

9. Hawala transactions relate to payments: [1996]
 (a) received in rupees against overseas currencies and vice versa without going through the official channels
 (b) received for sale/transfer of shares without going through the established stock exchanges
 (c) received as commission for services rendered to overseas investors/buyers/sellers in assisting them to get over the red tape and/or in getting preferential treatment
 (d) made to political parties or to individuals for meeting election expenses
10. The emerging trading blocs in the world, such as NAFTA, ASEAN and the like, are expected to: [1996]
 (a) act as constrictions in free trade across the world
 (b) promote free trade on the lines laid down by the WTO
 (c) permit transfer of technology between member countries
 (d) promote trade in agricultural commodities between countries of the North and South
11. "They are fantastically diverse. They speak hundred of language and dialects. They comprise scores of ethnic groups. They include highly industrialised economics and up and coming economies. They span half the surface of the earth and are home to two-fifths of the world's population." The group of countries referred to here belongs to: [1996]
 (a) SAPTA (b) APEC
 (c) EC (d) CIS
12. The sum of which of the following constitutes Broad Money in India? [1997]
 1. Currency with the public
 2. Demand deposits with banks
 3. Time deposits with banks
 4. Other deposits with RBI
 Choose the correct answer using the codes given below:
 (a) 1 and 2 (b) 1, 2 and 3
 (c) 1, 2, 3 and 4 (d) 1, 2 and 4
13. The banks are required to maintain a certain ratio between their cash in hand and total assets. This is called: [1998]
 (a) SBR (Statutory Bank Ratio)
 (b) SLR (Statutory Liquid Ratio)
 (c) CBR (Central Liquid Reserve)
 (d) CLR (Central Liquid Reserve)
14. The accounting year of the Reserve Bank of India is: [1998]
 (a) April-March
 (b) July-June
 (c) October-September
 (d) January-December
15. Which one of the following is the correct sequence of decreasing order of the given currencies in terms of their value in Indian Rupees? [1998]
 (a) US dollar, Canadian dollar, New Zealand dollar, Hong Kong dollar
 (b) US dollar, New Zealand dollar, Canadian dollar, Hong Kong dollar
 (c) US dollar, Hong Kong dollar, Canadian dollar, New Zealand dollar
 (d) Hong Kong dollar, US dollar, New Zealand dollar, Canadian Dollar.
16. Economic Survey in India is published officially, every year by the: [1998]
 (a) Reserve Bank of India
 (b) Planning Commission of India
 (c) Ministry of Finance, Govt. of India
 (d) Ministry of Industries, Govt. of India
17. Consider the following statements: [1998]
 The price of any currency in international market is decided by the:
 1. World Bank
 2. Demand for goods/services provided by the country concerned
 3. Stability of the government of the concerned country
 4. Economic potential of the country in question of these statements:
Codes:
 (a) 1, 2, 3 and 4 are correct
 (b) 2 and 3 are correct
 (c) 3 and 4 are correct
 (d) 1 and 4 are correct
18. The farmers are provided credit from a number of sources for their short and long term needs. The main sources of credit to the farmers include: [1999]
 (a) the Primary Agricultural Cooperative Societies, commercial banks, RRBs and private money lenders
 (b) the NABARD, RBI, commercial banks and private money lenders
 (c) the District Central Cooperative Banks (DCCB), the lead banks, IRDP and JRY
 (d) the Large Scale Multi-purpose Adivasis Programme, DCCB, IFFCO and commercial banks
19. Match List-I with List-II and select the correct answer using the codes given below the lists: [1999]
- | List-I | List-II |
|---------|--|
| A. WTO | 1. Provides loans to address short-term balance payment problems |
| B. IDA | 2. Multilateral trade negotiation body |
| C. IMF | 3. Sanction of soft loans |
| D. IBRD | 4. Facilitating lending and borrowing for reconstruction and development |

Codes:

- (a) A - 2; B - 3; C - 4; D - 1
(b) A - 2; B - 3; C - 1; D - 4
(c) A - 3; B - 2; C - 4; D - 1
(d) A - 3; B - 2; C - 1; D - 4
20. The Employment Assurance Scheme envisages financial assistance to rural areas for guaranteeing employment to at least: [1999]
(a) 50 percent of the men and women seeking jobs in rural areas
(b) 50 percent of the men seeking jobs in rural areas
(c) one man and one woman in a rural family living below the poverty line
(d) one person in a rural landless household living below the poverty line
21. Consider the following: [2001]
1. Market borrowing
2. Treasury bills
3. Special securities issued to RBI
Which of these is/are components(s) of internal debt?
(a) 1 only (b) 1 and 2
(c) 2 only (d) 1, 2 and 3
22. Consider the following statements regarding Reserve Bank of India: [2001]
1. It is a banker to the Central Government
2. It formulates and administers monetary policy
3. It acts as an agent of the Government in respect of India
4. It handles the borrowing programme of Government of India
Which of these statements are correct?
(a) 1 and 2 (b) 2, 3 and 4
(c) 1, 2, 3 and 4 (d) 3 and 4
23. The largest share of Foreign Direct Investment (1997-2000) went to: [2001]
(a) food and food-product sector
(b) engineering sector
(c) electronics and electric equipment sector
(d) services sector
24. Consider the following: [2002]
1. Currency with the public
2. Demand deposits with banks
3. Time deposits with banks
Which of these are included in Broad Money (M_3) in India?
(a) 1 and 2 (b) 1 and 3
(c) 2 and 3 (d) 1, 2 and 3
25. Consider the following financial institutions of India: [2002]
1. Industrial Finance Corporation of India (IFCI)
2. Industrial Credit and Investment Corporation of India (ICICI)
3. Industrial Development Bank of India (IDBI)
4. National Bank for Agriculture and Rural Development (NABARD)
- The correct chronological sequence of the establishment of these institution is :
(a) 1, 2, 3, 4 (b) 2, 3, 4, 1
(c) 3, 4, 1, 2 (d) 4, 1, 2, 3
26. A country is said to be a debt trap if : [2002]
(a) it has to borrow to make interest payments on outstanding loans
(b) it has to borrow to make interest payments on to standing loans
(c) it has been refused loans or aid by creditors abroad
(d) the World Bank charges a very high rate of interest on outstanding as well as new loans
27. **Assertion (A)** : During the year 2001-02, the value of India's total exports declined, registering a negative growth of 2.17 %.
Reason (R) : During the year 2001-02, negative growth in exports was witnessed in respect of iron and steel, coffee, textiles and marine products. [2003]
(a) Both A and R are individually true and R is the correct explanation of A
(b) Both A and R are individually true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true
28. Debenture holders of a company are its: [2003]
(a) shareholders (b) creditors
(c) debtors (d) directors
29. In the last one decade, which one among the following sectors has attracted the highest Foreign Direct Investment inflows into India? [2004]
(a) Chemicals other than fertilizers
(b) Services sector
(c) Food processing
(d) Telecommunication
30. Consider the following statements: [2004]
1. The National Housing Bank the apex institution of housing finance in India, was set up as a wholly-owned subsidiary of the Reserve Bank of India
2. The Small Industries Development Bank of India was established as a whollyowned subsidiary of the Industrial Development Bank of India
Which of the statements given above is/are correct?
(a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2
31. Consider the following statements: [2004]
1. Reserve Bank of India was nationalized on 26 January, 1950
2. The borrowing programme of the Government of India is handled by the Department of Expenditure, Ministry of Finance
Which of the statements given above is/are correct?
(a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2

32. Consider the following statements: [2005]
1. Sensex is based on 50 of the most important stocks available on the Bombay stock Exchange (BSE).
 2. For calculating the Sensex, all the stock are assigned proportional weightage.
 3. New York Stock Exchange is the oldest stock exchange in the world.
- Which of the statements given above is/are correct?
- (a) 2 only (b) 1 and 3
(c) 2 and 3 (d) none
33. **Assertion (A):** Balance of Payments represents a better Picture of a country economic transactions with the rest of the world than the Balance of Trade Balance of Payments takes into account
Reason (R): the exchange of both visible and invisible items whereas balance of Trade does not. [2006]
Codes:
- (a) Both 'A' and 'R', are individually true and 'R' is the correct explanation of 'A'.
(b) Both 'A' and 'R' are individually true but 'R' is not the, correct explanation of 'A'.
(c) 'A' is true but 'R' is false.
(d) 'A' is false but 'R' is true.
34. Which one of the following Indian banks is not a nationalized bank? [2006]
- (a) Corporation Bank
(b) Dena Bank
(c) Federal Bank
(d) Vijaya Bank
35. Consider the following statements: [2006]
1. Life Insurance Corporation of India is the oldest insurance company in India.
 2. National Insurance Company Limited was nationalized in the year 1972 and made a subsidiary of General Insurance Corporation of India.
 3. Headquarters of United Indian Insurance Company Limited are located at Chennai.
- Which of the statements given above are correct?
- (a) 1, 2 and 3 (b) 1 and 2 only
(c) 2 and 3 only (d) 1 and 3 only
36. Consider the following statements: [2007]
1. The repo rate is the rate at which other banks borrow from the Reserve Bank of India.
 2. A value of 1 for Gini Coefficient in a country implies that there is perfectly equal income for everyone in its population.
- Which of the statements given above is/are correct?
- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2
37. The National Housing Bank was set up in India as a wholly-owned subsidiary of which one of the following? [2007]
- (a) State Bank of India
(b) Reserve Bank of India
(c) ICICI Bank
(d) Life Insurance Corporation of India
38. Consider the following statements: [2009]
1. MMTC Limited is India's largest international trading organization.
 2. Neelachal Ispat Nigam Limited has been set up by MMTC jointly with the Government of Orissa.
- Which of the statements given above is/are correct?
- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2
39. Which one of the following pairs is not correctly matched? [2009]
- (a) Japan : Nikkei
(b) Singapore : Shcomp
(c) UK : FTSE
(d) USA : Nasdaq
40. Which one of the following sets of commodities are exported to India by arid and semi-arid countries in the Middle East? [2009]
- (a) Raw wool and carpets
(b) Fruits and palm oil
(c) Precious stones and pearls
(d) Perfume and Coffee.
41. Which of the following terms indicates a mechanism used by commercial banks for providing credit to the government? [2010]
- (a) Cash Credit Ratio
(b) Debt Service Obligation
(c) Liquidity Adjustment Facility
(d) Statutory Liquidity Ratio
42. With reference to the Non-banking Financial Companies (NBFCs) in India, consider the following statements: [2010]
1. They cannot engage in the acquisition of securities issued by the government.
 2. They cannot accept demand deposits like Savings Account
- Which of the statement given above is/ are correct?
- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2
43. In the parlance of financial investments, the term 'bear' denotes [2010]
- (a) An investor who feels that the price of a particular security is going to fall
(b) An investor who expects the price of particular shares to rise
(c) A shareholder or a bondholder who, has an interest in a company, financial or otherwise
(d) Any lender whether by making a loan or buying a bond
44. In India, the interest rate on savings accounts in all the nationalized commercial banks is fixed by [2010]
- (a) Union Ministry of Finance
(b) Union Finance Commission
(c) Indian Banks' Association
(d) None of the above.

45. In India, which of the following, is regulated by the Forward Markets Commission? [2010]
- Currency Futures Trading
 - Commodities Futures Trading
 - Equity Futures Trading
 - Both Commodities Futures and Financial Futures Trading
46. With reference to the institution of Banking Ombudsman in, India, which one of the statements is *not* correct? [2010]
- The Banking Ombudsman is appointed by the Reserve Bank of India
 - The Banking Ombudsman can, consider complaints from Non Resident Indians having accounts in India.
 - The orders passed by the Banking Ombudsman are final and binding on the parties concerned
 - The service provided by the Banking Ombudsman is free of any fee
47. With reference to India, consider the following: [2010]
- Nationalization of Banks
 - Formation of Regional Rural Banks
 - Adoption of villages by Bank Branches
- Which of the above can be considered as steps taken to achieve the “financial inclusion” in India?
- 1 and 2 only
 - 2 and 3 only
 - 3 only
 - 1, 2 and 3
48. Consider the following statements: [2010]
- The functions of commercial banks in India include
- Purchase and sale of shares and securities on behalf of customers
 - Acting as executors and trustees of wills
- Which of the statements given above is/are correct?
- 1 only
 - 2 only
 - Both 1 and 2
 - Neither 1 nor 2
49. The International Development Association, a lending agency, is administered by the [2010]
- International Bank for Reconstruction and Development
 - International Fund for Agricultural Development
 - United Nations Development Programme.
 - United Nations Industrial Development Organization
50. The basic aim of Lead Bank Scheme is that [2012 - I]
- big banks should try to open offices in each district
 - there should be stiff competition among the various nationalized banks
 - individual banks should adopt particular districts for intensive development
 - all the banks should make intensive efforts to mobilize deposits
51. The balance of payments of a country is a systematic record of [2013 - I]
- all import and export transactions of a country during a given period of time, normally a year
 - good exported from a country during a year
 - economic transaction between the government of one country to another
 - capital movements from one country to another.
52. The Reserve Bank of India regulates the commercial banks in matters of [2013 - I]
- liquidity of assets
 - branch expansion
 - merger of banks
 - winding-up of banks
- Select the correct answer using the codes given below.
- 1 and 4 only
 - 2, 3 and 4 only
 - 1, 2 and 3 only
 - 1, 2, 3 and 4
53. An increase in the Bank Rate generally indicates that the [2013 - I]
- market rate of interest is likely to fall
 - Central Bank is no longer making loans to commercial banks
 - Central Bank is following an easy money policy
 - Central Bank is following a tight money policy
54. Which of the following grants / grant direct credit assistance to rural households? [2013 - I]
- Regional Rural Banks
 - National Bank for Agriculture and Rural Development
 - Land Development Banks
- Select the correct answer using the codes given below.
- 1 and 2 only
 - 2 only
 - 1 and 3 only
 - 1, 2 and 3
55. Consider the following statements: [2013 - I]
- Inflation benefits the debtors.
 - Inflation benefits the bondholders.
- Which of the statements given above is/are correct?
- 1 only
 - 2 only
 - Both 1 and 2
 - Neither 1 nor 2
56. Consider the following liquid assets: [2013 - I]
- Demand deposits with the banks
 - Time deposits with the banks
 - Saving deposits with the banks
 - Currency
- The correct sequence of these assets in the decreasing order of liquidity is
- 1-4-3-2
 - 4-3-2-1
 - 2-3-1-4
 - 4-1-3-2
57. The sales tax you pay while purchasing a toothpaste is a [2014 - I]
- tax imposed by the Central Government
 - tax imposed by the Central Government but collected by the State Government
 - tax imposed by the State Government but collected by the Central Government
 - tax imposed and collected by the State Government

58. What does venture capital mean? [2014 - I]
 (a) A short-term capital provided to industries
 (b) A long-term start-up capital provided to new entrepreneurs
 (c) Funds provided to industries at times of incurring losses
 (d) Funds provided for replacement and renovation of industries
59. What is/are the facility/facilities the beneficiaries can get from the services of Business Correspondent (Bank Saathi) in branchless areas? [2014 - I]
 1. It enables the beneficiaries to draw their subsidies and social security benefits in their villages.
 2. It enables the beneficiaries in the rural areas to make deposits and withdrawals.
 Select the correct answer using the code given below.
 (a) 1 only (b) 2 only
 (c) Both 1 and 2 (d) Neither 1 nor 2
60. In the context of Indian economy, which of the following is/are the purpose/purposes of 'Statutory Reserve Requirements'? [2014 - I]
 1. To enable the Central Bank to control the amount of advances the banks can create
 2. To make the people's deposits with banks safe and liquid
 3. To prevent the commercial banks from making excessive profits
 4. To force the banks to have sufficient vault cash to meet their day-to-day requirements
 Select the correct answer using the code given below.
 (a) 1 only (b) 1 and 2 only
 (c) 2 and 3 only (d) 1, 2, 3 and 4
61. 'Basel III Accord' or simply 'Basel III', often seen in the news, seeks to [2015-I]
 (a) develop national strategies for the conservation and sustainable use of biological diversity
 (b) improve banking sector's ability to deal with financial and economic stress and improve risk management
 (c) reduce the greenhouse gas emissions but places a heavier burden on developed countries
 (d) transfer technology from developed Countries to poor countries to enable them to replace the use of chlorofluorocarbons in refrigeration with harmless chemicals
62. With reference to Indian economy, consider the following [2015-I]
 1. Bank rate 2. Open market operations
 3. Public debt 4. Public revenue
 Which of the above is/are component/ components of Monetary Policy?
 (a) 1 only (b) 2, 3 and 4
 (c) 1 and 2 (d) 1, 3 and 4
63. When the Reserve Bank of India reduces the Statutory Liquidity Ratio by 50 basis points, which of the following is likely to happen? [2015-I]
 (a) India's GDP growth rate increases drastically
 (b) Foreign Institutional Investors may bring more capital into our country
 (c) Scheduled Commercial Banks may cut their lending rates
 (d) It may drastically reduce the liquidity to the banking system

HINTS & SOLUTIONS

1. (d) Corporation tax is a direct tax levied, collected and appropriated by the Union or the central government. No part of this tax can be assigned to the states.
2. (a) World Bank is made up of two development institutions owned by 187 member countries: International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA). IBRD aims to reduce poverty in middle-income and creditworthy poorer countries, while IDA focuses on world's poorest countries. Their work is complemented by that of the International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA) and International Centre for the Settlement of Investment Disputes (ICSID). There is a difference between the World Bank and the World Bank Group.
3. (d) Variable Reserve Ratio (Cash Reserve Ratio) is aimed to control only volume of credit (quantitative method) not both volume and purpose of credit for which bank gives loans. (Qualitative method and selective control method are used for these purposes. It has a number of limitations.
4. (b) Dinesh Goswami Committee (1990) was concerned with electoral reforms. It suggested providing state funding in kind to political parties. It also suggested that a candidate should not be allowed to contest election from more than two constituencies.
5. (d) Bank Rate is that rate of interest at which central bank of a country provides refinancing facilities to commercial banks. The bank rate, a benchmark rate at which RBI buys or re-discounts bills of exchange or other commercial papers eligible for purchase. Every bank needs refinancing as it is very difficult to match borrowings and flow of deposits.
6. (*) Best answer should be (1243). IFCI – July 1948; ICICI – 1955; IDBI – UTI – 1963 July 1964; **the correct sequence is not given in the answer.**
7. (d) FCNR 'B' – Foreign Currency Non-Resident (bank) Account
8. (b) World Trade Organization (WTO) is a body making global trade rules with binding effects on its members. It is not only an institution, but also a set of agreements. The WTO regime is known as the rules-based multilateral trading system. The history of the Organization dates back to 1947, when the General Agreement on Tariffs and Trade (GATT) was set up to reduce tariffs barriers, remove trade barriers and facilitate international trade in goods and services. Over the years, GATT held eight rounds of multilateral trade negotiations, the last and most extensive being the Uruguay Round (1986-1994). The WTO came into being at Marrakesh in 1995, following the conclusion of the Uruguay Round. After this GATT ceased to exist, and its legal texts were incorporated into the WTO as GATT-1994. The eastern bloc nations have no special status as a member of WTO.
9. (a) Hawala is an illegal method of remittance across countries. There are money brokers who are the middle men who undertake hawala transfer. This method of remittance does not involve physical movement of cash. It is also known as Hundi. The word *Hawala* means trust. The Hawala system works as it is based on mutual trust between the hawala agents. It works outside the banking system and legal financial systems. The remittance happens based on communication between the hawala agents. It is an alternate to traditional remittance system.
10. (b) These are local trading blocks which will enable free trade between member nations.
11. (b) APEC is the group of 21 countries. APEC is short for Asia Pacific Economic Cooperation. This group of countries span half the surface of the earth and are home of 2/5th of the world's population. Indian request for membership is pending.
12. (c) Narrow money is the most liquid part of the money supply because the demand deposits can be withdrawn anytime during the banking hours. Time deposits on the other hand have a fixed maturity period and hence cannot be withdrawn before expiry of this period. When we add the time deposits into the narrow money, we get the broad money, which is denoted by M3. $M3 = \text{Narrow money} + \text{Time Deposits}$ of public with banks. We note here that the Broad money does not include the interbank deposits such as deposits of banks with RBI or other banks. At the same time, time deposits of public with all banks including the cooperative banks are included in the Broad Money.
13. (b) SLR or the Statutory Liquidity Ratio is that ratio of total deposits which a commercial bank has to maintain with itself at any given point of time in the form of liquid assets like cash in hand, current balances with other banks and first class securities which can be turned into cash (gold, cash or other approved securities). This ratio at present is 25%. Some assets have to be in liquid form to take care of financial emergencies which every bank has to face. It regulates the credit growth in India.

14. (b) The central bank's accounting year runs from July 1 to June 30. On 11 Mar, 1940, RBI Accounting Year changed from Jan-Dec to July-June.
15. (a) According to current time period, it should be Canadian, US, New Zealand, Hong Kong Dollar. As ₹ 100 = 2.18891 USD, 2.17600 CAD, 2.83517 NZD, 17.0466 HKD
16. (c) Economy Survey in India is published officially, every year by the Ministry of Finance, Govt. of India. and issued before the annual budget. It reviews the development in the Indian economy over the previous 12 months.
17. (b) Export and import levels of a country and political stability are very crucial for the market price of the nations currency.
18. (a) Regional rural banks were established under RRB Act 1976. They provide credit to agriculture and other rural activities. As of March 2014, the number of RRBs has been reduced to 57.
19. (b) In 1995, the World Trade Organization (WTO) replaced the GATT as the administrative body. A current round of multilateral trade negotiations was conducted in the Doha Development Agenda round. IDA as an agency to provide 'soft-loans' to developing countries, was floated within the Bank under the stewardship of President Eugene Black. Historically, the bulk of non-concessional IMF assistance has been provided through SBAs. The SBA is designed to help countries address short-term balance of payments problems. Most of IBRD's lending generally falls under two categories: investment project financing and development policy operations.
20. (c) Employment Assurance Scheme was launched on 2nd October, 1993 for implementation in 1778 identified backward blocks of different States. Later, the scheme was extended to the remaining blocks of the country in a phased manner. At present, the scheme is being implement in all the rural blocks of the country. The programme has been restructured from 1.4.99. The primary objective of the EAS is to provide gainful employment during the lean agricultural season to all able bodied adults in rural areas who are in need and desirous of work, but cannot find work. The secondary objective is the creation of community, social and economic assets for sustained employment and development. Internal debt comprises loans raised in the open markets. It also includes borrowings through treasury bills issued to State Government.
21. (d) Treasury Bills are money market instruments to finance the short term financial requirements of the Government of India. These are discounted securities and are issued at a discount to face value.
22. (c) Functions of RBI: sole authority to issue currency; government's bank; banker's bank; guardian of money market; lender of the last resort; sole reservoir of Foreign exchange reserves; controller of credit; clearing house for settling inter bank transactions. It follows an independent monetary policy.
23. (d) Out of the total FDI inflows of \$31 bn received during April-March 2014-15, the services sector accounted for almost 17% of the cumulative inflows. Despite the government's efforts to increase investments in the manufacturing sector to boost its growth, services sector still continues to attract most foreign direct investment (FDI). Out of the total FDI inflows of \$31 billion received during April-March 2014-15, the services sector accounted for almost 17 per cent of the cumulative inflows.
24. (d) Narrow money is the most liquid part of the money supply because the demand deposits can be withdrawn anytime during the banking hours. Time deposits on the other hand have a fixed maturity period and hence cannot be withdrawn before expiry of this period. When we add the time despot into the narrow money, we get the broad money, which is denoted by M3.
M3 = Narrow money + Time Deposits of public with banks. We note here that the Broad money does not include the interbank deposits such as deposits of banks with RBI or other banks. At the same time, time deposits of public with all banks including the cooperative banks are included in the Broad Money.
25. (a) IFCI – 1948; ICICI – 1955; IDBI – 1964; NABARD – 1982
26. (a) Debt Trap is a situation where you add on a new debt in order to repay an existing debt.
27. (d) During the year 2001-02, there was a decline of 1.6% and not 2.17% in Indian exports.
28. (b) Debenture is a long-term bond issued by a company in return for a loan which have a fixed rate of interest.
29. (b) Service sector received 21% of total FDI flow between 2006 to 2010.
30. (c) The National Housing Bank (NHB) is a state owned bank and regulation authority in India, created on July 8, 1988 under section 6 of the *National Housing Bank Act* (1987). The headquarters is in New Delhi. The institution, owned by the Reserve Bank of India, was established to promote private real estate acquisition. NHB is regulating and re-financing social housing programs and other activities like research and IT-initiatives, too.
Small Industries Development Bank of India is an independent financial institution for the growth and development of micro, small and medium scale enterprises in India. Set up in 2 April, 1990 through an Act of Parliament, it was incorporated initially as a wholly owned subsidiary of Industrial Development Bank of India.

31. (d) RBI was established in 1935 and its shares were held by private individuals. There are 20 directors who govern its activities. It was nationalized on 1 January, 1949.
The borrowing programme of the Government of India is handled by Department of Economic Affairs under Union Finance Ministry.
32. (a) The 'BSE SENSEX' is a value-weighted index composed of 30 stocks and was started in 1 January, 1986. The origin of the NYSE can be traced to 17 May, 1792. When the Buttonwood Agreement was signed by 24 stock brokers outside 68 Wall Street in New York under a buttonwood tree. Amsterdam stock exchange (1602) is considered oldest in the world and was established by the Dutch East India company.
33. (a) Balance of payments of a nation consists of visible account, invisible account and capital account. Whereas balance of trade = Export of goods – import of goods. If a country imports are more than exports the deficit can be made up by invisibles like remittance by NRI and FDI investment.
34. (c) Federal Bank is a major Indian commercial bank in the private sector, headquartered at Kochi, Kerala.
35. (c) Oriental Life Insurance company (1818) is the oldest.
36. (a) Repo Rate is the rate at which commercial banks borrow funds from RBI. A reduction in the repo rate will help banks to get money from the central bank at a cheaper rate. When the repo rate increases borrowing from RBI becomes more expensive.
A value of (0) for Gini Coefficient in a country implies that there is perfect equality in the system. If the value is 1 then there is complete inequality in the country.
37. (b) National Housing Bank has been set up under the National Housing Bank Act of 1987, which was passed on 9th July, 1988. It is wholly owned by the Reserve bank of India and was created to encourage housing, finance institutions and provide them with financial support.
38. (c) Neelachal Ispat Nigam Limited (NINL), a company promoted by MMTC Ltd, Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) and other government agencies has set up an 1.1 million ton Integrated Iron and steel plant at Kalinganagar, Duburi, Orissa.
39. (b) Shanghai – Shcomp; Singapore – SIMEX, Straits Time. Shcomp is a composite index of Shanghai Stock exchange. SIMEX and Strait Times are indicators for Singapore.
40. (b) Fruits and palm oil are exported to India by arid and semi arid countries of middle east.
41. (c) A tool used in monetary policy that allows banks to borrow money through repurchase agreements.
This arrangement allows banks to respond to liquidity pressures and is used by governments to bring stability in the financial markets. RBI started the scheme in 2000 and conducts daily auctions to inject and withdraw liquidity from the market.
42. (b) A non-banking financial company (NBFC) is a company registered under the Companies Act, 1956 and is engaged in the business of loans and advances, acquisition of shares/stock/bonds/debentures/securities issued by government or local authority or other securities of like marketable nature, leasing, hire-purchase, insurance business, chit business, but does not include any institution whose principal business is that of agriculture activity, industrial activity, sale/purchase/construction of immovable property. They cannot accept demand deposits like commercial banks as they are not a part of clearance and settlement system.
43. (a) Bear is a speculator who sells shares in anticipation of fall operator prices to buy them back and thus make a profit.
44. (d) It is fixed by Reserve Bank of India. In 2011, RBI permitted the commercial banks to fix interest rate on saving account independently. Rate of interest up to ₹ 1 lakh has to be same for every bank.
45. (b) Forward Markets Commission (FMC) is the chief regulator of forwards and futures markets in India. As of March 2009, it regulates Rs 52 Trillion worth of commodity trade in India. It is headquartered in Mumbai and is overseen by the Ministry of Consumer Affairs, Government of India. The commission allows commodity trading in 22 exchanges India of which 6 are national. It was established in 1953.
46. (c) Banking Ombudsman is a quasi judicial authority functioning under India's Banking Ombudsman Scheme 2006, and was created pursuant to the a decision by the Government of India to enable resolution of complaints of customers of banks relating to certain services rendered by the banks. The Banking Ombudsman Scheme was first introduced in India in 1995, and was revised in 2002. The current scheme became operative from 1st January 2006, and replaced and superseded the banking Ombudsman Scheme of 2002.
47. (d) "Financial inclusion" is the delivery of financial services at affordable costs to vast sections of disadvantaged and low income groups. Unrestrained access to public goods and services is the *sine qua non* of an open and efficient society. Banking services are in the nature of public good. It is essential that availability of banking and payment services be available to the entire population without discrimination. This is the prime objective of the government.

48. (c) Miscellaneous functions of commercial banks in India include : Transfer and collection of funds, purchase and sale of shares on behalf of customers, acting as executors and transfers of wills, purchase and sale of foreign exchange etc.
49. (a) International Development Association (IDA), is that part of the World Bank that helps the world's poorest countries. It complements the World Bank's other lending arm — the International Bank for Reconstruction and Development (IBRD) which serves middle-income countries with capital investment and advisory services. IDA was created in 1960.
50. (c) The basic aim of Lead Bank scheme is that the bank should adopt particular districts for intensive development by offering loans and banking services.
51. (c) The Balance of Payments (BoPs) accounts are an accounting record of all monetary transactions between country and the rest of the world. These transactions include payment for the country's exports and imports of goods, services, financial capitals and financial transfers. The balance of payments can show if a country has a deficit or surplus.
52. (d) The Reserve Bank of India is the main monetary authority of the country and beside that, in its capacity as the central bank, acts as the bank of the national and state governments. Some times it happens that some of the banks closedown due to non recovery of loans or such other issues. In such conditions people have to suffer the loss. For this reason there is provision for winding up of the banking company under the Banking Regulation Act, 1949. The power of winding up of Bank lies in the hand of Reserve Bank of India.
53. (d) A tight monetary policy is a course of action undertaken by Central bank to constrict spending in an economy, or to curb inflation when it is rising too fast. The increased bank rate increases the cost of borrowing and effectively reduces its attractiveness.
54. (c) Land development bank started financing long term loan for more significant rural development activities like rural and cottage industries, rural artisans etc. The main purpose of RRB's is to mobilize financial resources from rural / semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural labourers and rural artisans.
55. (a) Those who benefit from higher inflation are debtors and those who suffer from it are creditors. If one has substantial debt, each rupee one has to repay would be worth less than when it was borrowed. In this way, one pays back less in real terms.
56. (d) Currency/cash is the most liquid, then the demand deposits (current accounts), then the saving deposits with bank and finally the least liquid is the time deposits with the bank (fixed deposits).
57. (d) Taxes on tooth paste come under GST which is administered by State government. Sales tax is paid to sales tax authority in the state from where the goods are moved.
58. (b) Venture capital (VC) is a long term financial capital provided to early-stage, high-potential, growth startup companies or new companies.
59. (c) Besides giving access to banking, it also enables government subsidies and social security benefits to be directly credited to the accounts of the beneficiaries, enabling them to draw the money from the bank saathi or business correspondents in their village itself.
60. (b) Because Reserve Requirements are designed as "precautionary measures" and not to stop banks from "excessive" profit. This eliminates (c) and (d).
61. (b) Basel III is a comprehensive set of reform measures which was developed by the Basel Committee on Banking Supervision and to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to:
- Improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source; improve risk management and governance; strengthen banks' transparency and disclosures.
62. (c) The RBI implements the monetary policy through open market operations, bank rate policy, reserve system, credit control policy, moral persuasion and through many other instruments.
63. (c) When the Reserve Bank of India reduces the Statutory Liquidity Ratio by 50 basis points; the Scheduled Commercial Banks may cut their lending rates.

