World Bank Group is TRUE?

A. India is a member of all five institutions of the World Bank Group.

B. The International Development Association (IDA) provides loans to middle-income countries at market interest rates.

C. The World Bank primarily provides short-term loans to correct balance of payment issues.

D. The International Bank for Reconstruction and Development (IBRD) is the world's largest development bank.

Question 9: Which of the following statements about the World Trade Organization (WTO) is TRUE?

A. The WTO was formed to provide long-term development loans to poor countries.

B. The WTO is a forum for governments to negotiate trade agreements and settle trade disputes.

C. The WTO's headquarters is in Washington, D.C.

D. The WTO was established before its predecessor, GATT.

For Question 10, use the following table to find the correct match.

Column A (Organisation)	Column B (Primary Description)
1. OPEC	a. A regional bloc of South Asian nations including

Column A (Organisation)	Column B (Primary Description)
	India.
2. SAARC	b. An informal group of the world's major advanced economies.
3. G-7	c. An organisation that coordinates the petroleum policies of its members.
4. ASEAN	d. A regional trade bloc of ten Southeast Asian nations.

Question 10: From the table above, which of the following is a correct match?

A. 1-b

B. 2-a

C. 3-d

D. 4-c

Answer Key & Explanations

Q. No	Correct Answer	Explanation
1	B	The **World Bank's** primary mission is to fight poverty by providing **long-term financing, policy advice, and technical assistance** to developing nations for their development projects.
2	C	The **General Agreement on Tariffs and Trade (GATT)** was the legal agreement that governed much of world trade from

Q. No	Correct Answer	Explanation
		1948 until it was replaced by the more structured **WTO** in 1995.
3	C	The **SDR** is not a currency but an **international reserve asset created by the IMF**. Its value is determined by a basket of five major currencies (U.S. dollar, euro, Chinese renminbi, Japanese yen, and British pound).
4	C	The **IFC** is the arm of the World Bank Group that focuses exclusively on the **private sector**, providing loans and equity financing to businesses in developing countries to encourage growth and job creation.
5	C	**Stagflation** is a difficult economic condition characterized by a combination of **stagnant** economic growth, high unemployment, and rising prices (**inflation**).
6	B	A primary function of the **IMF** is to provide financial assistance to member countries experiencing temporary **balance of payments** difficulties, helping them stabilize their economies.
7	B	The **Bretton Woods Conference**, held in New Hampshire, USA, in 1944, laid the foundation for post-war international economic cooperation and led to the creation of both the IMF and the World Bank.
8	D	Statement D is true. The **IBRD** is the main lending arm of the World Bank and the world's largest development bank. India is not a member of ICSID, IDA lends to the poorest countries, and the IMF handles BoP issues.
9	B	Statement B is true. The **WTO's** core function is to ensure that global trade flows as smoothly and predictably as possible by acting as a **forum for trade negotiations and dispute**

Q. No	Correct Answer	Explanation
		settlement.
10	B	**SAARC (2-a)**, the South Asian Association for Regional Cooperation, is correctly matched with its description as a **regional bloc of South Asian nations**. (OPEC=c, G-7=b, ASEAN=d).