

Questions for RBI's Young Scholar Award

1. Which of the following is a tool of monetary control of the RBI?

- Broad money Foreign exchange reserves Open Market Operations Gold reserves

2. An increase in Bank Rate, in theory, leads to

- Fall in interest rates in general Rise in interest rates in general Leaves interest rates unchanged
 Is of no relevance to interest rates

3. Which of the following is a measure of 'narrow money' in India?

- M0 M1 M2 M3

4. Which of the following is still administered and not free?

- Interest rate on savings deposits Prime Lending Rate Interest rate on fixed deposits Home loan rate

5. Sterilization refers to

- Central Bank's action of sucking out liquidity from the system Central Bank's action of injecting liquidity into the system
 Banks raising money from the primary market Mutual Funds liquidating themselves

6. Which of the following is not a component of M1 in India?

- Demand Deposits Time Deposits Currency with the public 'Other' Deposits with RBI

7. Net foreign currency assets of commercial banks consist of:

- Foreign currency assets Non-resident foreign currency repatriable fixed deposits Overseas foreign currency borrowings
 All of the above

8. RBI's intervention to defend the currency will lead to

- Increase in money supply Decrease in money supply No change in money supply
 Insufficient information provided in the question

9. REPO operations refer to:

- RBI's injection of liquidity into the system RBI's sucking out of liquidity from the system
 RBI maintaining status quo in the liquidity Moral suasion by RBI

10. How many pillars does the Basel II Accord specify in the main?

- Two Four Five Three

11. A depreciation in the rupee will cause

- Rise in domestic interest rates Exports to be cheaper Imports to be cheaper Fall in domestic money supply

12. If the cash reserve ratio is 10%; out of a fresh deposit of Rs. 100 how much money will be created in the system?

- Rs. 100 Rs. 1000 Rs. 10000 Rs. 100000

13. Inter-bank term money refers to borrowing among banks for

- Overnight Two days More than 14 days Less than 14 days

14. What is the stipulated share of the priority sector in the net bank credit?

- 35% 20% 40% 45%

15. Which of the following is/are the functions of the Reserve Bank of India?

- Issue bank notes Maintain cash reserves of all scheduled banks Transact business of the Government of India
 All the above

16. Under which Act is the RBI empowered to issue directions to banking companies?

- RBI Act, 1934 Banking Regulation Act, 1949 Banking Companies Act 1970 None of the above

17. Which of the following would qualify as selective credit control?

- System of directed lending Moral suasion Statutory Liquidity Ratio Cash Reserve Ratio

18. Which of the following is considered to be a central bank of central banks around the world?

- International Monetary Fund Bank for International Settlements World Bank World Trade Organization

19. Currency chests are maintained across the country by RBI. Which of the following is not a stated purpose of a currency chest?

- For banks to withdraw funds if its payments on a particular day exceed its own balance
 To facilitate exchange of notes and coins of lower denomination to higher denomination and vice-versa
 To provide remittance facilities to banks
 For public to withdraw money in case the banks are unavailable to provide them with the money they require

20. By what name are the set of guidelines issued by the RBI on opening of bank accounts known by?

- Know Your Customer and Anti-Money Laundering Your Customer and You Caveat Emptor Customer Service Instructions

21. Which of the following are designated as authorised dealers (AD) Category I by RBI for carrying out for releasing/remitting foreign exchange in our country?

- All scheduled commercial banks (SCBs) SCBs holding full-fledged authorised dealers' license
 Non-scheduled commercial banks holding full-fledged authorised dealers' license
 There is no restrictions and all banks in the country are designated as AD I

22. Which body was set up by the Reserve Bank of India and 11 other banks to monitor and ensure that banking codes and standards voluntarily adopted by banks are adhered to?

- Indian Banks Association Banking Ombudsman Banking Codes and Standards Board of India
 Credit Information Bureau India Limited

23. The INFINET which is a communication channel for transmission of electronic information by banks stands for:

- Indian Financial Network Indian National Financial and Network Indian Financial Information Network None of the above

24. Which of the following do not enjoy scheduled bank status with RBI?

- State co-operative banks Regional rural banks Foreign banks in India District Cooperative banks

25. Who said, "Inflation is always and everywhere a monetary phenomenon"?

- Milton Friedman J.M. Keynes J.B. Say Amartya Sen

Short questions

After Nationalization, the branch licensing policy underwent a major transformation. The Reserve Bank had proposed that applications for new offices would be considered after assessing the business potential of the particular locality and whether the area was adequately banked. However, the Department of Banking, Ministry of Finance, was of the view that branch expansion was still largely urban-oriented in terms of policy specified in May 1968 and that the norms of 1:1 for urban and rural areas and 10% of branches in centres with a population of less than one lakh in the seven under-banked States were probably relevant no longer.

Questions:

26. When did branch licensing policy undergo a major transformation?

- After setting up of RBI After nationalization of State Bank of India After nationalization of banks in 1980
 After Nationalisation of banks in 1969

27. What were the norms for urban areas in terms of branch expansion?

- No specific norm in place 2:1 1:4 None of the above

28. Notwithstanding the remarkable progress made by the Indian banking system in achieving social goals during the 1980s, it experienced certain problems that led to decline in efficiency and productivity and erosion of profitability. Factors such as directed investment and directed credit programmes affected the operational efficiency of the banking system. The quality of loan portfolio also deteriorated. The functional efficiency was affected due to over-staffing, inadequate progress in inducting technology and weaknesses in internal organizational structure of the banks. These factors necessitated urgent reforms in the financial system. Accordingly a Committee on the Financial System (Chairman: M. Narasimham, 1991) was constituted to look into various issues related to banking with a view to initiating wide ranging financial sector reforms. Based on the above state whether the following are true or false

- (A) Factors such as directed investment and directed credit programmes affected the operational efficiency of the banking system.
(B) The functional efficiency was affected due to over-staffing, inadequate progress in inducting technology and weaknesses in internal organizational structure of the banks.
(C) A Committee on the Financial System was set up under the chairmanship of Dr. Rangarajan
(D) The quality of loan portfolio improved

State whether true or false

- All the above are correct A and B are correct 3 A, B and C are correct D, A, B are correct

Answers:

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| 1. Open Market Operations | 15. All the above |
| 2. Rise in interest rates in general | 16. Banking Regulation Act, 1949 |
| 3. M1 | 17. System of directed lending |
| 4. Interest rate on savings deposits | 18. Bank for International Settlements |
| 5. Central Bank's action of sucking out liquidity from the system | 19. For public to withdraw money in case the banks are unavailable to provide them with the money they require |
| 6. Time Deposits | 20. Know Your Customer and Anti-Money Laundering |
| 7. All of the above | 21. SCBs holding full-fledged authorised dealers' license |
| 8. Insufficient information provided in the question | 22. Banking Codes and Standards Board of India |
| 9. RBI's injection of liquidity into the system | 23. Indian Financial Network |
| 10. Three | 24. District Cooperative banks |
| 11. Exports to be cheaper | 25. Milton Friedman |
| 12. Rs. 1000 | 26. After Nationalisation of banks in 1969 |
| 13. More than 14 days | 27. None of the above |
| 14. 40% | 28. A and B are correct |