

SHRI GURUNANAK DEGREE COLLEGE

PREET VIHAR RUDRAPUR

BC- III Semester

BC 505 Monetary Theory and Banking in India

SECTION A: LONG ANSWER QUESTIONS

UNIT I – Money and Financial System

1. Define money. Explain its functions and significance in a modern economy.
2. Discuss the alternative measures of money supply in India with suitable examples.
3. Explain the components of money supply and their relative importance.
4. Define high-powered money. Discuss its sources and uses.
5. What is the role of financial intermediaries in the financial system?
6. Explain the different components of the financial system in India.
7. How does the change in money supply affect the Indian economy?
8. Distinguish between narrow money and broad money.
9. Describe the importance and uses of high-powered money in India.
10. Discuss the changing structure of the financial system in India.

UNIT II – Indian Banking System

11. Define commercial banks and discuss their major functions.
12. Explain the structure of the commercial banking system in India.
13. What is the importance of regional rural banks in financial inclusion?
14. Discuss the role and structure of cooperative banks in India.
15. Describe the process of credit creation by commercial banks.
16. Explain how money supply is determined by the banking system.
17. Discuss the concept and significance of total bank credit.
18. Compare the role of rural and urban banks in India.
19. Examine the challenges faced by cooperative banks in India.
20. Discuss the recent reforms in the Indian banking system.

UNIT III – Development and Non-Banking Financial Institutions

21. What are development banks? Explain their role in economic development.
22. Describe the functions and importance of non-banking financial institutions.
23. Discuss the major problems faced by development banks in India.
24. How is institutional credit allocated in India?
25. Analyze the issues of inter-regional and sectoral distribution of credit.
26. Discuss the problems of credit distribution between large and small borrowers.
27. How does government policy affect development banks?
28. Compare the roles of commercial banks and development banks.
29. What are the key policy measures for improving institutional credit?
30. Discuss the relationship between non-banking financial companies and the commercial banking sector.

UNIT IV – The Reserve Bank of India

31. Explain the functions of the Reserve Bank of India.
32. Discuss the instruments used by the RBI for monetary control.
33. Describe the features of India's monetary policy since independence.
34. What are the objectives and tools of credit control by the RBI?
35. Explain how the RBI uses interest rates to control inflation.
36. Discuss the various rates used by the RBI (Bank Rate, Repo Rate, etc.).
37. Analyze the impact of inflationary expectations on RBI policy.
38. What is the role of the RBI in maintaining financial stability?
39. Discuss the effectiveness of RBI's monetary policy in recent years.
40. How does RBI influence the banking system and money supply?

UNIT V – Indian Money Market and Capital Market

41. What is the structure of the Indian money market?
42. Discuss the characteristics and functions of the Indian capital market.
43. Explain the differences between the money market and capital market.
44. Analyze the role of SEBI in regulating the capital market.
45. What are the major instruments traded in the money market?
46. Discuss the significance of call money, treasury bills, and commercial papers.
47. Explain the role of financial institutions in the development of capital markets in India.

48. Describe the problems and inefficiencies of the Indian money market.
 49. How is the capital market regulated in India?
 50. Discuss the importance of money and capital markets in economic development.
-

SECTION B: SHORT ANSWER QUESTIONS

UNIT I – Money and Financial System

1. Define money.
2. What is broad money?
3. What are the components of money supply?
4. Define high-powered money.
5. What is narrow money?
6. What is meant by financial system?
7. Name any two financial intermediaries.
8. Write a short note on the uses of money.
9. What is the importance of money in modern trade?
10. Define the term 'money supply'.

UNIT II – Indian Banking System

11. What is a commercial bank?
12. Mention two features of Indian commercial banking.
13. Define regional rural banks.
14. What is the role of cooperative banks?
15. What is credit creation?
16. Define total bank credit.
17. What is money supply determination?
18. State any two functions of commercial banks.
19. What is the importance of the Indian banking system?
20. What is a scheduled bank?

UNIT III – Development and Non-Banking Financial Institutions

21. Define development banks.
22. Name two development banks in India.
23. What is institutional credit?
24. What is the role of NABARD?
25. Define NBFC.
26. What are sectoral credit allocations?
27. What is meant by inter-regional credit problem?
28. State any two issues of small borrowers in getting credit.
29. What is the difference between NBFC and banks?
30. What is the significance of development finance?

UNIT IV – The Reserve Bank of India

31. Write any two functions of RBI.
32. What is the Bank Rate?
33. Define monetary policy.
34. What is CRR?
35. Define SLR.
36. What is Repo Rate?
37. What is Reverse Repo Rate?
38. What do you mean by inflation control?
39. What is open market operation?
40. State the role of RBI in economic planning.

UNIT V – Indian Money Market and Capital Market

41. Define money market.
42. What is capital market?
43. Name two instruments of the money market.
44. Define treasury bills.
45. What is the role of SEBI?
46. State any two differences between the money market and capital market.
47. Define call money market.
48. What is the function of the capital market?
49. What is commercial paper?

50. Write a short note on Indian money market.

SECTION C: MULTIPLE CHOICE QUESTIONS (MCQs)

UNIT I – Money and Financial System

1. Which of the following is not a function of money?
 - a) Store of value
 - b) Medium of exchange
 - c) Voting tool
 - d) Unit of account
2. Narrow money consists of:
 - a) M1 and M2
 - b) M1 only
 - c) M3 and M4
 - d) M1 and M3
3. High-powered money is also known as:
 - a) Base money
 - b) Broad money
 - c) Fiat money
 - d) Plastic money
4. Financial intermediaries include:
 - a) Farmers
 - b) Commercial banks
 - c) Street vendors
 - d) Traders
5. Broad money refers to:
 - a) M1
 - b) M2
 - c) M3 and M4
 - d) Only currency

6. Which of the following is a component of the financial system?
- a) Agriculture
 - b) Financial institutions
 - c) Labor unions
 - d) Judiciary
7. The largest component of money supply is:
- a) Currency with the public
 - b) Demand deposits
 - c) Time deposits
 - d) Vault cash
8. M3 =
- a) M1 + Time Deposits
 - b) M2 + Treasury Bills
 - c) M1 + CRR
 - d) None of the above
9. Financial system includes:
- a) Production system
 - b) Transport system
 - c) Payment system
 - d) Labour system
10. Money is:
- a) Only notes and coins
 - b) A means of barter
 - c) A medium of exchange
 - d) A commodity

UNIT II – Indian Banking System

11. The main function of a commercial bank is:
- a) Tax collection
 - b) Currency printing
 - c) Accepting deposits and lending loans
 - d) Policy-making

12. Which of the following is a regional rural bank?
- a) SBI
 - b) NABARD
 - c) Gramin Bank
 - d) Axis Bank
13. Cooperative banks are primarily focused on:
- a) Export promotion
 - b) Large corporates
 - c) Agricultural and rural development
 - d) International trade
14. Credit creation is a function of:
- a) RBI
 - b) Cooperative societies
 - c) Commercial banks
 - d) Post offices
15. The Indian banking system is regulated by:
- a) SEBI
 - b) Ministry of Finance
 - c) RBI
 - d) SBI
16. Total bank credit refers to:
- a) Government borrowing only
 - b) Loans by foreign banks
 - c) Aggregate loans given by all banks
 - d) Only rural lending
17. One of the components of Indian banking system is:
- a) Private moneylenders
 - b) Cooperative banks
 - c) NGOs
 - d) Traders

18. The structure of the Indian banking system includes:

- a) Central Bank
- b) Commercial banks
- c) Cooperative banks
- d) All of the above

19. The main role of RRBs is to:

- a) Provide housing loans
- b) Serve the urban poor
- c) Provide credit to rural and agricultural sectors
- d) Finance imports

20. The bank that controls other banks in India is:

- a) SBI
 - b) IDBI
 - c) RBI
 - d) ICICI
-

UNIT III – Development and Non-Banking Financial Institutions

21. Which of the following is a development bank?

- a) SIDBI
- b) SBI
- c) PNB
- d) Axis Bank

22. NABARD deals primarily with:

- a) Urban banking
- b) Rural and agricultural financing
- c) International trade
- d) Insurance

23. NBFC stands for:

- a) National Banking Finance Corporation
- b) Non-Banking Financial Company
- c) New Bank for Commerce
- d) None

24. Development banks provide:

- a) Short-term loans only
- b) Long-term capital for industrial development
- c) Only savings account
- d) Stock brokerage services

25. Which of the following is not an NBFC?

- a) LIC
- b) HDFC
- c) SEBI
- d) Bajaj Finance

26. Institutional credit is mainly provided to:

- a) Households only
- b) Small businesses only
- c) Industrial and agricultural sectors
- d) Shopkeepers only

27. Sectoral allocation refers to:

- a) Dividing sectors by GDP
- b) Allocation of credit across economic sectors
- c) Import-export data
- d) Inflation indices

28. The biggest challenge for NBFCs is:

- a) Advertising
- b) Non-performing assets
- c) Too many employees
- d) Industrial strikes

29. Inter-regional credit problems affect:
- a) Uniform development
 - b) Interest rates
 - c) Inflation
 - d) GDP only
30. Which financial institution supports small-scale industries?
- a) EXIM Bank
 - b) NABARD
 - c) SIDBI
 - d) SBI
-

UNIT IV – The Reserve Bank of India

31. RBI was established in the year:
- a) 1930
 - b) 1935
 - c) 1947
 - d) 1950
32. RBI's monetary policy aims to:
- a) Increase taxes
 - b) Control inflation and promote growth
 - c) Promote elections
 - d) Issue stocks
33. CRR stands for:
- a) Cash Reserve Ratio
 - b) Credit Risk Ratio
 - c) Core Revenue Rate
 - d) None
34. SLR is used to:
- a) Promote exports

- b) Increase bank profits
- c) Control liquidity
- d) Print notes

35. The rate at which RBI lends to banks is:

- a) Bank Rate
- b) Deposit Rate
- c) Repo Rate
- d) Inflation Rate

36. Open Market Operations mean:

- a) Buying and selling of government securities
- b) Free market trade
- c) Retail business control
- d) None

37. RBI controls credit using:

- a) Moral suasion
- b) Repo rate
- c) Open market operations
- d) All of the above

38. Inflation is controlled by:

- a) Increasing money supply
- b) Reducing interest rate
- c) Tight monetary policy
- d) None

39. Bank Rate is decided by:

- a) Finance Ministry
- b) RBI
- c) SEBI
- d) NABARD

40. Which of these is a qualitative tool of credit control?

- a) Repo rate
- b) CRR

- c) Moral suasion
 - d) SLR
-

UNIT V – Indian Money Market and Capital Market

41. Which is not a component of the money market?
- a) Call money
 - b) Treasury bills
 - c) Bonds
 - d) Mutual funds
42. The capital market deals with:
- a) Short-term instruments
 - b) Long-term securities
 - c) Government policies
 - d) RBI functions
43. SEBI regulates:
- a) Insurance
 - b) Capital market
 - c) Banking
 - d) Mutual aid societies
44. Which of the following is a capital market instrument?
- a) Treasury bill
 - b) Certificate of deposit
 - c) Shares
 - d) Call money
45. Treasury bills are issued by:
- a) RBI
 - b) Ministry of Finance
 - c) Commercial banks
 - d) Stock Exchanges

46. Call money market deals in:

- a) Foreign exchange
- b) Overnight lending
- c) Long-term credit
- d) Bonds

47. The primary market is:

- a) Where securities are resold
- b) Where new securities are issued
- c) Only for banks
- d) Only for mutual funds

48. Which institution regulates capital markets in India?

- a) SEBI
- b) RBI
- c) IRDA
- d) NABARD

49. Commercial paper is a:

- a) Long-term debt instrument
- b) Short-term promissory note
- c) Policy document
- d) Savings bond

50. Mutual funds operate in:

- a) Money market only
- b) Capital market
- c) Insurance
- d) Banking sector