



 **UPKAR'S**

# **General Awareness**

## **Basic Banking**

**&**

## **Financial Issues**

**Useful for Bank Exams.**



**Gautam Majumdar**



U P K A R ' S

# **General Awareness** **Basic Banking** **&** **Financial Issues**

**Useful for Bank Exams.**

*By*

Gautam Majumdar

**UPKAR PRAKASHAN, AGRA-2**

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**Phone :** 4053333, 2530966, 2531101

**Fax :** (0562) 4053330, 4031570

**E-mail :** care@upkar.in

**Website :** www.upkar.in

#### Branch Offices

4845, Ansari Road,  
Daryaganj,

**New Delhi**—110 002

**Phone :** 011-23251844/66

1-8-1/B, R.R. Complex (Near Sundaraiyah Park,  
Adjacent to Manasa Enclave Gate),

Bagh Lingampally, **Hyderabad**—500 044 (A.P.)

**Phone :** 040-66753330

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**Basic Banking & Financial  
Issues : A Compilation**

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# Basic Banking & Financial Issues : A Compilation

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This handbook on basic banking and financial issues is meant to acquaint the reader with the fundamentals of the subject. The primary purpose is to give a broad overview for tackling questions on the subject with a sense of confidence and professional approach.

The banking sector is opening up to huge vacancies in the next two to three years with extremely satisfying job opportunities and the recruitment process is transparent for aspirants from all sections to participate.

Reading this handbook would give an extra edge to the preparation for the recruitment examinations. Competition is all about elimination and the extra refined information would make all the difference between success and failure. Whether it is the written test or the interview or the group discussion his hand book would be immensely beneficial. It is written in simple language with focus on explaining the subjects at the basic level to give an overall understanding.

## Simple Question and Answer Format

**Q. Why are banks known as financial intermediaries?**

**Ans.** Banks perform the dual task of receiving money as deposits from customers and lend funds to those customers who wish to borrow. It thus acts as intermediaries between the depositor and the borrower.

**Q. Why Reserve Bank of India is called the central bank ?**

**Ans.** It is the central bank since it controls money supply in the economy and regulates price control. It is the banker to the government. Every country has a central bank which is assigned this responsibility.

**Q. What is the structure of the banking system in India?**

**Ans.** The banking sector is made up of commercial banks and cooperative credit institutions. The commercial banks consist of scheduled commercial banks and the non scheduled commercial banks.

**Q. Which are the scheduled banks in India?**

**Ans.** All commercial banks which are included in the Second Schedule to the Reserve Bank of India Act are known as scheduled banks.

**Q. What is the difference between public sector banks and private sector banks?**

**Ans.** Public sector banks mean those banks where the government has the majority controlling stake as against private sector banks whose shares are in the hands of private corporate groups and individuals.

**Q. Do nationalized banks and public sector banks have the same meaning?**

**Ans.** When private banks in India were taken over by the government in 1969 these banks were classified as nationalized banks. Then in the 1990s when the government introduced financial sector reforms the government holding in these banks were gradually diluted by issuing of shares for the public. With this change these banks also covered under the category of public sector banks. IDBI Bank is the other public sector bank.

**Some Nationalised Banks are—**

- ☛ State Bank Group      ☛ Bank of Baroda
- ☛ Central Bank of India      ☛ United Bank of India
- ☛ Bank of India      ☛ Union Bank of India
- ☛ Punjab National Bank      ☛ Dena Bank

- ☛ Canara Bank
- ☛ Allahabad Bank
- ☛ United Commercial Bank
- ☛ Indian Bank

**Q. What is meant by old private sector banks?**

**Ans.** Prior to nationalization in 1969 banks in India were controlled by private promoters. Those banks which were not nationalized continued to be managed by private ownership. These banks are mentioned as old private sector banks to differentiate from private banks which were given licenses later. Karnataka Bank, South Indian Bank, Federal Bank are instances of old private sector banks.

**Q. Which are the new private sector banks?**

**Ans.** Financial sector reforms were undertaken in India in the 1990s when economic liberalization became a policy. As a part of this process of integrating with international financial standards new banks were allowed to be set up by RBI. These banks like Axis Bank, Centurion Bank, Development Credit Bank, HDFC Bank, ICICI Bank, IndusInd Bank, Kotak Mahindra Bank, Yes Bank came to be known as new private sector banks.

**Q. These new private sector banks were formed as a result of which government action.**

**Ans.** RBI issued fresh banking licences in 1994 as a result of which the new private sector banks were incorporated.

**Q. What is a regional rural bank?**

**Ans.** To address effectively the concept of social banking in India with emphasis on regional thrust the regional rural banks were introduced in 1975. The stake holders in these banks are the central government, the state government and the sponsor bank in the ratio of 50: 15: 35.

With a view of consolidated and strengthening RRBs, the Govt. of India initiated, in Sept. 2005, the process of amalgamation of RRBs, in a phased manner. Accordingly as on 31st January, 2013 the total number of RRBs stood at 67.

**Q. What are the levels in cooperative banking in India?**

**Ans.** The cooperative banking sector comprises the urban cooperative banks and the rural cooperative credit institutions. The rural cooperative structure has the state cooperative banks followed by the district cooperative banks and the primary agricultural cooperative institutions at the base level.

**Q. What is the equity requirement for floating a bank in India?**

**Ans.** The present capital requirement for running a bank is Rs. 300 crores.

**Q. What is meant by retail banking?**

**Ans.** Banking business which primarily caters to the average individual like offering deposit accounts and loans like personal, car and housing come under retail banking.

**Q. What do you understand by the term ‘offshore banking’ ?**

**Ans.** Offshore banking denotes branch of an Indian bank which is located in a special economic zone. This is primarily meant to encourage exports from the area with a specified set of rules and regulations.

**Q. The word ‘ green investment banking’ is supposed to mean what?**

**Ans.** It is basically an investment with focus on environment friendly projects. This is a new concept in view of emphasis on the protection of the environment.

**Q. What are the instruments of monetary policy transmission?**

**Ans.** Monetary policy transmission is a critical role of the RBI whereby it attempts to control prices and output in the economy. The availability of liquidity or the need to suck excess cash from the market is done through altering the repo and reverse repo rates as well as the cash reserve ratio.

**Q. When is the repo rate used ?**

**Ans.** When RBI lends to banks for increasing liquidity in the economy the repo rate is applied as a monetary policy tool to manage mismatches. As on 19.03.2013 Repo rate is 7.50%.

**Q. What is the difference between repo rate and reverse repo rate?**

**Ans.** RBI lends funds to banks to enable them to meet their liquidity requirements. The interest rate at which these funds are provided is known as the repo rate. Similarly, banks can keep their surplus funds with RBI for which the interest is payable at the reverse repo rate. The repo rate is higher than the reverse repo rate.

As on March 19, 2013

Repo Rate = 7.50%

Reverse Repo Rate = 6.50%

**Q.** The bank rate denotes the rate at which RBI is prepared to buy or rediscount bills of exchange or commercial papers. This rate is an indication of the direction of the monetary policy of RBI in the medium term. As on March 19, 2013 the bank rate is 8.50%.

**Q.** Maintenance of the cash reserve ratio is through cash balances kept as reserves with RBI by banks. It is an amount which is a percentage of the total deposits of a bank which is a requirement of the prudential norms stipulated by RBI. It is known as CRR which is 4% effective from 9.2.2013.

**Q. Compliance with statutory liquidity ratio is by.**

**Ans.** Investing in cash, gold and unencumbered approved government securities by banks as a proportion of their net demand and term liabilities.

**Q. What is a no frills account being opened by banks?**

**Ans.** To promote the spread of banking in unbanked areas and for less privileged people it is important to have minimum conditions for opening of bank accounts. These accounts have zero or minimum balance requirement for maintaining savings account. Also the procedure for opening accounts is simpler.

Establishment Years of Major Financial Institutions in India		
S.N.	Financial Institutions	Year
1.	Imperial Bank of India	1921
2.	RBI	April 1, 1935
3.	IFCI	1948
4.	SBI	July 1, 1955
5.	UTI	Feb. 1, 1964
6.	IDBI	July 1964
7.	NABARD	July 12, 1982
8.	IRBI (Now it has been renamed as IBIL since March 6, 1997)	March 20, 1985
9.	SIDBI	1990
10.	EXIM Bank	January 1, 1982
11.	National Housing Bank	July 1988
12.	LIC	Sept. 1956
13.	GIC	Nov. 1972
14.	Regional Rural Bank	Oct. 2, 1975
15.	HDFC	1977

**Q. Banks are supposed to observe prudential norms. What are these norms?**

**Ans.** Banks are an important part of an economy and hence need to be fully protected and safe. As per international best practices banks are required to observe certain norms relating to capital adequacy, asset classification and provisioning for proper functioning.

**Q. Explain Basel norms.**

**Ans.** Basel norms are followed by banks in India in order to comply with international best practices. This enables banks to be judged in comparison to other banks as to their work practices and strength. So far BASEL-I, II, III are in operation.

**Q. Are banks working rated by RBI?**

**Ans.** Yes banks are examined annually with regard to different parameters like capital, asset quality, management, earnings, liquidity and systems. The banks are ranked in order of their relative strengths.

**Q. What is meant by priority sector lending?**

**Ans.** Banks have to lend to different sectors of the economy for overall development. The funds that are available have to be suitably distributed amongst the sectors identified. Priority sectors are agriculture, small industries, exports etc. which require preferential treatment. Thus

## 6 | Basic Banking & Financial Issues

RBI mandates that 40 per cent of total lending should be to the priority sector. Out of this 40% 18 percentage point is earmarked for agriculture and allied services.

### Priority Sector Lending

On the basis of recommendations of the work-

ing group on the Modalities of Implementation of Priority Sector Lending and the Twenty Point Economic programme, all the commercial banks are advised to achieve the target of priority sector lending at 40% of aggregate bank advances. The scheme is in operation since 1985. The sub-targets, under the scheme are following-

S.N.	Sector	Domestic Commercial Banks	Foreign Commercial Banks
1.	Agriculture & Allied Activities	18%	No Target
2.	Small Scale Industries		10%
3.	Micro Enterprises within SSI sector	11% *	
	(i) Units having investment in plants and machinery upto Rs. 5 lakh	40% of total SSI advances	same as domestic banks
	(ii) Units having investment in plants and machinery between Rs. 5 lakh and Rs. 25	20% of total SSI advances	
4.	Export Credit	Export credit in not a part of priority sector lending	12%
5.	Advances to weaker sections	10%	No target
6.	Differential Rate of Interest scheme	1% **	No target
	Overall priority sector	40%	32%

\* No maximum limit is prescribed. However, advances to SSI sector will be reckoned in computing performance under the over all priority sector target of 40% of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of off Balance sheet exposure, whichever is higher.

\*\* It should be ensured that not less than 40% of the total advances granted under Differential Rate of Interest Scheme go to SCs/STs. At least third of DRI advances should be granted through rural and semiurban branches.

### Q. Define capital adequacy ratio.

**Ans.** CAR or capital adequacy ratio measures a bank's financial strength expressed as a ratio of the capital of the bank to its loans. The capital of a bank is taken as its equity capital, reserves and subordinated debt. The loans are taken as a component of the risk attached to it as each loan (asset) has a certain risk value. CAR is thus an assessment of a bank's capacity to meet its liabilities and attendant risks. The higher the ratio the stronger is the bank.

### Q. What is meant by non performing assets?

**Ans.** The loan portfolio of banks is known as their assets basket. Any loan or the asset becomes

non performing when it stops earning income for the bank. When loans become bad or difficult to recover they are classified as non performing as per criteria established.

### Q. How do loans become non performing ?

**Ans.** Loans are treated as non performing when there is no recovery of the loaned amount *i.e.* the borrower ceases to pay to the bank. As per classification norms when the interest charged and due during a quarter in an account is not recovered within 90 days from the end of the quarter, the loan account is to be treated as non performing.

**Q. There is great stress on financial inclusion. What does it mean?**

**Ans.** A vast majority in the country do not have access to basic financial and banking services depriving them of the benefits of growth and development of the economy. Through financial inclusion these deprived sections are sought to be covered by empowering them with basic bank accounts for savings, credit and remittances. Also in due course insurance services are to be made available.

**Q. Why should there be financial literacy?**

**Ans.** Understanding of the financial products and services is crucial to any savings and investment planning. Also elementary knowledge is a must to protect the safety of money.

**Q. Explain credit counseling.**

**Ans.** While credit needs can be varied it is crucial to use that credit effectively and judiciously in order to repay the amount of loan taken. For a variety of reasons loans at times remain unpaid by the borrowers either willfully or inability. In order that the credit needs and end use of the loan is appropriate, borrowers need to be properly advised. This is credit counseling which also includes guidance on effective management of debt.

**Q. What are credit rating agencies.**

**Ans.** Credit rating agencies are organizations which scrutinize the total working of a company to assess its financial health and overall standing. The working and position of the company is rated to indicate to investors, lenders, collaborators, trading partners and the public the risks involved in dealing with such a company. CRISIL Limited, Fitch Ratings India Private Ltd., ICRA Ltd., Credit Analysis & Research Ltd., Brick work Ratings India Private Ltd., SME Rating Agency of India Ltd. are the Credit rating agencies of India.

Examples of credit rating agencies are ICRA, CARE etc.

### Credit Rating Agencies

Long Term Bonds	ICRA	CARE
1. Highest Safety	LAAA	AAA
2. High Safety	LAA	AA
3. High Risk	LB	CARE B

**Q. Credit information companies have been established. What is their scope ?**

**Ans.** Credit decisions by banks are crucial as the depositors' money has to be effectively handled for return of the money to the depositor on demand. For the decisions to be proper maximum information about the borrower is necessary. Credit information companies are meant to collect the relevant information about the credit history of an individual/enterprise for sharing with the member banks/financial institutions.

**Q. What is the difference between credit cards and debit cards ?**

**Ans.** Credit cards provide temporary financial support to the card holders either for purchase of goods and services or to meet short term cash requirements. The credit used has to be repaid within the billing cycle which is normally every month. Interest is paid on the amounts which remain unpaid at the end of the billing cycle. In case of debit cards the amount spend by the card holder is immediately debited to his account with the bank. There is no credit facility from the bank and no monthly bills are raised.

**Q. What is prepaid card ?**

**Ans.** Prepaid cards are payment instruments which can be used for withdrawing cash or for making purchases. These are issued upto a specified limit and the amount gets reduced with each use. These cards minimize the carrying of cash.

**Q. What are POS terminals for cards ?**

**Ans.** These are point of sales terminals maintained by merchant establishments where cards are allowed for making payments instead of cash.

**Q. Does the merchant establishment pay any charges for getting payment through cards ?**

**Ans.** The merchant establishments enter into contract with banks which provide these POS terminals to facilitate purchases by public. These establishments have to pay a small percentage of the purchases to the bank providing this service.

**Q. What is card protection plan ?**

**Ans.** It is the mechanism to protect all cards from fraudulent use arising out of card loss.

**Q. What is meant by credit score ?**

**Ans.** It is the statistical summary of the individual bits of information on the credit report of an entity. A credit score predicts how likely it is that a company or individual will repay debts. Banks use this information to decide whether to sanction a loan or not and the applicable rate of interest if the loan is granted.

**Q. Give the different forms of electronic banking?**

**Ans.** E banking or electronic form of banking means using alternate banking channels like ATMs, internet banking, phone banking, mobile banking etc. It also includes payment systems using electronic clearing service, electronic funds transfer.

**Q. What is the danger through phishing ?**

**Ans.** Phishing is the risk to internet banking as the password and account details can be hacked.

**Q. How does PIN help in online banking ?**

**Ans.** PIN or personal identification number is the password that each individual requires to carry out any transaction through online banking. It is the safeguard against fraudulent use of the individual's account.

**Q. Banks main source of revenue is interest income. What is it?**

**Ans.** Banks as financial intermediaries offer loans from the deposits mobilized. These loans are available subject to payment of interest by the borrowers. The interest earned on these loans is the income generated by banks for themselves.

**Q. Banks additional means of earnings is fee based income. What does it mean?**

**Ans.** While interest income is the primary source of income generation, banks are continuously trying to increase their income sources to generate surplus after meeting expenses towards payment of interest on deposits, establishment costs etc. Banks therefore undertake additional roles on payment of fees, charges. Examples of earning fees, charges for such services are locker rent, issue of guarantees, letters of credit, bills business, selling of insurance policies, foreign exchange services etc.

**Q. What is an asset reconstruction company?**

**Ans.** Asset reconstruction companies are meant to buy stressed or weak assets in terms of recovery prospects from banks at a discount. They make money by recovering the money from these assets.

**Q. Why customers are harassed by recovery agents?**

**Ans.** Recovery agents are appointed by banks when loans become non performing and difficult to recover. These agents are generally paid for their services only when they recover the amounts due. They resort to harsh and arm twisting measures of the borrowers to realize the money from them and thus resort to harassing tactics.

**Q. What are the different ways of recovering money from difficult accounts?**

**Ans.** Money from difficult accounts is sought to be recovered through persuasive methods including recovery agents initially and if still not possible then by adopting legal process including filing of court case. Once this stage is reached there are options through Lok Adalats, one time settlement, Sarfaesi etc.

**Q. SARFAESI Act is an effective recovery tool for banks. What is it?**

**Ans.** This act is meant to help banks to recover their dues by enforcing the securities of the borrowers with them without intervention of the court. [As on 31 March, 2012 the gross NPA ratio increased to 3.1% from 2.4% on 31st March, 2011]

**Q. Lok Adalats are arranged for loan recovery. How does it work?**

**Ans.** Cases in courts take unduly long to come to any settlement.

**Q. Housing loans are sanctioned against equitable mortgage of the property. How does it operate?**

**Ans.** Equitable mortgage of property is pledging the security against grant of loan. Title deeds of the property are required to be deposited with the lender for keeping it as security for the duration of the loan.

**Q. Government recently announced agricultural loan waivers. What is it?**

**Ans.** Waivers mean setting free stipulation of conditions. Agricultural loan waivers mean non payment of loans in view of certain unforeseen circumstances faced by the farmers in earning enough to repay the bank loans.

**Q. Why are KYC norms so important for opening bank accounts?**

**Ans.** KYC or Know Your Customer norms are meant to establish the identity and residence proof of an account holder. These particulars are extremely important to check 'benami' accounts being opened to prevent money laundering.

**Q. Explain money laundering activities.**

**Ans.** Unaccounted money and funds got from illegal activities including smuggling and terrorist funding are sought to be deposited in bank accounts through unfair means. Observing KYC norms is extremely important while opening bank accounts to stop efforts at laundering ill gotten money.

**Q. What is third party ATM usage?**

**Ans.** When ATM is used of another bank of which the card user is not an account holder then it is known as third party usage. For example an individual is an account holder of Bank 'A' but uses the ATM of Bank 'B' then it is third party usage .

**Q. What are floating interest rates for housing loans?**

**Ans.** Floating rate, as the name suggests, keeps changing with the changes in the benchmark rate to which it is linked. The base rate which is the benchmark rate for bank lending is periodically adjusted with the money market conditions. The floating rate is priced as a certain percentage above or below this base rate. This practice of cyclical pricing makes it a floating rate.

**Q. What is home insurance scheme and its relevance?**

**Ans.** Home loans are generally long term loans spread over a period of 15- 20 years. During this extended period it is prudent to protect both the interest of the borrower and lender against any unforeseen circumstances. Getting home insurance done at the time of the loan is therefore the right approach for safeguarding this interest.

**Q. Banks invest in gilt edged securities. What are these?**

**Ans.** Gilt edged securities mean government securities which are one of the required investment areas for banks to maintain SLR.

**Q. What is net interest income?**

**Ans.** Banks earn interest on the loans that are given to the borrowers and pay interest on the money received from the depositors. The difference in the net loan interest earned and the net interest paid on deposits is the net interest income.

**Q. How is interest calculated in savings bank accounts?**

**Ans.** The present practice is to calculate interest in savings bank accounts on the daily balance. RBI has discontinued the earlier procedure of calculating interest on the minimum balance in the account between the 10th and the last day of each month.

**Q. Why is interest not paid in current accounts?**

**Ans.** Current accounts are meant for business purposes with regular debits and credits. It is not intended to be for saving purposes and hence there is no provision for interest payment. It is also known as a demand deposit account.

**Q. Why are bank deposits liabilities for banks?**

**Ans.** Deposits are mobilized by banks for fulfilling their intermediary task of lending. However banks are under obligation to repay the deposits as per the terms of contract with the depositors. Hence it is a liability to repay for banks.

**Q. Why are fixed deposits known as term liabilities?**

**Ans.** Fixed deposits are funds mobilized by banks for a specified period/term as per the contract with the depositor. Hence it is a term liability as it becomes payable on the expiry of the contracted term.

**Q. Banks are asked to increase CASA deposits. What are these?**

**Ans.** CASA means current and savings account. Deposits in these accounts are crucial for banks as the cost of these funds are minimal when compared to other term deposits. While some interest in savings accounts is paid by banks and no interest is paid in current accounts these are the cheapest form of deposits.

**Q. What is CTS ?**

**Ans.** RBI has introduced the new and innovative technology of fund transfer in the form of

Cheque Truncation System. It is termed as "CTS-2010 standards. An unique types of cheques are being issued by the commercial banks to their customers. Cheque frauds can be greatly reduced with introduction of minimum security features prescribed under "CTS-2010 standards."

**Q. What is National Payments Corporation of India?**

**Ans.** It is an umbrella organization for retail payments in the country with objective of coordinating the working of clearing houses and electronic payments.

**Q. Speed clearing expedites collection of outstation cheques. Explain.**

**Ans.** It is the collection of outstation cheques through local clearing. In this way the time taken for collecting an outstation cheque is reduced and the beneficiary gets the amount of the cheque within 48 hours. This facility is available at identifie speed clearing centres.

**Q. We often hear of MICR cheques. What are these?**

**Ans.** MICR stands for magnetic ink character recognition and this technology was introduced for printing the cheque numbers for facilitating quick sorting of cheques at the clearing house.

**Q. What are the different forms of electronic funds transfer?**

**Ans.** The different forms of funds transfer include ECS facility, NEFT, RTGS.

**Q. What is electronic clearing service or ECS?**

**Ans.** It is a facility of electronic funds transfer which is suitable when a specified amount is required to be paid monthly. This mode is particularly suitable for individuals when they need to pay regular monthly instalments towards loan amounts or for monthly utilities.

**Q. What is an equated monthly instalment?**

**Ans.** EMI or equated monthly instalments is the amount payable monthly towards repayment of a loan. The total interest that is payable on a loan for a given period of time together with the principal amount of loan is divided by the number of months that the loan has been given for, to arrive at the EMI or the same amount of instalment that has to be paid every month for adjustment of the loan.

**Q. What do banks mean by teaser rates?**

**Ans.** Banks at times offer home loans primarily with interest at lower rates initially which gradually

increase with passage of time. The rates later become floating rates which are linked to the base rate and thus fluctuates with every rise in base rates. These are tempting for the borrowers as the initial rates are low and the borrower does not realize that in due course the interest rates are bound to rise significantly.

**Rural Infrastructure Development Fund (RIDF)**

All domestic scheduled commercial banks are required to lend 40% of their net credit to priority sector with sub target of 18% for lending to agriculture. Banks having shortfall in lending to priority or agriculture sector are required to contribute to Rural Infrastructure Development Fund (RIDF) which was established on April 1995 to assist State Government or State owned corporations in quick completion of ongoing projects relating to medium and minor irrigation, soil conservation, watershed management and other forms of rural infrastructure. The Government of India initiated the setting up of an RIDF to be raised from the commercial banks to the extent of their shortfall in agricultural lending. The fund has been since been continued, with its corpus being announced every year in the budget. These are as follows–

Year	Tranche	Corpus (Rs. crore)
1995-96	RIDF-I	2000
1996-97	RIDF-II	2500
1997-98	RIDF-III	2500
1998-99	RIDF-IV	3000
1999-00	RIDF-V	3500
2000-01	RIDF-VI	4500
2001-02	RIDF-VII	5000
2002-03	RIDF-VIII	5000
2003-04	RIDF-IX	5500
2004-05	RIDF-X	8000
2005-06	RIDF-XI	8000
2006-07	RIDF-XII	10000
2007-08	RIDF-XIII	12000
2008-09	RIDF-XIV	14000
2009-10	RIDF-XV	14000
2010-11	RIDF-XVI	16000
2011-12	RIDF-XVII	18000
2012-13	RIDF-XVIII	20,000
2013-14	RIDF-XIX	20,000

**Q. What is prime lending rate or PLR?**

**Ans.** Prime lending rate is the benchmark lending rate previously used by banks to price their different loans. This pricing mechanism has now been replaced by the base rate of lending. PLR however continues to be quoted for loans granted before adoption of the base rate.

**Q. PLR has been replaced by base rate of lending. What is base rate ?**

**Ans.** It is the minimum lending rate that banks can charge its customers. It is the floor rate for all loans that banks provide barring a few exceptions like loans against deposits, staff loans to bank employees and some agricultural loans. The interest rates for each category of loans is calculated thereafter keeping the cost to the bank.

**Q. Bank deposits are insured. What does it mean?**

**Ans.** All deposits of upto Rs. 1 lac in a commercial or cooperative bank in India are insured by the Deposit Insurance and Credit Guarantee Corporation. The insurance protection is made available to the depositors free of cost. Deposits in different banks are separately insured upto the maximum amount of Rs. 1 lac.

**Q. What is SME financing for banks?**

**Ans.** SME or the small and medium enterprises are extremely crucial for an economy because of its entrepreneurial raising capacity and employment generation opportunities. Banks are therefore required to fund this sector in a preferential manner to promote the growth of the SME sector.

**Q. Nomination facility is available for bank deposits. What is the benefit?**

**Ans.** Every bank depositor is permitted to nominate an individual who would be the person identified for receiving the amount in the account in the event of the death of the depositor account holder. Nomination helps in the amount being paid by the bank without any legal formalities required to be completed.

**Q. Explain in brief bancassurance.**

**Ans.** Selling of insurance products across bank counters describes the term bancassurance. Banks are now selling different financial products to enlarge their scope of activities and also

to increase their earning capacity. Banks are favorably placed because of their large customer base and the trust of their clients.

**Q. Banks are required to have their assets classified. What does it indicate?**

**Ans.** Asset classification is an indicator of the performance of the asset as regards its repaying status. Deterioration in the repaying capacity suggests that there is likelihood of default for which the bank has to start taking appropriate action.

**Q. Is consumer protection act applicable to banking services?**

**Ans.** Banking services are covered under the Consumer Protection Act.

**Q. How does banking ombudsman help?**

**Ans.** The banking ombudsman is an impartial authority appointed by RBI to settle complaints of customers against their banks with regard to deficiency in services. He is to be approached after the bank concerned has been unable to satisfy the customer or has not responded to the complaint.

RBI introduced a Banking Ombudsman Scheme in the country on June 14, 1995, for giving a solution for customer's complaints. 15 Ombudsmen have already been appointed for different regions. The Banking Ombudsman Scheme 2006 was amended by RBI on Feb. 3, 2009.

**Q. What is stress testing in banks?**

**Ans.** Regular appraisal of banks is crucial to assess their financial soundness. Stress testing is therefore a tool to determine the capacity of banks to safeguard their working from different risks.

**Q. What is meant by business correspondents?**

**Ans.** A list of individuals and companies eligible to be appointed as business correspondents have been declared by RBI for providing banking services in areas where there are no bank branches. These designated entities are expected to promote financial inclusion by spreading banking into presently uncovered areas.

**Q. What is brick and mortar banking?**

**Ans.** After the introduction of technology in banking services the delivery systems of banks has undergone changes. To differentiate traditional banking from the latest changes, branch type banking is known as brick and mortar banking.

**Q. What is faceless banking?**

**Ans.** Most of the latest banking is done through technology driven models like phone banking, internet banking, mobile banking etc. where the customer does not interact face to face with any bank official. Hence this form of banking is known as faceless banking.

**Q. What are the different ways of remitting money?**

**Ans.** Money remittance is an important and necessary service provided by banks. Earlier the most common have been through demand drafts, mail transfers, telegraphic transfers. Now there is the electronic mode of transfer through RTGS, NEFT, mobile banking made possible through core banking solutions.

**Q. What is meant by security printing?**

**Ans.** Security printing relates to printing of currency, cheque books, stamp papers etc. Security Printing Press established at Hyderabad in 1982 for meeting the demand for Postal material by Southern states. While in spite of India Security Press is working at Nasik Road.

**Q. Who prints currency notes for the country?**

**Ans.** RBI is the sole note issuing authority in India.

**Q. What are intercorporate deposits?**

**Ans.** In simple terms it means the deposits that one company may keep with another company. These are short term deposits mainly of 90 days duration to meet immediate funds needs of the company accepting such deposits.

**Q. Why is it necessary to recognize the security features of a currency note?**

**Ans.** The security features of a currency note should be known to an average citizen to ensure that counterfeit currency is not accepted. This issue is serious in view of widespread circulation of fake currency in the market.

**Q. Where are coins manufactured?**

**Ans.** Coins are minted by the government of India at four mints located in different parts of the country.

**Q. Where are the mints in India?**

**Ans.** The mints are located at Mumbai, Noida, Kolkata and Hyderabad.

**Q. Which are the securities presses in India?**

**Ans.** The security printing of currency notes takes place at Dewas (M.P.), Nasik (Maharashtra), Mysore (Karnataka) and Salboni (W.B.).

**Q. Is a guarantor liable on a loan ?**

**Ans.** The liability of the guarantor is coextensive with that of the borrower meaning that in the event of the borrower not repaying the amount of loan then the guarantor would be required to make the payment.

**Q. What is an out of date cheque?**

**Ans.** Cheques are normally considered valid for payment for three months from the date of the cheque. Any cheque which is presented for payment beyond this validity period is known as out of date or stale cheque.

**Q. What are processing fees on loans?**

**Ans.** Application for loans requires submission of prescribed documents by the prospective borrower. These loan applications are examined and assessed by banks in accordance with their guidelines. The charges for this exercise by banks are known as processing fees.

**Q. Who is a high net worth individual or HNI?**

**Ans.** High net worth individuals are identified by their stock of wealth and assets in comparison to their liabilities. Since their assets are much more than their liabilities they are classified as having high net worth.

**Q. What are quantitative methods of credit control ?**

**Ans.** The main quantitative methods of credit control by RBI are : (1) Bank Rate Policy (2) Open Market Operations & (3) Cash Reserve Ratio.

**Q. As per RBI Report 2010-11, the overall growth of the economy fixed at what per cent ?**

**Ans.** As per latest information, the overall growth of the economy in 2011-12 is estimated at 6.9 per cent.

**Q. What are the foreign exchange reserves as March 8, 2013.**

**Ans.** As on March 8, 2013, foreign exchange reserves were as follows :

**(Billion Dollar)**

Foreign Currency Assets	257.382
Gold	26.292
Reserve Tranche with IMF	2.323
SDR	4.352
Total	290.350

**Q. Which was the first fully Indian Bank ?**

**Ans.** The first fully Indian Bank was Punjab National Bank.

**Q. When 14 banks were nationalised ?**

**Ans.** 14 banks were nationalised on July 19, 1969.

**Q. What are the number of Nationalised bank as on April 30, 2012 ?**

**Ans.** Present number of nationalised banks are 19.

**Q. Where is located Bank Notes Press ?**

**Ans.** Bank Notes Press is located at Dewas (M.P.). Currency notes of Rs. 20, Rs. 50, Rs. 100 and Rs. 500 are printed here.

**Q. What is the size of Rs. 1000 note ?**

**Ans.** After a long span of 22 years, RBI released Rs. 1000 currency note for circulation on Oct. 9, 2000. This note of size 177 × 33 mm contain the figure of Gandhiji on its water mark.

**Q. What is the target of the Govt. for agriculture credit ?**

**Ans.** The government has put a target of disbursing Rs. 7,00,000 crore institutional credit to agriculture sector during 2013-14.

**Q. Which is the largest Public Sector Bank of India ?**

**Ans.** State Bank of India is the largest Public Sector Bank in the country. On June 30, 2011, 17976 branches of SBI and Associates were working in the country.

**Q. Write the some bank rate of RBI.**

As on 19 March, 2013	
Bank Rate	= 8.50%
CRR effective from 9.2.2013	= 4.00%
Repo Rate	= 7.50%
SLR (11.8.2012)	= 23%
Reverse Repo Rate	= 6.50%

**Q. When does a loan become sticky?**

**Ans.** When a borrower fails to pay interest on his loan for 90 days it is termed as sticky. The bank has then to start making provisions for such an account.

**Q. Why do banks declare dividends?**

**Ans.** Commercial organizations declare dividends when they make profits or surplus from their business. Part of the profits is shared with the shareholders of the company in the form of dividends. Banks as commercial organizations also adopt the same procedure for their shareholders.

**Q. Why do public sector banks present dividend cheques to the central government?**

**Ans.** The majority shareholder of public sector banks is the government and hence when dividends are declared the government is the biggest beneficiary.

**Q. The number of subsidiaries of State Bank of India is reducing. Why?**

**Ans.** The number of subsidiaries of State Bank of India has come down to five from seven after the merger of State Bank of Saurashtra earlier and recently in 2010 State Bank of Indore. This is as a consequence of making State Bank of India as the biggest bank in India and enlarging its size to complete with global banks.

**SBI Groups**

1. State Bank of India
2. State Bank of Bikaner and Jaipur
3. State Bank of Hyderabad
4. State Bank of Mysore
5. State Bank of Patiala
6. State Bank of Travancore

**Q. What is the percentage of government holding in public sector banks?**

**Ans.** The government holding in public sector banks cannot be reduced below 51 per cent as per current law. The holding in individual banks may differ depending upon the stake of the government which at given time is more than 51 per cent.

**Q. Why do HDFC bank and ICICI bank not qualify as Indian banks?**

**Ans.** Any company with more than 51 per cent foreign equity is considered as a foreign company. HDFC with 64 per cent and ICICI with 79 per cent foreign equity fall in this category with majority voting rights are with Indians.

**Q. What is meant by liquidity of banks?**

**Ans.** Liquidity of banks indicates the ability to convert its assets into cash on demand. The liquid assets of a bank is defined by its holdings in cash balances with RBI, money at call and short notice, inter bank deposits due within 30 days. It is extremely important to have liquidity for banks and hence the need to maintain CRR and SLR which are cash and investments in government securities.

**Q. What is asset liability management?**

**Ans.** This aspect is most important for banks as they are required to match their funds availability with their commitment to honour deposit payments. Deposits are mostly short term and loans

have long periods of repayment. This duality has to be matched so that banks do not default in paying their deposits on demand.

**Q. Many companies are offered debt restructuring by banks to help them to recover. What is it?**

**Ans.** Companies at times are not able to manage their borrowal accounts strictly in terms of the bank sanction for certain genuine reasons. Such accounts are allowed to reassess their repaying abilities in view of short term difficulties and fresh terms and conditions are specified. This is known as debt restructuring to avoid loan accounts becoming non performing.

**Q. What is call money?**

**Ans.** Money lent by banks to other banks, bill brokers, financial institutions for a very short period of time varying from 1 to 14 days. When these funds are repayable on demand without prior notice it is known as call money.

**Q. What is credit deposit ratio?**

**Ans.** Alternatively known as loan to deposit ratio it is an indication of the share of deposits given as loans by banks. Judicious banking practice implies that banks lend only from the deposits they mobilize.

**Q. What is a debenture/bond?**

**Ans.** It is a form of borrowing by the company issuing the debenture/ bond for a specified period on payment of interest.

**Q. What purpose do credit ratings agencies perform?**

**Ans.** Credit rating agencies assess the financial health of an enterprise and their ability to meet their financial liabilities and commitments. It is a signal to investors, lenders to judge the financial status of the entity before entering into a transaction.

**Q. Explain the role of credit information companies and their significance.**

**Ans.** Lenders find it extremely difficult to take suitable credit decisions in the absence of vital information about the borrowers. Credit information companies collect and analyze the data about individuals, corporates relating to their credit history which is made available to lenders.

**Q. Explain the role played by asset reconstruction companies.**

**Ans.** Asset reconstruction companies help banks to improve their balance sheet by buying their non performing assets and releasing funds to these seller banks. ARCs then recover the money from these weak assets and make money when the recovered amount is more than the amount to the banks.

**Q. What is mobile banking?**

**Ans.** Mobile banking puts you in command of your bank account with just your mobile phone. With mobile banking you can conduct any financial and non financial transactions effortlessly and securely. From making payments to checking your accounts information, m-banking allows you to bank from anywhere at any time.

**Q. Clarify the terms egold, esilver.**

**Ans.** These are special investment products which enables investors to invest their funds in gold and silver in small amounts in demat form. This facility is available from the National Spot Exchange.

**Q. What is meant by microfinance?**

**Ans.** Microfinance is the providing of basic financial help to the less privileged sections of the society to enable them to make their livelihood. The assistance is in terms of moderate amounts essential for starting economic activity for sustenance.

**Q. What is a self help group?**

**Ans.** It is the formation of individuals from similar groups who pool their savings and resources for mutual financial assistance. It is an important model in promoting micro finance.

**Q. What is bank self help group linkage?**

**Ans.** Spread of microfinance has been possible through bank linkages with self help groups. These groups provide closely formed associations of people who get the bank funds on the basis of their group guarantee concept.

**Q. Who are business correspondents?**

**Ans.** To promote financial inclusion through wider reach of banking services in the country, business correspondents are being appointed by banks to cover villages which do not have bank

branches. Retired bankers, teachers, post offices, kirana stores and many others are providing basic banking facilities in remote areas with means of hand held devices using smart cards.

**Q. Why interest on credit card dues higher than loans?**

**Ans.** Credit card dues are extremely risky for banks as there is no documentation as in case of loans and there is no security available to the banks. To cover this high risk factor the interest rates on credit card outstandings are the highest.

**Q. Why are personal loans known as unsecured loans?**

**Ans.** Personal loans are given for a variety of reasons without the need to specify the purpose. These loans are primarily used for cash needs or for urgent liquidity requirements of borrowers without any asset creation. Since there is no security for the banks these loans remain unsecured or high risk for the banks.

**Q. Which are the secured loans?**

**Ans.** Secured loans are those where an asset is created like car, home, consumer goods from purchase through the loan amount or certain assets like gold, stocks, mortgage of immovable property is available to banks. In case the loan amount remains unpaid then the bank can dispose off the securities to adjust the loan. The bank is said to be secured.

**Q. What are failed ATM transactions?**

**Ans.** When a transaction for withdrawal of money fails at an ATM it is referred as a failed transaction. In such cases the cash amount is not dispensed by the machine but the account of the card holder is debited.

**Q. What is meant by core banking solutions?**

**Ans.** Core banking solutions is technology driven enabling customers to access their banking accounts through whichever channel they wish to use. This module has allowed any time any where banking by having ATMs, internet banking, phone banking, mobile banking etc.

**Q. What is meant by a Clearing House?**

**Ans.** It is an institution where mutual claims are settled between the accounts of member institutions. Bankers' clearing house have traditionally been organized for cheque clearing purposes but more recently are clearing other

types of payment settlements including electronics funds transfer.

**Q. What is an overdraft facility?**

**Ans.** When a bank permits the account holder to draw funds in excess of his sanctioned limit or entitlement it is known as overdraft facility. This is a temporary measure to enable the account holder to meet his urgent funds requirement.

**Q. What is meant by a cash credit account?**

**Ans.** Cash credit account denotes a type of credit facility which is of a revolving nature against the pledge of securities. It is meant for routine business needs known as working capital required for any business enterprise. Funds showing income and expenses of the company have to be routed through this account against a sanctioned credit limit.

**Q. What is a pre-approved loan?**

**Ans.** A pre-approved loan is an offer generally from a bank with which the recipient has some relationship. The offer comes after preliminary checks and has a time limit. The processing time is less and minimum documents are required.

**Q. What is meant by net worth of an individual?**

**Ans.** Net worth is simply the difference between the assets and liabilities of an individual. Assets constitute the cash balances, house, land, vehicles, bank balances, shares etc. while the loans payable, credit card outstandings and other dues are the liabilities.

**Q. What is money back plan in life insurance cover?**

**Ans.** The basic feature of this plan is payment of tax free fixed amounts of the sum assured at regular intervals during the term of the insurance policy. The balance amount of the sum assured with bonus or profit is paid on maturity. It is both an insurance cover and savings for the future.

**Q. Insurance policies also have another variant known as the endowment plan. Please explain.**

**Ans.** Endowment plans are long term policies having the double benefit of life cover and returns.

**Q. What is surrender value of a life policy?**

**Ans.** The insurance company calculates the amount payable in case of a premature exit before the expiry of the policy term. This calculation is

different for different policies with prescribed terms and conditions. Surrender value also varies as per the period of the term elapsed and is the amount payable on surrendering the policy.

**Q. Term insurance is often suggested as a pure life cover. What are its features?**

**Ans.** It is the cheapest and simplest form of life insurance. Premiums have to be paid every year and the sum assured is payable to the beneficiaries only in the event of the death of the life assured. If the assured survives the policy term nothing is paid.

**Q. What is meant by non resident accounts in the context of bank accounts?**

**Ans.** Indians staying abroad on account of work or otherwise for an uncertain period are known as non resident Indians. They are permitted to open bank accounts in India which are designated as non resident accounts. These are treated differently from other normal local deposit accounts.

**Q. What is a FCNR or Foreign Currency Non Resident account?**

**Ans.** An FCNR account can be opened by a non resident Indian only for term deposits. These accounts are maintained in foreign currencies like dollar, pound sterling, euro and yen for a period not less than six months and not exceeding three years. The funds in this account and the interest thereon are exempt from tax. The maturity amount with interest can be easily repatriated to the overseas depositor without any exchange loss.

**Q. What is meant by consortium financing?**

**Ans.** Under this arrangement two or more banks join together to meet the working capital funds requirement of borrowing enterprises. This is done in case of substantial funds need of the borrowers and when banks decide against taking the responsibility singly.

**Q. What is meant by working capital needs of a company?**

**Ans.** It is the amount of funds required by a company to finance its day to day business operations. Without these funds the very survival of business is threatened.

**Q. Which are the credit information companies in the country?**

**Ans.** These companies formed under the Credit Information Companies Act 2005 are CIBIL, Experian Information Co.of India Pvt. Ltd. and Equifax Credit Information Services Pvt. Ltd.

**Q. What is meant by capital markets?**

**Ans.** It includes the primary market( for IPOs), equity trading, derivatives trading, mutual funds, tax saving instruments and depository services.

**Q. What is a dormant account?**

**Ans.** Bank accounts which have not been operated for more than 2 years are known as inoperative or dormant accounts. It means that there have been no deposits or withdrawals from the account during the two years.

**Q. Why dormant accounts are viewed seriously by RBI?**

**Ans.** The total credit balance in dormant accounts of banks in the country is very substantial. RBI wants that banks make serious efforts to trace the account holders for reducing the number of dormant accounts as these accounts are often exposed to frauds.

**Q. What is meant by merchant banking?**

**Ans.** Banks acting as intermediaries in various business transactions of corporates like equity, debt, external commercial borrowings etc. are known as merchant bankers. It also includes aiding in mergers and acquisitions and strategic investments.

**Q. What are payment systems?**

**Ans.** Payment systems have been defined as the instruments, rules and procedures that enable users to meet payment obligations. Types of payment instruments are cash, paper (bill of exchange, promissory note, cheques, drafts), plastic cards, and electronic funds transfer methods.

**Q. Can an illiterate person open a bank account?**

**Ans.** Yes, illiterate persons can have bank accounts to be operated with the help of his/her thumb impression.

**Q. Which types of individuals do not have the option of having bank accounts?**

**Ans.** Persons of unsound mind and those declared insolvent are not permitted to have bank accounts.

# Salient Points About Reserve Bank of India

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## Role of RBI in the Economy

- India's monetary authority
- Responsible for supervision of financial system in India
- Issuer of currency
- Manager of foreign exchange reserves
- Banker and debt manager to the government
- Supervisor of the payments system
- Banker to banks

## Major milestones for RBI

- 1926-concept of a central bank was recommended by the Hilton Young commission to separate the control of currency and credit from the government.
- RBI Act of 1934 established
- 1935- Operations of RBI began
- 1949- Nationalization of Reserve Bank, Banking Regulation Act enacted
- 1994-Board for Financial Supervision BFS set up
- The RBI (Amendment) Bill 2005 was approved by Lok Sabha on May 17, 2006. This bill amends the Reserve Bank Act for providing flexibility to the Central Bank in fixing the cash reserve ratio and statutory liquidity ratio.
- 2007- RBI empowered to regulate payment system
- On July 1, 2010 RBI decided to circulate 'Plastic Currency Notes' in the market by the end of 2010. In its revealed decision, RBI decided to introduce and circulate Rs. 10 plastic note in the market and later on currency notes of Rs. 20, 50 and 100 would be made circulated in the market.

## Administrative structure of RBI

Central Board... Committee of Central Board... Bank for Financial Supervision... Board for

Payment and Settlement System... Sub committee of Central Board... Local Boards at Chennai, Delhi, Kolkata and Mumbai.

## Functions of RBI

- Issue of Currency Notes
- Banker of Banks (Lender of last resort)
- Custodian of Foreign Exchange Reserves
- Credit control
- Banker of GOI and state governments
- Bill discounting

## Direct Instruments of monetary control exercised by RBI

- Cash Reserve Ratio CRR
- Statutory Liquidity Ratio SLR
- Refinance Facilities

## Indirect Instruments for monetary control

- Liquidity Adjustment Facility LAF
- Open Market Operations
- Market Stabilization Scheme MSS
- Repo/Reverse repo rates
- Bank rate

RBI as the sole note issuing authority has the power to issue notes upto Rs. 10,000/- value.

There are 4 printing presses actively printing notes. These are Dewas (M.P.), Nasik (Maharashtra), Mysore (Karnataka), Salboni (West Bengal) Coins are minted by the government of India and RBI is the agent for distribution, issue and handling of coins.

There are 4 mints at Mumbai, Noida, Kolkata and Hyderabad.

## STRUCTURE OF INDIAN BANKING

The Indian banking sector is made up of the commercial banks and the cooperative credit institutions.

**The commercial banks space is as follows :**

A. Scheduled commercial banks and B. non scheduled commercial banks (local area banks). Under scheduled banks (A) are 1) public sector banks and 2) private sector banks Public sector banks are i) State Bank of India and its associates ii) nationalized banks and iii) regional rural banks Private sector banks are a) Indian private banks and b) foreign banks.

**The cooperative banking sector comprises :**

**A. Urban cooperative banks and B. Rural cooperative credit institutions**

Under urban cooperative banks are scheduled urban cooperative banks and non scheduled urban cooperative banks Under rural cooperative credit institutions are covered state cooperative banks, district central cooperative banks and primary agricultural credit societies.

The main functions of the commercial banks are :

- Acceptance of deposits from the public
- Credit creation through lending/investments
- Payment services
- Agency services like collection of cheques, safe deposit lockers etc.
- Facilitating international trade and commerce
- Marketing of mutual funds and insurance products *e.g.*, bancassurance
- Wealth management
- Investment consultancy
- Credit and debt counseling
- Currency provider and cash management services

**System of Currency Issue in India**

In terms of Section 22 of the Reserve Bank of India Act, the RBI has been given the statutory function of note issue on a monopoly basis. The note issue in India was originally based upon "Proportional Reserve System".

**Minimum Reserve System :**

When it became difficult to maintain the reserve proportionately, it was replaced by "**Minimum Reserve System**". According to the RBI Amendment Act of 1957, the RBI should now maintain a minimum reserve of Rs. 200 crore worth of gold coins, gold bullion and foreign securities of which the value of gold coin and bullion should be not less than Rs. 115 crore and the remaining Rs. 75 crore can be maintained in the form of foreign currency.

The Government of India mints and issues rupee coins in the denomination of Rs. 1, 2 and 5 to public. These coins are required to be circulated to public only through Reserve Bank under Section 38 of the RBI Act. The RBI presently issues notes of denominations Rs. 10 and above.

RBI manages circulation of money through currency chests. Originally RBI issued currency notes of Rs. 2 and above. However, due to higher cost of printing small denomination notes these denominations are now coincides and issued by Government. Currency Chests Currency Chests are receptacles in which stocks of issuable and new notes are stored along with rupee coins. Currency Chests are repositories run by RBI, SBI, subsidiaries of SBI, public sector banks, Government Treasuries and Sub treasuries.

**RBI's Key Guidelines for Corporate India to enter Banking Sector**

- Entities with a successful track record of at least 10 years eligible.
- Minimum Capital requirement Rs. 500 crore, against the existing Rs. 300 crore.
- Aggregate foreign shareholding in new bank not to exceed 49% for first year.
- At least 25% branches must be in unbanked rural areas.
- New bank must list on stock exchange within 2 years of licensing.
- New banks to be set up through wholly owned non-operative holding companies registered as NBFCs.

# Recent Developments In Banking And Finance

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## **Know Your Customer KYC norms**

These norms have been specified for banks to be strictly observed while opening accounts of customers. Banks are required to satisfy itself fully about the true identity of its customers before it can start a bank customer relationship. The customer needs to provide documentary proof of his identity with residence particulars to minimize chances of frauds taking place. This requirement is increasingly important to stop money laundering and other anti national activities.

## **Savings Accounts in banks to be paid interest on daily balances**

In terms of RBI directives banks are now required to pay interest in savings bank accounts on the daily balance. It is a departure from the earlier practice of paying interest on the minimum balance in the account between the tenth and the last day of each month. Analysts had observed that the account holders were being paid less effectively by the previous method. To correct the anomaly the improvement has been suggested though it would mean the banks would have higher cost of funds.

## **Deregulation of interest rates on bank savings accounts**

Presently interest rate for bank savings account is the only deposit rate that is being administered by RBI. To bring about greater operational freedom for banks, RBI has allowed banks to fix interest rate for savings account also. Now banks declare their respective rates based on their cost of funds and their need for funds. However the fear is that many conditionalities may be imposed by banks on the savings bank account holders which may be prove unfavourable to small depositors.

## **Net Interest Income NII for banks**

Banks charge interest on their loans to customers and pay interest on deposits received from customers. The difference in the amounts received

through the loan portfolio and the amount paid on the total deposits is net interest income, a measure of the gain to the bank from its primary activity apart from other income and expenses from other related activities. Net Interest Income should be positive if the bank is to have profitability.

## **Net Interest Margin NIM for banks**

Once the net interest income for a bank is determined, net interest margin can be calculated by dividing net interest income by average interest earning assets or loans.

## **Electronic Funds Transfer EFT**

With the introduction of electronic banking the normal mode of remittances by demand draft, telegraphic transfer, mail transfer were replaced by transfer of money electronically. These modes are much faster and can be sent between different cities and different banks.

## **National Electronic Funds Transfer NEFT**

This is a mode of funds transfer electronically across the country. Under this system the payment settlement takes place at specified time slots during the week. Except on Saturdays when this facility is available thrice on other week days it happens six times. To complete the transaction the details of the beneficiary like name, account number, bank name and branch with IFSC code has to be provided to the remitter's bank for making the transfer.

## **Real Time Gross Settlement RTGS**

It is a transfer mechanism for remitting money from one bank to another instantly. RTGS is different from money transfers through EFT and NEFT. The minimum amount transferred through RTGS is Rs. 2 lakh without any upper limit.

## **National Payments Corporation of India NPCI**

NPCI has been set up as an umbrella organization for retail payments with the objective of integrating and consolidating different clearing houses

in the country for cheques and electronic payments. The scope of NPCI is also to introduce new payment applications with emphasis on electronic payments.

### **National Financial Switch NFS**

NFS is a national infrastructure with pan Indian presence providing a switching service for connectivity across ATMs of banks. NFS enables customers to perform their transactions using ATMs under its network without reference to the card issuing banks. This is the largest network with 80,000 and more ATMs. This national switching system is a service provided by NPCI.

### **Inter Bank Mobile Payment System IMPS**

IMPS is a facility operated by National Payments Corporation of India which provides an instant 24x7 inter bank electronic fund transfer service through mobile phones. This system facilitates customers registered with their banks for this service to use mobile instrument as a channel for inter bank funds transfer in a secured manner with immediate confirmation.

### **Mobile Banking**

It means undertaking banking transactions using mobile phones by bank customers for credit/debit of their accounts. It also includes checking of bank accounts for balance enquiry, stop payment instructions, transaction enquiry etc. Mobile banking is a means to enlarge the customer base of banks since a very large population possesses mobile phones. Customers need to register with their banks for using this facility for getting their security controls. RBI wants banks to popularize this facility for penetration of banking services in the country.

### **Online Banking**

The introduction of core banking solutions has made possible banking through different channels. One of them is banking using the internet or online banking as it is known. It is possible by using specially generated password by the bank after registering with it. Most of the basic services are available on a 24x7 basis.

### **Phone Banking**

Phone banking as the name suggests is to get banking facilities through the use of phones after due identification process is completed. Cash delivery, pick up of cheques for collection and delivery of

drafts are the different benefits that are available through this mode.

### **Speed Clearing**

This service is available at designated centres where outstation cheques are collected through local clearing. This reduces the time for collection and provides funds to the account holder within the minimum possible time.

### **Securitization**

It is a process by which a single asset or pool of assets are transferred from the balance sheet of the originator bank to a special purpose vehicle SPV (trust or company) in return for an immediate cash payment.

### **E Stamping**

It is a computer based application and a secured electronic way of stamping documents. The present system of physical stamp paper / franking is being replaced by e stamping system.

### **Application Supported by Blocked Accounts ASBA**

ASBA is an investor friendly service introduced for subscribing to IPOs. Through this facility, the investor's funds remain in his account till allotment of shares. Then the amount equivalent to the shares allotted are deducted from the blocked amount for remitting to the company issuing the shares and the balance amount is available to the investor. In this way the payment and refunds process has been simplified. The investor is saved the botheration of making payment well before the allotment process is finalized and also avoids delays in getting refunds if shares are not allotted.

### **Cheque Truncation**

RBI has introduced CTS-2010 standards facility to speed up clearance of cheques to enhance customer service. It also reduces the scope of frauds, minimizes cost of collection of cheques and also lessens administrative problems. The process involves sending an electronic image of the cheque to the drawee bank and not the cheque physically. This is part of the scheme to facilitate and speed up electronic clearing.

### **Depository Receipt**

It is a negotiable financial security, in the form of physical certificate, which can be traded on a lo-

cal stock exchange. It is a type of equity holding in the manner of shares issued by a foreign listed company. It enables participation in equity of other countries. The common examples of depository receipt are the ADR or American Depository Receipt and Global Depository Receipts or GDR. ADR is traded on American stock exchanges and GDR is commonly listed on European stock markets. The recent addition to depository receipt is the Indian Depository Receipt or IDR.

### **Microfinance**

Microfinance is making available basic banking services to the vast deprived sections of the population to enable them to improve their livelihood. This is necessary to help them to avoid the money-lenders and come in the mainstream of economic activity.

### **Business Correspondents**

Business correspondents are individuals, entities who have been permitted by RBI to be appointed by banks to provide banking services in unbanked areas. Use of smart cards with the help of hand held devices would enable customers to access their accounts for basic banking needs. This initiative is a part of the financial inclusion efforts of the banking sector.

### **Self help groups**

As the name implies small of 15 to 20 people belonging to homogeneous groups form their association to pool their resources to consider credit needs of their members. SHGs are a vital link in the spread of microfinance as banks tend to lend to them because of their assurance to repay the loans on a group guarantee basis.

Under the SHG Bank linkage programme, as on 31 March, 2012 79.60 lakh SHGs held saving bank accounts with total savings of Rs. 6551.41 crore as against 61.21 lakh SHGs with saving of Rs. 5546 crore as on 31 March, 2009.

### **Forensic Accounting**

It is the branch of accounting which helps in detecting evidence of frauds in financial statements. It goes beyond the numbers to analyze 100 per cent of the data as against the sampling procedure used generally by auditors.

### **Basel I and Basel II**

Basel I and II are global capital adequacy rules that prescribe a minimum amount of a capital a bank

has to hold given the size of its risk weighted assets.

### **Basel Committee on Banking Supervision**

It is a committee of bank supervisors consisting of members from each of the G10 countries. The committee is a forum for discussion on the handling of specific supervisory problem. It coordinates the sharing of supervisory responsibilities among national authorities in respect of banks' foreign establishments with the aim of ensuring effective supervision of banks' activities worldwide.

### **Teaser rates**

Teaser rates for loan account are a recent phenomenon introduced by banks primarily for home loan accounts. In this case the borrower is tempted by favourable interest rates at the start of the loan for a couple of years which later increases and gets linked to the market rates. RBI has opposed this kind of marketing as the borrower is supposed to have been misled by inadequate understanding of the entire process.

### **Credit Information Companies**

Credit information companies gather data from banks and financial institutions about the credit history of individuals and corporates. This store house processes and converts this data into valuable information for lenders to take their credit decisions on the proposals received from these individuals and corporates.

### **Base Rate for lending**

This is the new method adopted by banks to price their different loan products. The previous method of Prime lending rates had to be changed due to RBI's directives. The base rate method does not allow any loan product except staff loans and DRI loans to be priced below the base rate. The base rate is calculated on the basis of cost of funds, the risk perception and other administrative costs as applicable to each bank. It is regarded as being more transparent, less discriminatory and an effective tool to express the intention behind monetary law changes.

### **Mortgage registry**

Mortgage registry is a record of the mortgages of different immovable property in each area. It records the details of the immovable property which

are under mortgage to different lenders. Lenders can check from this record the status of property offered for mortgage.

### **Banking Ombudsman**

RBI started the banking ombudsman scheme in 1995 with a view to provide a system of quick redressal of customer grievances against banks. The ombudsman receives complaints concerning wide range of issues relating to deficiencies in banking services. It has been modified over the years to give wide scope and coverage to tackle grievances concerning internet banking, harassment by recovery agents also. Currently Banking Ombudsman are working at Ahmedabad, Bangluru, Bhopal, Bhubaneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, New Delhi, Patna, Thiruvananthapuram.

### **Hedging**

Financial transactions have different risks attached to it. Prudent operators try to cover these risks through attendant deals. This method of transferring risk of losses due to fluctuations in prices etc. is hedging.

### **Risk Management**

Risk management is the critical activity for all financial institutions. There is inherent risk in most financial transactions. These risks could be market risk, liquidity risk, interest risk, credit risk, operational risk etc. These risks need to be adequately understood in financial dealings for their proper management and control. This important activity is known as risk management.

### **Sweat Equity**

Sweat equity refers to share holdings of employees or directors of a company acquired on favourable terms on account of their good work for the company. This is in appreciation of their contribution or role in betterment of the company. The shares are given at a discount or for consideration other than cash.

### **Riders in Insurance Policies**

Riders are benefits over and above the basic life cover given to the assured. They cover risks that

are beyond the scope of the main policy, resulting in additional protection to the life assured. These covers are generally customized looking to the possible risks to the life assured from other sources.

### **Exchange Traded Funds ETFs**

Exchange traded funds refers to basket of stocks which relate to a certain index for example BSE sensex or banking stocks. The trading value of an ETF is linked to the net asset value of the underlying stocks that it represents. It can be traded similar to a mutual fund on the stock exchange at prevailing prices during a trading session.

### **Gold Exchange Traded Funds**

Gold ETFs are an option for investors who wish to invest money in buying gold. An investor is neither entitled to receive gold nor does he sell ETFs to get gold nor can he exchange ETFs for gold. The investor merely has a paper investment in the equivalent of gold. They are listed on the National Stock Exchange and can be purchased and sold on the NSE as though the investor is dealing in the gold bullion market, but without trading physically in gold.

- Reliance Gold ETF
- SBI Gold ETF
- Kotak Gold ETF
- Quantum Gold ETF
- HDFC Gold ETF
- ICICI Gold ETF

### **Banking on Wheels**

Rural areas not covered by banking services are sought to be reached by mobile vans dispensing banking facilities. Number of public sector banks have designed mobile vans which provide deposit and payment services at unbanked villages.

### **Payment of Income tax through ATMs**

This facility is of recent introduction where the bank customer can deposit income tax dues at an ATM. The user has to get registered with the bank for availing this facility and with the aid of password the income tax payment can be deposited. The depositor would get a receipt for such payment.

### **Identity Theft**

Personal details of customers are increasingly exposed to leaks and pinching on account of hacking of internet password. With the use of internet banking on the rise in view of its advantages, the threat of identity theft is a serious concern. Phishing or the hacking of personal details has exposed he customer to serious risks.

## Phishing

It is a form of security threat to online banking. Through phishing fraudsters hack the internet account of users to steal vital personal data which enables them to access bank accounts illegally.

## Electronic Clearing Services

Electronic clearing service is a customer friendly mode of making regular payments without the need to write cheques every time that particular payment is to be made.

Many recurring utility payments or loan repayments towards monthly instalments can be made through this facility. It involves one time authorization to the banker for a particular regular payment to be made through this process. Apart from saving time it saves the user from missing out any payment.

ECS is of two types *viz.*, ECS Debit and ECS Credit. ECS Debit is for the person making the payment whose account gets debited and ECS Credit is for the account holder whose account gets credited on account of multiple payments being received through this mode.

## Personal Credit score

It is a numerical assessment of the credit report prepared on borrowers. Credit information companies collect the credit history of individuals from their members who are banks and financial companies. The credit score is the current too used by lenders to determine whether to extend a loan to an applicant or not. It also serves as an index to assess the interest rate to be applied if the loan is to be given.

## Floating Interest rates

It is the facility of providing variable interest rates on a product by linking the interest to the base rate of lending. This base rate keeps changing as per the bank's policy which is dependent on RBI monetary policy and the market conditions.

## E-Commerce

Business currently is fairly active through the use of internet. Many companies are now selling their products through bookings on the internet against credit/debit card payments or cash on delivery. This has given rise to the concept of e-commerce.

## Rural Branches as on 30-6-2012

Bank Group	Total Branches	Branches	% of Rural Branches
1. SBI and Associates	18992	6622	34.9
2. Nationalised Bank	48982	15704	32.1
3. Regional Rural Banks	16572	12387	74.7
Total Public Sector Banks (A+B+C)	84546	34713	41.1
4. Other Scheduled Commercial Banks	13667	1614	11.8
5. Foreign Banks	323	7	2.2
All Scheduled Banks	98536	36334	36.9
6. Non Scheduled Commercial Banks	55	16	29.1
All Commercial Banks	98591	36350	36.9

## Asset Liability Management

In simple terms it means assessing and balancing the risks arising from their deposits and loans portfolio. The risks involved in the loans segment are the credit and market risks which have to be handled including the overall liquidity risk which is crucial for any bank. Banks are required to observe the RBI guidelines based on Basel norms for international banking practices.

## Non performing assets

Loans of the banks are their assets as they generate revenue income for them. Those assets which stop earning income for the banks are known as non performing assets. Accounts are classified as non performing when repayments in the accounts stop.

## Reverse Mortgage Loan

Reverse mortgage is a process where senior citizens can get a regular payment against their home. The home is mortgaged to the bank which agrees to either make a lumpsum payment or release monthly instalments of money to the owner. It is a means of earning money against one's asset after retirement when funds are needed and source of income lessens. The amount decided by the bank is generally about 50-60% of the market value of the property.

## Annuity

An annuity is a financial offering where the investor pays a certain quantum of funds to the insurance company and in turn receives a regular pay-

ment from the said insurance company. The regular payment is known as an annuity and is generally released when the investor reaches a certain age. This is a means to ensure receipt of regular payments when other sources of income diminish.

### **Subprime mortgage**

Subprime mortgage means a mortgage that is held by somebody with a poor credit history. It thus carries a high risk to the lender in view of the likelihood that it would not be paid back.

NASDAQ is National Association of Securities Dealers Automated Quotations an automated information network that provides brokers and dealers with price quotations on securities traded over the counter.

### **Bank for International Settlements (BIS)**

International organization established in 1930 and based in Basel, Switzerland that serves as a forum for central banks for collecting information, developing analyses and cooperating on a wide range of policy related matters. It also provides certain financial services to central banks.

### **Nomination Facility**

While opening deposit accounts with banks the facility of nomination is provided to minimize scope for harassment at a later date. Settlement of deceased accounts had become a major problem for banks as the legal heirs were complicating the issue. Moreover the rightful owner of the funds in the deceased deposit account was being needlessly harassed for want of clarity in the matter. Nomination in deposit accounts of individuals has therefore become mandatory to mitigate the problems in settlement of deceased accounts.

The depositor may nominate a person to whom the bank may make the payment of the balance in the deposit account in the event of his death. The nomination confers the right upon the nominee to receive the amount in the account of the deceased from the bank. The right of any other person against the nominee is not affected by such payment.

Separate nominations for each deposit account can be made and nominations can be changed any

time during the period of deposit. In case of joint accounts all the account holders have to jointly nominate an individual.

### **Insurance of Bank Deposits**

To protect the interest of depositors there is provision of insurance of bank deposits upto Rs. 1 lakh in deposit accounts with banks. The Deposit Insurance and Credit Guarantee Corporation of India insures the deposits with insured banks upto the extent of Rs. 1 lakh in each account.

The deposits in different branches of the same bank of an individual depositor are taken together for computing the total value of Rs. 1 lakh. However where the depositor has deposits with more than one bank the insurance cover is applied separately for each deposit in different banks. The insurance cover is available for all deposit accounts like savings, current, recurring, fixed deposits etc.

### **Banker's Code of Commitment to Customers**

It is a voluntary code signed by banks, which lays down standards of fair banking practices to be followed by banks while dealing with individual customers. It is a ready reckoner for customers to know what they can expect from banks in their dealings with them in the following areas—

- Current, savings and all deposit accounts,
- Pension, PPF accounts,
- Collection and remittance facilities
- Loans and overdrafts
- Foreign exchange services
- Currency exchange facilities
- Card products

Third party products offered through bank's networks.

The signatory banks have pledged to act fairly and reasonably in all dealings with the customer; to help customers understand the nature of financial products and services being offered and to deal quickly and with care all cases of wrongdoing.

It is a significant tool empowering the customers to get the best possible services from banks in a transparent and satisfactory manner. The banks are committed to publicize this code by making available copies thereof to their customers. All areas of possible conflicts and doubts are covered by this code for the customer to make an informed and considered decision while dealing with banks.

The banks are committed to share with the customers the details of their fees and charges for the different services that are available, the normal time taken for cash receipts and payments, the cheque collection facility and the options available and the procedure to be followed in case of grievance redressal of the customer.

The customer additionally has the right to approach the Banking Codes and Standards Board of India, which is the monitoring agency approved by RBI and participating banks, in case they feel that the bank is falling short of the commitments enumerated in the subject code.

### **Fair Practices Code for Lenders**

This code has been adopted by banks for setting out the fair practices expected during lending by banks. The code applies to the following areas—

- (i) application for loan and their processing it gives the time schedule for acceptance and disposal of the loan application. Reasons for rejection are required to be intimated to the applicant. The borrower is also informed about the fees/charges that are levied according to the nature of loan.
- (ii) loan appraisal and terms and conditions the terms and conditions under which the loan is granted is suitably informed along with copies of documents executed by the borrower, on request, is given. Any changes in interest rates during the loan period is also to be intimated by the bank.
- (iii) post disbursement handling.
- (iv) list of recovery agents.

The detailed information from the above perspective is available to the borrower customer so that there is complete understanding of the loaning

process of banks. The borrower also has a responsibility in strictly complying with the terms and conditions in order that the bank's funds are appropriately utilized for the purpose it is meant. The end use of funds is a critical component of bank lending and is required to be strictly adhered.

### **Report of Financial Sector Legislative Reforms Commission**

Finance Minister GOI announced in Union Budget 2010-11 the setting up of a Financial Sector Legislative Reforms Commission with view to rewriting and cleaning up the financial sector laws to bring them in tune with the ongoing process of financial sector reforms and requirements of the economy. Accordingly the Financial Sector Legislative Reforms Commission (FSLRC) was set up under the Chairmanship of Justice (Retd.) B.N. Srikrishna on March 24, 2011. The other members of the Commission were Justice (Retd.) Devi Prasad Pal, Dr. P. J. Nayak, Smt. K. J. Udeshi, Y. H. Malegam, Prof. Jayant Verma, Prof. M. Govind Rao, C. Achuthan, Dhirendra Swaroop and C.K.G Nair (Member Secretary) The FSLRC submitted its report to the government on March 22, 2013 along with the following key recommendations and a Draft Code Law :

(1) The commission envisioned nine core areas of financial sector, namely—consumer's protection, Microprudential regulation, Resolution, Capital controls, Systemic risk, Development and redistribution, Monetary policy, Public debt management and Contracts, trading & market abuse.

(2) At present, many public sector financial firms (*e.g.*, Life Insurance Corporation of India (LIC), State Bank of India (SBI) are rooted in a specific law. The Commission recommends that they be converted into companies under the Companies Act, 1956.

(3) State Governments should accept the authority of Parliament (under Article 252 of the Constitution) to legislate on matters relating to the regulation and supervision of cooperative societies carrying on financial services.

(4) All regulators will have an empowered board. The Commission has drafted a precise selection-cum-search process for the appointment of all members. Four kinds of members are envisioned : the chairperson, executive members including an administrative law member, non-executive members and Government nominees. The role of each of these kinds

of members has been defined. The appointment conditions for board members have been defined.

(5) At present, regulations are not subject to judicial review. The Commission envisages an important process of judicial review of regulations. It would be possible to challenge regulations either on process issues (*i.e.*, the full regulation-making process was not followed) or substantive content (*i.e.*, the regulation does not pursue the objectives, or exceeds the powers, or violates the principles, that are in the Act).

(6) The Commission envisages a single 'Financial Data Management Centre'. All financial firms will submit regular information filings electronically to this single facility.

(7) The Ministry of Finance would put out a Statement defining a quantitative monitorable 'predominant' target. Additional, subsidiary targets could also be specified, which would be pursued when there are no difficulties in meeting the predominant target. The draft Code places an array of powers with RBI in the pursuit of this objective. Decisions on the use of these powers would be taken at an executive Monetary Policy Committee (mpc).

(8) The Commission proposes a financial regulatory architecture featuring seven agencies. This proposal features seven agencies and is hence not a 'unified financial regulator' proposal. It features a modest set of changes, which renders it implementable :

1. The existing RBI will continue to exist, though with modified functions.
2. The existing SEBI, FMC, IRDA and PFRDA will be merged into a new unified agency.
3. The existing Securities Appellate Tribunal (SAT) will be subsumed into the FSAT.
4. The existing Deposit Insurance and Credit Guarantee Corporation of India (DICGC) will be subsumed into the Resolution Corporation.

### **Proposed Functions of Regulatory Bodies Envisaged by FSLRC**

The functions of each of these seven proposed agencies are as follows :

**Reserve Bank of India**—It is proposed that RBI will perform three functions : monetary policy, regulation and supervision of banking in enforcing the proposed consumer protection law and the proposed

microprudential law, and regulation and supervision of payment systems in enforcing these two laws.

**Unified Financial Agency**—The unified financial regulatory agency would implement the consumer protection law and micro-prudential law for all financial firms other than banking and payments. This would yield benefits in terms of economies of scope and scale in the financial system; it would reduce the identification of the regulatory agency with one sector; it would help address the difficulties of finding the appropriate talent in Government agencies. This proposed unified financial regulatory agency would also take over the work on organized financial trading from RBI in the areas connected with the Bond-Currency-Derivatives Nexus and from Forward Market Commission for commodity futures, thus giving a unification of all organised financial trading including equities, government bonds, currencies, commodity futures and corporate bonds.

The unification of regulation and supervision of financial firms such as mutual funds, Insurance Companies, and a diverse array of firms which are not banks or payment providers, would yield consistent treatment in consumer protection and micro-prudential regulation across all of them.

**Financial Sector Appellate Tribunal (FSAT)**—The present SAT will be subsumed in FSAT, which will hear appeals against RBI for its regulatory functions, the unified financial agency, decisions of the Financial Redressal Agency and some elements of the work of the resolution corporation.

**Resolution Corporation**—The present Deposit Insurance and Credit Guarantee Corporation (DICGC) will be subsumed into the Resolution Corporation which will work across the financial system.

**Financial Redressal Agency (FRA)**—The FRA is a new agency which will have to be created in implementing this financial regulatory architecture. It will set up a nationwide machinery to become a one stop shop where consumers can carry complaints against all financial firms.

**Public Debt Management Agency**—An independent debt management office is envisioned.

**Financial Stability and Development Council (FSDC)**—Finally, the existing FSDC will become a statutory agency, and have modified functions in the fields of systemic risk and development.

## Explanatory Notes

### What are Lok Adalats?

RBI approves of compromise settlement of dues through Lok Adalats. They are convened to hear disputes where disposal of the cases are quick and concessions for one time settlement is offered by banks. It is an effort to settle large number of cases at a single forum in an expeditious manner where clients and banks are willing to settle the issue.

### Home Loans are mostly against equitable mortgage. Please explain equitable mortgage

Where the mortgager *i.e.*, the borrower delivers to the mortgagee *i.e.*, the bank, at notified places, the documents of title to immovable property with intention to create a security thereon for availing a loan or credit facility it is known as equitable mortgage of the immovable property. It is also known as mortgage by deposit of title deeds. In case of non payment of the loan amount the bank can sue for sale of the property but cannot confiscate.

### Often there is mention of limitation period. Please clarify.

Limitation period is governed by the Limitation Act which specifies the time limit within which the parties to a legal agreement can take action in a court of law to enforce their legal right. On expiry of limitation period the filing of legal suit is barred. In most bank loan agreements the limitation period is 3 years except in mortgage where it is 12 years.

### We hear of Negotiable Instruments but are not clear about it. Can you elaborate ?

Cheques, bank drafts, bills of exchange and promissory notes are known as negotiable instruments. Negotiation means transfer of an instrument through endorsement and delivery with the transferee getting better and absolute title provided it is taken in good faith and for value. All bank payments are based on this requirement to be fulfilled.

**Asset Reconstruction Company ARC**— a centralized agency for resolving bad loans created from the banking system due to systematic crisis. It is an answer to the issue of non performing assets of

banks/financial institutions by sale of the bad loans by banks for cleaning their balance sheet. These companies after acquiring the bad loans arrange for recovery or adopt suitable alternatives for revival of the sick company. ARCIL is the first company to commence business in India in this sector.

**Biometric ATM**— these ATMs have been designed to reduce the possibilities of fraud which are on the rise because of loss of cards and PINs. By using stolen cards and PINs cash can be easily withdrawn from ATMs. However with biometric ATM it is not possible as the PIN for bio ATMs is the fingerprints of the card holder or his retina scan. This cannot be duplicated and are thus safe from theft. Because of the higher cost bio ATMs are less used though they are well suited to the requirements of the rural people.

**Bullion market**— a market where metals like gold, silver, platinum and palladium in the form of ingots or bars are traded.

**Capital market**— the market in which corporate equity and longer term debt securities (those maturing in more than one year) are issued and traded.

**Commercial paper**— short term unsecured promissory note issued by an organization. These are not usually backed by any form of collaterals and is allowed to be issued only between corporates with high quality ratings. CPs were introduced in India in 1990 with a view to enable high rated corporate borrowers raise short term borrowings by this additional type of instruments. However, later All India Financial Institutional and Primary Dealers too were allowed to issue CPs. Individuals, Banking Cos, other corporate bodies, NRIs, FIIs can invest in CPs. The maturity of commercial paper is typically between 7 days (Min.) and 365 days (Max.); the most common maturity range is 30 to 50 days or less. It is a common source of raising debt by an organization.

**Counterfeit currency**— currency which is obtained by fraudulent means and is therefore not the permissible legal tender for any transactions. Printing of illegal currency which is therefore counterfeit is a major threat to any economy.

**Derivative**— a financial instrument whose value depends upon the characteristics and value of an underlying commodity, currency or security to which it is linked.

**Employee stock option plan ESOP**— a fairly common form of employee compensation adopted by progressive companies. Employees are given equity shares of their employer company, purchase of which is funded by the company through a loan.

**Escrow account**— an account controlled by an intermediary who protects the interests of both buyer and seller in a particular transaction till fulfillment of certain conditions or until the conclusion of the transaction.

**Exchange traded funds ETF**— a fund that tracks an index but can be traded like a stock. These funds group together the securities belonging to a particular index and never track actively managed mutual fund portfolio. Investors in ETFs can do practically anything as they do with a normal stock including short selling. These funds are traded on stock exchanges and hence can be bought and sold at will.

**Fiat money**— money that has little or no real value as a commodity. It does not incur cost to produce, it being some kind of tokens or piece of paper and is not exchangeable for any product.

**Floating interest rates**— an interest rate that moves according to the changes in the prime or base rate to which it is linked. The interest rate moves up or down in relation to the rate of the controlling index. Floating rates are being offered in home loans as they are of longer time durations.

**Free look period**— a period of fifteen days allowed by insurance companies to the policy buyer to confirm acceptance or rejection of his decision to buy an insurance policy. If the customer decides to change his decision to buy, the insurance policy can be returned. This is a customer friendly initiative introduced by the insurance regulator.

**Laundered money**— money that has been transferred through many different accounts in an effort to conceal its illegal original source. Acts generating the money in the first instance is invariably linked to criminal activities and laundering is the process of converting this illegal money to a legitimate source. Strict checks and controls are being adopted to stop activity of laundering money. KYC norms for opening of accounts are therefore being enforced to control this illegal activity.

**Mark to market**— an accounting procedure to determine the valuation of an asset at current market price, which may be either higher or lower than the purchase price or book value of the same asset.

**Nostrro account**— a banking term to describe an account one bank holds within another bank in a foreign country. The account is maintained for inter bank transactions and is in the currency of the foreign country.

**Online banking**— a banking system permitting account holders to transact banking business from their homes/offices *via* the internet. Many traditional banks are offering online banking facility as it provides convenience to the customer and cost to the bank are less compared to banking services from the counter. All routine transactions are possible on the internet.

**Participatory notes**— a tool used by foreign investors to invest in Indian securities. Investors purchase the participatory notes from brokerages in India for making their investments in Indian markets. The identity of the participatory note holder is not known to the market regulators and hence the investment through such instruments is a major issue.

**Payment gateway**— the intermediary service essential in any commercial transaction on the internet. It facilitates the payment transaction between the internet customer and the merchant establishment. It is the infrastructure that permits acceptance of credit card and other forms of electronic payment. Online buying has been made possible through this third party service.

**Quarterly rests**— a method of calculating interest amount on loans or deposits on compounding basis every quarter. By this method the interest amount annually would be less than the amount calculated on monthly compounding basis.

**Risk weighted assets**— a bank's assets weighted according to the credit risk. Some assets such as debentures are assigned a higher risk than others, such as cash. This sort of asset classification is used for determining the capital requirement for a bank. The central bank RBI specifies the ratio to be maintained and is closely regulated as per international norms.

**Seed capital**— the initial capital to start a business. It often comes from the promoter's own sources. The amount is relatively small as the business is still in the idea or conceptual stage. Seed capital is usually meant for covering initial operating expenses till a business can start generating regular revenue to attract investments.

**Sovereign wealth funds**— funds which manage and invest the national savings of countries in assets for benefiting the economy. These funds are rapidly moving to the forefront of international finance. Countries like Singapore and Norway are pioneers in managing such funds.

**Tax haven**— a country where companies or individuals may legally take advantage of lower taxation levels. Mauritius is a prime example of a tax haven.

**Treasury bills**— it is a short term debt security issued by a government at a value that is lower than its par value. The difference represents the interest on the security.

**Underwriter**— a firm usually an investment bank that guarantees the minimum estimated proceeds to the company from sale of securities thereby taking responsibility of ownership. In the initial public offerings IPOs of companies selling shares there is always an underwriter guaranteeing the issue.

**Unsecured loan**: when loan is given without taking any security (assets) from the borrower it is considered as unsecured. The lender does not have any security to encash in case the borrower fails to return the loan amount. Bank personal loans and credit card outstandings are perfect examples of unsecured loans.

**Venture capital**— an investment in a new business that is considered to have excellent growth prospects but does not have adequate means of finance. It is typically the kind of financing sought by start up companies with proper business plans wanting to grow fast. Micro finance companies in India are presently the focus and interest of many venture capitalists.

## Complex Issues Simplified

**Q. What is meant by Core Banking Solutions?**

**Ans.** It is the operative word in Indian banking currently to denote the contribution of technology to banking. It means that branches of the bank are connected to a central host which enables the customers of the connected branches to transact their banking business at any branch with core banking facility. Customers need not visit the specific branch where their account is maintained to deposit or withdraw cash.

**Q. Please tell us about National Electronic Fund Transfer.**

**Ans.** National Electronic Fund Transfer NEFT is a funds transfer mechanism nation wide enabling remittance of funds from one bank branch to any other bank branch. To avail this facility the beneficiary of the funds transfer should have an account with a bank. The person remitting the funds must know the account number and the name of the bank including the IFS code of the branch to which the funds are to be transferred. Both the remitting and the receiving bank branch must be NEFT enabled. In this way the beneficiary's account is credited on the same day or latest on the next day and no charges

are paid by him. However the remitter has to pay ₹ 5 for transfer upto ₹ 1 lakh and ₹ 25 for any amount above ₹ 1 lakh.

**Q. What are the components of Food Index ?**

**Ans.** The Food index consists of two sub-components, namely primary food articles and manufactured food products.

**Q. What was the rate of WPI food inflation in 2012-13?**

**Ans.** WPI based food inflation rose to 11.88% in January 2013. However, the overall inflation was 6.62% in the same month.

**Q. State the position of Reserve Money (Mo) in 2012-13.**

**Ans.** Reserve Money was Rs. 14821.9 billion as on March 1, 2013 as compared to Rs. 14263.4 billion on March 31, 2012. It was 2.9% higher over 2012.

**Q. What was the percentage increase in Broad Money (M3) in 2012-13 ?**

**Ans.** Total money supply ( $m_3$ ) in India was Rs. 81529.4 Million on Feb. 22, 2013. It was 10.8% higher over 2011-12 during the same period.

**Q. What is the Repo Rate in India on 19.3.2013?**

**Ans.** The Repo Rate on March 19, 2013 was 7.50%.

**Q. Is bank credit moderated in 2012-13 ?**

**Ans. Bank Credit**

Reference Date	Outstanding amount (Rs. billion)
Jan. 28, 2011	35452
March 25, 2011	37315
Jan. 27, 2012	41222
March 23, 2012	43714
Jan. 25, 2013	47368

Bank credit grew by 8.4% during 2012–13 (March 23, 2012 to Jan. 25, 2013) as compared to 10.5% during 2011-12 (March 25, 2011 to Jan. 27, 2012).

**Q. What is present position of Lending Rates ?**

**Ans.** The BPL of SCBs remained unchanged from July 2009 till end June 2010. The base rate system replaced the BPLR system with effect from 1 July, 2010. The base rate of Public sector banks ranges between 10.00–10.50 per cent in April–May 2012 as compared to 7.75–8.25 per cent on July 1, 2010. Among private sector banks the base rate ranges between 9.75–10.75 per cent during Aug. 2011 to April 2012 as compared to 7.00–7.50 per cent on July 1, 2010.

**Q. How many persons were the beneficiaries of Microfinance in 2011-12 ?**

**Ans.** Under the SHG Bank Linkage Programme, as on 31 March, 2012, 79.60 lakh SHGs held saving bank accounts with total saving of Rs. 6551.41 crore as against 74.62 lakh SHGs with savings of Rs. 7016.30 crore as on March 31, 2011.

**Q. What are the contribution of banks in agricultural credit ?**

**Ans.** As against the target of Rs. 475000 crore for agriculture in 2011-12, the banking system disbursed Rs. 479400 crore to the agricultural sector, thereby exceeding the target by around 0.92 per cent.

**Q. Are you agree that Bank deposits grow faster than advances in 2012-13 ?**

**Ans.** Aggregate deposits of banks during 2012–13 (March 23, 2012 to Dec. 28, 2012) grew by Rs. 5681.6 crore and the bank credit increased by Rs. 4153.0 crore during the same period. It shows that the bank deposits grew faster than the bank advances during 2012–13.

**Q. What is deadlines of IFRS for Indian Banks ?**

**Ans.** Even as India talks about moving its banking into auditing system, that converges with International Financial Reporting Standards (IFRS) from April 2013. A British Parliamentary Committee has criticized it saying the mode of accounting has serious flaws, especially in bank audits.

**Q. What is a Demat account?**

**Ans.** Demat or de-materialized account is an electronic account in which the shares, debentures, bonds etc. of an investor are held. This electronic account enables the holder to transact business in these securities with minimum paper work and delays. It also dispenses with the need to hold the securities in physical form.

**Q. What do you mean by credit score ?**

**Ans.** It is the statistical summary of the separate pieces of information on the credit report of an entity. A credit score predicts how likely it is that a company or individual will repay their debts. Banks use this tool to take a decision whether to sanction the loan or not and the applicable rate of interest if sanctioned.

**Q. We often talk of balloon payments. Please elaborate.**

**Ans.** As part of loan repayments when an additional large payment is made, it is known as balloon payment. This payment differs from the normal equated monthly payments.

**Q. What is a Clearing House ?**

**Ans.** It is an institution where mutual claims are settled between the accounts of member institutions. Bankers' Clearing House have traditionally been organized for cheque clearing purposes but more recently are clearing other types of payment settlements including electronic funds transfer.

**Q. How does endorsement on a cheque operate ?**

**Ans.** Signature on the reverse of a negotiable instrument *i.e.* cheque made primarily for the purpose of transferring the rights of the holder to some other person means endorsing a cheque. It is a contract between the holder and all parties to the cheque. Each endorser orders the prior parties to fulfill the contract to his endorsee and also agrees with the endorsee that if they do not fulfill the contract, the endorser will honour.

**Q. Probate of a will helps in claim settlement of deceased accounts. What is it ?**

**Ans.** Probate means the sanction of a legal process which validates the authenticity of a document. When a will of an individual is probated it means the contents of the will is duly registered with the court of law. This document helps the bank in determining the legal heirs of a deceased account holder for payment of the funds in the account.

**Q. Can loan be availed from banks against National Savings Certificates ?**

**Ans.** Yes, loans are permissible against the security of National Savings Certificates subject to assignment in favour of the bank. The permission of the concerned Post Office issuing the NSC is necessary who makes a record of the assignment of the NSCs in favour of the bank. On receipt of the confirmation the bank permits loan upto 75 per cent of the face value of the NSCs.

**Q. What is meant by assignment in favour of the bank ?**

**Ans.** Assignment is the legal means to transfer the rights of the holder of a security to the bank for availing a loan. The security *i.e.*, the NSC is transferred to the bank whereby the bank comes in possession of the NSC as the legal holder. This fact is noted by the Post Office who then permits the transfer. In the event of non payment of the loan the NSC can be encashed by the bank from the post office for adjustment.

**Q. While taking loans, banks make the borrower to sign a demand promissory note. What is it?**

**Ans.** For availing loans from banks it is necessary to execute certain specified documents. Demand promissory note is the primary document which is invariably signed by the borrower in any type of loan. It is an acknowledgement of debt by the borrower whereby he undertakes to repay the amount of loan on demand at the predetermined interest rate.

**Q. What is the range band for Statutory Liquidity Ratio to move within?**

**Ans.** The prescribed range for maintenance of Statutory Liquidity Ratio is between 24 to 40 per cent. If a bank wishes to borrow money from RBI which rate of interest is applicable?

The repo rate is applied when banks wish to draw funds from RBI to meet their liquidity requirements.

**Q. How much of the bank's deposits are available to be given as loans?**

**Ans.** For every hundred rupees of deposits banks have to keep a portion for maintaining cash reserve ratio, another share for statutory liquidity ratio before it can use the balance amount to lend. When CRR and SLR are raised banks have lesser amount for giving credit to borrowers.

**Q. Special Purpose Vehicle.**

**Ans.** An entity which might be a trust, company or other body constructed or established by a 'deed' or 'agreement' for a specific purpose.

**Q. Loan to value ratio.**

**Ans.** The loan amount given for cars, residential houses are linked to the value of the asset being financed. The amount approved as a percentage of the value of the asset is the loan to value ratio.

**Q. Third Party administrators.**

**Ans.** Third party administrators are entities who work as intermediaries between insurance companies and health care providers. They assist in settling insurance claims of the insured and also provide services to get the best treatment at the right price.

**Q. Take out Financing.**

**Ans.** This is the method by which long duration funding for projects of 15 years or more are taken out from banks after the initial 5 years or so. Special financial institutions take over long term funding projects from banks as they cannot continue to finance over the extended period because of funds constraint and asset liability mismatch. The MoU between IIFCL and LIC and IDFC will provide for take out up to 50 per cent of the total project cost in the ratio of 20 : 20 : 10 by these institutions respectively.

**Q. Ponzi schemes.**

**Ans.** These schemes are means to get irregular gains for the promoter by claiming to give very high returns to investors who are tricked. The scheme keeps paying old depositors from funds received from new investors till the chain breaks when fresh deposits are no longer received.

There are many instances of Ponzi schemes which suddenly close down by fooling the ordinary investor.

**Q. Virtual keypad for online banking.**

**Ans.** Virtual keypad is an online application which substitutes the actual physical keyboard with a mouse. This virtual keyboard is a safeguard against risks in online banking.

**Q. Personal Identification numbers.**

**Ans.** These numbers are allotted to each individual by banks for their credit/debit card use as well as for internet banking, mobile banking. This number is meant to safeguard the person from his account being fraudulently used.

**Q. Private Banking.**

**Ans.** It is a specialized financial and banking service made available to high net worth individuals. The mode and manner of delivery of these services is very different from the normal banking services.

**Q. Systematic Investment plan.**

**Ans.** The best way to invest in a mutual fund over an extended period of time and withstand the volatility of the stock market is through the systematic investment plan. It allows the investor to invest small amounts at regular intervals instead of a bulk amount as one time investment. A date is fixed for regular payments every month for investment in the selected fund. This method of investment is recommended for equity funds.

**Q. Mark to Market.**

**Ans.** It is an accounting method by which the assets of a business entity is valued at current market prices. IT gives a fair value of the investment portfolio of a business.

**Q. Tier I capital.**

**Ans.** It is a term used to refer to one of the components of regulatory capital. It consists mainly of share capital and disclosed reserves. Tier 1 items are deemed to be of the highest quality because they are fully available to cover losses. It is also known as core capital.

**Q. Tier II capital.**

**Ans.** It also is one of the terms to identify components of regulatory capital. Also known as supplementary capital it consists of certain re-

serves and certain types of subordinated debt. The loss absorption capacity is less than that of Tier I capital.

**Bankers' Book of Evidence**— it is a special legal provision granted to banks to produce certified copies of documents in courts instead of the original document. This is an enabling provision to reduce the difficulties/ hazards in bringing voluminous banking documents/records to courts.

**CIBIL**— an acronym for Credit Information Bureau India Ltd which is the first credit information company in India providing detailed credit reports on prospective borrowers to banks, financial institutions who are its members. This is an important tool for banks in their credit decisions.

**Decreed account**— Irregular accounts which are under the legal process and finally decided by the courts are known as decreed accounts. The decision of the court is spelt out in the decree that the court passes for settlement of the case.

**Debt servicing**— loans and advances are required to be repaid as per agreement on expiry of the stipulated period. The regular payment of the debt during the period of loan agreement in terms of principal and interest is known as servicing of the debt. Digital gold currency.

**Eurozone**— the area comprising of a group of countries who are using euro as their common currency. Many European countries came forward to adopt Euro as their common currency when it was first introduced.

**Branches of Public Sector Banks  
(As on June 30)**

Year	SBI and Associates	Nationalised Banks	Regional Rural Banks	Total of Public Sector Banks
1969	2462	4553	–	7015
2007	14152	36573	14573	65298
2008	15391	38093	14869	68353
2009	16343	39853	15242	71438
2010	17382	42202	15511	75095
2011	17976	44862	15777	78615
2012	18992	48982	16572	84546
(Rural Branches as on 30-6-2012)	6622 (34.9%)	15704 (32.1%)	12387 (74.7%)	34713 (41.1%)

**Garnishee order**— The order of a court to a bank/financial institution attaching the balance in the deposit accounts of an individual and prohibiting withdrawal of the funds from the accounts in question.

**Intaglio printing**— A form of printing primarily used for currency and high security documents. It has a distinctive appearance and texture with ability to retain fine levels of detail. The raised surfaces make it a security feature to check counterfeit currency. For example— RBI has cautioned the people to check for specified intaglio printing on Indian currency to confirm its genuineness.

### **Islamic banking**

It refers to the branch of banking based on Sharia law which prohibits the earning of interest through the business of lending. This form of banking is very new and still to really emerge as a major player.

### **Judgement debtor**

The borrower who has been declared as owing debt to the lender by a court of law is classified as a judgement debtor.

### **Jointly and severally**

In joint accounts, partnership firms all the joint account holders account holders and signatories are individually and jointly responsible for all actions taken individually or jointly.

**Key person insurance**— It is a life insurance cover for the owner/chief executive/promoter of a business enterprise. Since he is the most important person for the growth and success of the company his life needs to be fully insured.

**KYC**— An acronym for Know Your Customer norms which are required to be strictly observed while opening accounts of entities with banks / financial institutions. Compliance is crucial to determine the identity of the account holder and to check the source of funds to prevent misuse of accounts for illegal and anti social activities primarily terrorist financing.

### **Karta**

Hindu Undivided Family is considered as an entity which is permitted to maintain its finances under this head. This entity can also open bank accounts to be operated by the Head of the family who is known as the Karta.

### **Loan syndication**

Loan syndication happens when banks and financial institutions collectively deal with the financial requirements of big enterprises whose needs are substantial. The risk also gets shared between these institutions.

**Lock in period**— The period during which funds from investment accounts are not allowed to be withdrawn by the investor. This is as per the terms of investment which is indicated before the investment is made. This stipulation is followed in tax savings schemes where a minimum three period is specified generally for mutual funds and five years for bank fixed deposit schemes.

### **Leveraged funds**

Banks tend to use the funds received as deposits in different ways by having multiple products from the same funds. This is known as leveraging of funds but it is risky as default in any one product impacts the other product.

**Mezzanine financing**— A business enterprise requires funds at various stages during its incorporation and operations. The financing which is done at the final stages before the enterprise goes for initial public offering is known as mezzanine financing.

**Net Interest Margin NIM**— It is an index of the interest differential between interest earned on assets and interest paid on liabilities and capital. Banks are extremely conscious of their net interest margin as it directly affects their profitability. The finalization of interest rates on deposits and loans are therefore an important exercise for banks to determine their net interest margin.

### **Off balance sheet items**

These are account heads which do not find mention in the main balance sheet. They have may influence the financial health of the company. Instances are likely liabilities on account of letters of credit, guarantees etc.

### **Penny stocks**

Stocks which are of small insignificant companies and trading well below their face value are penny stocks.

**Payment gateway**— The intermediary service essential in any commercial transaction on the internet. It facilitates the payment transaction between the internet customer and the merchant. It is

the infrastructure that permits acceptance of credit card and other forms of electronic payment. Online buying has been made possible through this third party service.

**Rack rate**— It is the normal or advertised rate before negotiation/ bargaining. While it is generally used in hotel bookings it is now frequently used by people marketing banking products mainly loans. In view of stiff competition amongst banks for selling loan products there is scope for getting interest rates below rack rates.

### Rescheduled loan

Loans are at times not paid as per their payment schedule on account of genuine difficulties of the borrower. In such cases banks agree to revise the tenure of the loan account. Such a loan is a re-scheduled loan account.

**Stagflation**— It denotes a difficult situation for an economy when there is continuing inflation and depressed business activity. It is a condition against which economists must guard when a depressed economy is sought to be revived.

### Section 138 of NI Act

This section of the Negotiable Instruments Act is meant to deal with cases of bounced or cheques returned on account of nonpayment. All cases of returned cheques are dealt with as per this section as it is a criminal offence.

### SARFAESI Act

The main object of this law is to enable a secured creditor to enforce his right in the case of non performing assets without the intervention of the courts. It has amended few times to accommodate the interests of both the lender and borrower but the focus is on an early settlement for the lender.

### Tranche

When the lending is substantial different conditions are attached to the disbursement of the total amount. This amount is generally released in instalments as per compliance with conditions. The different instalments are tranches.

### Top up loan

When a part of a loan has been repaid and the creditworthiness of the borrower is established the lender may again offer to lend a further amount to the borrower. This is an example of top up loan.

Unsecured loan: when a loan is granted without any primary or collateral security but purely on the strength of the creditworthiness of the borrower. It is fairly risky as recovery becomes difficult in case of default and therefore carries higher interest rate. Personal loans and credit card outstandings are prime examples of unsecured loans.

### Branches and Other Commercial Banks (As on 30 June)

Year	All Scheduled Banks	All Commercial Banks
1969	8045	8262
2004	67497	67529
2005	68689	68724
2006	70113	70153
2007	72796	72842
2008	76952	76998
2009	80723	80769
2010	85886	85933
2011	90775	90830
2012	98536	98591
Rural Branches as on 30-06-2012	33779	33795
	36334	36350

### Unencumbered securities

When the assets pledged or mortgaged are free from any liability on them then these securities are classified as unencumbered.

**Venture capital**— Capital or funds invested in new or existing promising enterprises with potential for high returns/growth. Many budding entrepreneurs without much equity are supported by venture capitalists in view of their exciting and high potential business enterprise. Micro finance companies in India are presently the focus and interest of many venture capitalists.

**Wall Street**— It is a street in Manhattan, New York where the New York Stock Exchange is located. Many other important financial institutions are also located and hence the word is commonly used as a symbol of trade, commerce and American economy.

### Important Banking and Financial Institutions Board for Financial Supervision (BFS)

BFS was constituted in 1994 as a committee of the Central Board of Directors of the Reserve Bank of India. Its primary objective is to undertake consolidated supervision of the financial sector comprising commercial banks, financial institutions and non banking financial companies.

### **Banking Codes and Standards Board of India (BCSBI)**

BCSBI has been set up as an independent and autonomous body by the joint efforts of RBI and banks. It is meant to act as a watchdog to monitor and to ensure that the banking practices adopted by member banks are adhered to while delivering the services as promised to customers. The code is voluntary and sets minimum standards of banking practices. It is supposed to not only to provide protection to the individual customer but also expected to generate awareness in the common man about the rights as a consumer of banking services.

### **DICGC**

Deposit Insurance Corporation of India was set up in 1962 to act as a safeguard for protection of bank depositors' interest. After nationalization it came to be known as Deposit Insurance and Credit Guarantee Corporation. It insures deposits of the public upto Rs. 1 lac in an insured bank which are all commercial banks in India, cooperative banks in 21 states and union territories and regional rural banks. For availing of the insurance benefit, insured banks pay an insurance premium to the corporation.

### **ECGC**

Export Credit Guarantee Corporation of India was established by the government for the benefit of Indian exporters. Since exports carry substantial risks suitable insurance covers are designed to protect exporters against loss of goods/services.

### **Export Import Bank of India (EXIM BANK)**

It is the apex institution for financial assistance relating to international trade of the country. It provides loans singly and jointly with other commercial banks to promote foreign trade,

#### **Financial Assistance by EXIM BANK (Rs. Crore)**

<b>Year</b>	<b>Sanctioned</b>	<b>Disbursed</b>
2007-08	35006	29200
2008-09	35247	29964
2009-10	40194	33636
2010-11	51015	35577
2011-12	47167.8	38406.2

**Source :** Economic Survey 2012-13

### **IIFCL**

Indian Infrastructure Finance Company Ltd is the financial institution meant for big ticket funding for infrastructure projects. It is also meant for take over of infrastructure projects which have been initially funded by commercial banks but they are unable to take it forward.

### **National Bank for Agriculture and Rural Development NABARD**

It is the apex institution accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural India.

### **National Housing Bank NHB**

National Housing Bank set up in 1987 is wholly owned by RBI as the entire paid up capital was contributed by it. The function of NHB is to operate as the principal agency to promote housing finance institutions at the local and regional levels. It is also responsible for ensuring stability in the housing finance market. It also introduced the concept of reverse mortgage scheme meant for senior citizens.

As per the revised figure, the authorized paid up capital of NHB stood at Rs. 450 crore, the reserves and surpluses were Rs. 1972 crore as on June 30, 2009.

### **Small Industries Development Bank of India SIDBI**

It is the apex institution for providing financial and developmental support to the micro, small and medium enterprises sector which plays a crucial role in the economy. It protects the interests of this sector by coordinating its efforts with other financial institutions.

### **Indian Banks' Association IBA**

IBA coordinates the various important activities of the banking industry in the country. It was set up in 1946 with 22 members to meet the diverse needs of the member banks. A change in its rules in 1990 enabled the financial services industry and other related units to join as associate members. IBA is the body which decides the wage settlements for employees of the public sector banks.

### **Financial Stability and Development Council FSDC**

It is a mechanism set up by the government with the Finance Minister as its head to institutionalize a body for maintaining financial stability in the country. This Council's brief also includes spreading the concept of financial inclusion and financial literacy.

### **Financial Sector Legislative Reforms Commission FSLRC**

The financial sector laws need revision as they were enunciated very many years ago. FSLRC has been given this task of rewriting banking and other financial sector laws in light of the developments and changes that have taken place.

### **Useful and Informative Data**

Out of 89.3 million farmer households in India 45.9 million do not access credit either from institutional or non institutional sources.

In spite of the vast network of bank branches and credit cooperatives only 27 per cent of the total farm households had borrowed from formal sources of lending.

A NCAER survey showed that around 60 per cent of labourers surveyed indicated that they store cash at home, while borrowing from money-lenders at high interest rates.

Value of bank notes and coins in circulation is highest in India at 60 per cent when compared to other emerging economies like South Africa at 18 per cent, Brazil 53 per cent, China 19 per cent.

Paper based clearing accounts for 59 per cent of the total volume of transactions while it represents only 10 per cent in value term.

Cheque truncation services started first in the NCR region of Delhi in 2008. Now it is meant for Chennai covering Tamil Nadu, Kerala and Karnataka.

Electronic payment systems account for 41 per cent of the total volume of transactions while it represents 90 per cent of the total value of transactions.

According to a study by ASSOCHAM 31.44 crore bank debit cards were issued by the end of December 2012. This number is growing at a compound

annual rate of 18% and this pace is expected to be sustained. This would take the number of bank debit cards to well over 54 crore by 2015. Number of bank credit cards was only 1.88 crore on Dec. 31, 2012.

RBI has not issued licences for urban cooperative banks since 2004.

RBI allows takeover of urban cooperative banks in consultation with state governments as they are jointly regulated by RBI and the Registrar of Cooperatives.

Out of 6 lac villages in the country only 50,000 have access to banking services. This situation prompted the government to accelerate financial inclusion programmes.

India has highest number of 14.5 million rural households excluded from banking.

Around 3.5 lac villages to be provided services by March 2013 under financial inclusion programmes of banks.

In India life insurance coverage is only 10 per cent and non life insurance accounts for only 0.6 per cent.

Around 36.9 per cent of total commercial bank branches are in the rural areas of India.

The average population covered per commercial bank branch in the country is about 13,900.

Under the Swabhiman programme of the central government banks are to open 5 crore accounts by 2012.

The Swabhiman campaign seeks to enable small and marginal farmers obtain credit at lower rates from banks and financial institutions.

Syndicate Bank is credited with sponsoring the first regional rural bank in the country-Prathama Grameen Bank.

East India Company's double mohur with the sketch of lion and the palm tree was approved as the emblem for RBI though the tiger replaced the lion.

There are 154866 post offices in India as on March 31, 2011 of which 139040 (89.78%) were in rural areas and 15826 (10.22 per cent) in urban areas.

**Post Office Savings Bank Schemes :  
Profile (As on 31.03.2011)**

Name of Schemes	Number of Accounts	Outstanding Balance (₹ in million)
1. Saving Accounts	96476627	300998.33
2. RD Accounts	84305060	612514.15
3. TD Accounts	9355825	284436.21
4. MIS Accounts	26936680	2186726.68
5. NSS Accounts (87 & 92)	400163	47111.52
6. PPF Accounts	2278182	315819.91
7. Sr. Citizens Saving Scheme (SCSS)	1405048	309124.17
8. Cumulative Time Deposit	296244	148.19
9. Fixed Deposit	14010	208.00
10. MGNREGA*	38039181	-
11. MSY Accounts	4949635	40.57
12. Total (1 to 11)	264456655	4057127.73
13. NSC VIII		546424.40
14. KVP		1585878.13
15. Total (13+14)		2132302.53
16. Grand Total (12+15)		6189430.26
* Outstanding balance of MGNREGA accounts is included in Saving Accounts.		

Current legislative provisions permit issuing of coins upto the denomination of Rs. 1,000 and currency notes upto the denomination of Rs. 10,000.

Bank notes in the denomination of Rs. 1,000 and Rs. 10,000 were in circulation in pre independence India.

Rs. 1 currency note was issued by the government; they are not printed anymore.

The government has the sole right to mint coins, but the coins are issued for circulation only through RBI.

Soiled notes can be exchanged for full value from banks.

#### BankNotes in Circulation

VIII. 3 At 12.5 per cent, the growth in value of banknotes outpaced the growth in volume terms (7.4 per cent) in 2011-12. Notes of denomination 500 and 1000 together accounted for 82 per cent of the total value of banknotes in circulation.

#### Coins in Circulation

VIII. 4 The Coinage Act, 2011 was passed by the Parliament and became effective from March 28, 2012. It replaced the Coinage Act, 1906. The Act has re-defined the legal tender character of coins as : (i) 1 and above– up to a sum of 1000, and (ii) 50 paise– up to a sum of 10. Besides consolidating the laws relating to coinage and the Mints, the Act prohibits

**Table VIII. 1 : Banknotes in Circulation (As at end-March)**

Denomination	Volume (Million pieces)			Value (billion)		
	2010	2011	2012	2010	2011	2012
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
2 and	7,953	11,116	11,540	29	43	45
5	(14.1)	(17.2)	(16.2)	(0.4)	(0.5)	(0.4)
10	18,536	21,288	23,002	185	213	230
	(32.8)	(33.0)	(32.2)	(2.4)	(2.3)	(1.9)
20	2,341	3,020	3,510	47	60	70
	(4.1)	(4.7)	(4.9)	(0.6)	(0.7)	(0.6)
50	4,211	3,196	3,488	211	160	174
	(7.4)	(5.0)	(4.9)	(2.7)	(1.7)	(1.4)
100	13,836	14,024	14,119	1,384	1,402	1,412
	(24.5)	(21.7)	(19.8)	(17.6)	(15.0)	(11.6)
500	7,290	8,906	10,256	3,645	4,453	5,128
	(12.9)	(13.8)	(14.8)	(46.2)	(47.6)	(48.7)
1000	2,383	3,027	3,469	2,382	3,027	3,469
	(4.2)	(4.7)	(5.0)	(30.2)	(32.4)	(32.9)
Total	56,549	64,577	69,382	7,883	9,358	10,528

Note : Figure in parentheses represent per cent share in total.

and imposes a penalty on the melting or destruction of coins, unlawful making, and issue of possession of metal pieces to be used as money.

VIII. 5 There was a marked decline in the volume and value of small coins in circulation in 2011-12 as coins of denomination of 25 paise and below ceased to be legal tender from June 30, 2011. The supply of coins responded to the increase in demand from the public during 2011-12. The demand was greater from

the new sources of coin usage such as toll plazas, malls, Delhi Metro Rail, etc. In the wake of increasing numbers of complains from various trade bodies and members of the public on unavailability of coins, the government has constituted a Committee (Chairman: Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank) to examine the issues relating to the increase in demand for coins and supply/ distribution bottlenecks.

**Table VIII. 2 : Coins in Circulation (As at end-March)**

Denomination	Volume (Million pieces)			Value (billion)		
	2010	2011	2012	2010	2011	2012
1	2	3	4	5	6	7
Small coin	54,738 (52.0)	54,797 (48.8)	14,785 (18.9)	15 (13.1)	15 (11.5)	7 (5.5)
1	29,461 (28.0)	32,675 (29.1)	34,414 (44.1)	30 (26.8)	33 (25.9)	34 (25.6)
2	13,198 (12.5)	15,342 (13.7)	18,201 (23.3)	26 (23.8)	31 (24.3)	36 (27.1)
5	7,760 (7.4)	9,070 (8.1)	9,981 (12.8)	39 (35.0)	45 (35.9)	50 (37.1)
10	149 (0.0)	300 (0.0)	648 (0.8)	1 (1.3)	3 (2.4)	6 (4.8)
Total	1,05,306	1,12,184	78,029	111	127	135

Note : Figures in parentheses represent per cent to total.

### Infrastructure for Currency Management

VIII. 6 The Reserve Bank carries out the issue of notes and management of currency through its 18 issue offices, one sub-office at Lucknow, a currency chest at Kochi and a wide network of 4,221 currency chests and 4,018 small coin depots. There is an agency agreement with SCBs, under which the currency chest facility is granted to them. Currency chests with sub-treasury offices are being gradually phased out and their number reduced to 11 during 2011-12. During the year a revised agreement was entered into with the banks maintaining currency chests that inter alia stipulates various services to be provided to the public/linked bank branches and the Reserve Bank's right to take penal action in case poor conduct of this function was observed/ reported. The State Bank and its associates have the largest share (70 per cent) of currency chests followed by nationalised banks (27 per cent) (Table VIII 3).

**Table VIII. 3 : Currency Chests and Small Coin Depots as at end-December 2011**

Category	No. of Currency Chests	No. of Small Coin Depots
1	2	3
Treasuries	11	-
State Bank of India	2,192	2,118
State Bank Associate Banks	778	775
Nationalised Banks	1,124	1,009
Private Sector Banks	107	107
Co-operative Banks	1	1
Regional Rural Banks	3	3
Foreign Banks	5	5
Total	4,221	4,018

VIII. 7 The Monetary Policy Statement for 2012-13 announced that the distribution of bank notes and coins would be channelised only through currency chests/bank branches, thus bringing the related services closer to customers. Banks are expected to strengthen their distribution systems and procedures so as to cater to the growing needs of the common man.

Indians are the largest consumer of gold in the world, buying almost 800 tonnes per annum.

Currently 57 per cent of India's GDP is contributed by the services sector.

Restructuring of the centrally sponsored scheme Swarnajayanti Gram Swarozgar Yojna SGSY as National Rural Livelihood Mission NRLM will address comprehensively the needs of 6.5 crore rural poor households of the country.

Index of Industrial Production IIP measures the growth of factory output in the country.

The four national commodity exchanges are MCX and NCDEX at Mumbai and NMCE at Ahmedabad and Indian commodity exchange at Mumbai. The regulatory body is forward marketing commission which was set up in 1953.

Disinvestment proceeds of public sector undertakings are routed to the National Investors Fund.

In the case of company dividends which remain unclaimed for more than 7 years, the amount is transferred to Investor Education and Protection Fund.

A bank cannot refuse to open an account if a customer does not make a nomination.

High net worth individuals HNI are those whose financial assets are over USD 1 million or Rs. 4.5 crores approx.

The omnipresent trio in financial markets and institutions are : GREED, FEAR, and FRAUD.

The four dimensions of financial architecture – Stability, Development, Regulation and Coordination.

### **Offshore Banking**

Offshore Banking is an integral part of the international currency market. Offshore banking centres are privileged centres of excellence of international banking specially set up by host countries to ensure freedom from exchange controls, monetary

and banking controls as well as freedom from taxes. A notable feature is the secrecy possible in offshore transactions.

A merchant banker renders advisory services and assistance to entrepreneurs in floating of new companies, planning and execution of new projects, expansion and diversification of industries and the management of public issues.

**Scheduled banks** are those banks which are included in the second schedule to the RBI Act. Certain conditions as specified are required to be followed to remain in this category.

**Nomination facility** is available to all bank depositors, safe deposit locker holders in their individual capacity. In case of joint accounts, the joint holders together can make the nomination. Nomination can only be made in favour of one individual.

A **negotiable instrument** means a promissory note, bill of exchange or cheque payable either to order or to bearer.

### **Negotiable Instruments Act 1881**

This act lays down the guidelines for application of the law relating to negotiable instruments. This act clarifies that negotiable instrument means a promissory note, bill of exchange or cheque payable to bearer or order. It also outlines the responsibilities and rights of banks.

### **Crossing of cheques**

Cheques are crossed with two parallel lines to indicate that the cheque is to be paid through clearing only.

### **Collecting bank**

The bank with which the cheque is deposited for clearing is the collecting bank.

### **Paying bank**

The bank on whom the cheque is drawn is the drawee or paying bank.

### **Payee, Drawer and Drawee**

In a cheque the beneficiary is the payee, the person signing the cheque for payment is the drawer and the bank which is to pay is the drawee.

### **Types of Remittances**

Remittances can be through demand drafts, mail transfers, telegraphic transfers and currently through electronic transfers.

### Bank Guarantee

Bank issues letters of guarantee on behalf of their clients for commercial transactions.

### Letter of Credit

Letters of credit are issued by banks on behalf of sellers/exporters in favour of buyers/importers confirming that payment would be made if the deal is satisfactorily completed.

### Term lending

Funding for projects or for capital intensive items is done by means of term lending. It means that the repayment would be spread over a period of time.

### Cash credit account

Borrowal accounts which fund the working capital requirements of a company is through cash credit accounts. There are regular deposits and withdrawals upto a sanctioned limit.

### Marginal Standing Facility (MSF) Rate

#### Reduced

The Reserve Bank of India has announced to increase Marginal Standing Facility (MSF) borrowing limit. Now the banks can borrow upto 2 per cent of net demand and time liabilities from Marginal Standing Facility (MSF) as against 1 per cent earlier, to provide greater liquidity support to lenders.

Marginal Standing Facility (MSF) is an additional borrowing window under which banks can avail of funds from RBI at penal rate of 100 basis points above the repo rate. With the reduction of 50 basis points in the key policy rate announced in the Annual Monetary and Credit Policy, the MSF rate also stands adjusted to nine per cent from 9.5 per cent earlier.

<b>Key Data about Banking Sector RBI's Rates : At a Glance (Status as Announced on March 19, 2013)</b>	
● Bank Rate	: 8.50 per cent (w.e.f. 19 March, 2013)
● Cash Reserve Ratio (CRR)	: 4.00 % (w.e.f. Feb. 9, 2013)
● Repo Rate	: 7.50% (w.e.f. 19 March, 2013)
● Reverse Repo Rate	: 6.50% (w.e.f. 19 March 2013)
● SLR	: 23% (w.e.f. Aug. 11, 2012)
● Interest Rate on Saving Account	: are Deregulated (w.e.f. May 10, 2011)

### Non-Banking Financial Companies (NBFCs)

The ratio of deposits of reporting NBFCs to the aggregate deposits of SCBs dropped to 0.21 per cent in end March 2011 from a level of 0.36 per cent in end March 2010, mainly due to the decline in deposits of reporting NBFCs.

#### Definitions of the concepts used in the Bank Operation's ratios are as follows :

- (i) Cash in cash-deposit ratio includes cash in hand and balances with RBI.
- (ii) Investments in investment-deposit ratio represent total investments including investments in non-approved securities.
- (iii) Net interest margin is defined as the total interest earned less total interest paid.
- (iv) Intermediation cost is defined as total operating expenses.
- (v) Wage bills is defined as payments to and provisions for employees (PPE).
- (vi) Operating profit is defined as total earnings less total expenses, excluding provisions and contingencies, and
- (vii) Burden is defined as the total non-interest expenses less total non-interest income.

**Note :** Items like capital, reserves, deposits, borrowings, advances, investments and assets / liabilities used to compute various financial earnings/ expenses ratios are averages for the two relevant years.

Definitions of the operating ratios of Banks are as follows :

- (i) Cash-Deposit ratio =  $(\text{Cash in hand} + \text{Balances with RBI}) / \text{Deposits}$
- (ii) Ratio of secured advances to total advances =  $(\text{Advances secured by tangible assets} + \text{Advances covered by bank or Govt. guarantees}) / \text{Advances}$
- (iii) Ratio of interest income to total assets =  $\text{Interest earned} / \text{Total assets}$
- (iv) Ratio of net interest margin to total assets =  $(\text{Interest earned} - \text{Interest paid}) / \text{Total assets}$

- (v) Ratio of non-interest income to total assets = Other income/Total assets.
- (vi) Ratio of intermediation cost to total assets = Operating expenses/ Total assets.
- (vii) Ratio of wage bill to intermediation costs (Operating Expenses) = PPE /Operating Expenses.
- (viii) Ratio of wage bill to total expenses = PPE/ Total expenses.
- (ix) Ratio of wage bill to total income = PPE/Total income.
- (x) Ratio of burden to total assets = (Operating expenses-Other income)/Total assets.
- (xi) Ratio of burden to interest income =(Operating expenses- Other income)/Interest income.
- (xii) Ratio of operating profits to total assets = Operating profit / Total assets.
- (xiii) Return on assets for a bank group is obtained as weighted average of return on assets of individual banks in the group, weights being the proportion of total assets of the bank as percentage to total assets of all banks in the corresponding bank group.
- (xiv) Return on Equity = Net Profit/ (Capital + Reserves and Surplus).
- (xv) Cost of Deposits = IPD/ Deposits.
- (xvi) Cost of Borrowings = IPB/ Borrowings.
- (xvii) Cost of Funds = (IPD + IPB)/(Deposits + Borrowings).
- (xviii) Return on Advances = IEA/ Advances.
- (xix) Return on Investments = IEI/Investments.
- (xx) Return on Advances adjusted to Cost of Funds = Return on Advances–Cost of Funds.
- (xxi) Return on Investment adjusted to Cost of Funds = Return on Investments– Cost of Funds.

**Note :** Wherever appropriate, denominators in the ratios use averages of "current year" and "previous year". For instance, ratio of net interest margin to total assets for the year 2011-12 uses denominator as average total assets for the years 2010-11 and 2011-12.

Abbreviations used in the above definitions are as follows :

PPE = Payment to and provisions for employees

IPD = Interest paid on deposits

IPB = Interest paid on borrowings from RBI and other agencies

IEA = Interest earned on advances and bills

IEI = Interest earned on investments

### Number of NBFCs Registered with the RBI

End June	No. of Registered NBFCs	No. of NBFCs-D.
2004	13764	604
2005	13261	507
2006	13014	428
2007	12968	401
2008	12809	364
2009	12740	336
2010	12630	308
2011	12409	297
2012	13325*	N.A.

\* As on 31 Dec., 2012 there are 34754 NBFC are operating in India but RBI has permitted on 12375 NBFCs to functions.

### Flow of Bank Credit

(As on Jan. 25, 2013)

(Rs. billion)

Items	2013
1. Bank Credit	473368
(a) Food Credit	1070
(b) Non Food Credit	46297
2. Agriculture & Allied Activities	5580
3. Industry (SME + Large)	21309
(i) Micro & Small	2732
(ii) Medium	1960
(iii) Large	16617
4. Services	10738
5. Personal Loans	8669
6. Priority Sector	14917

**Main Share Price Index in Famous Share Market of the World**

Mumbai	DOLEX SENSEX S & PCNX NIFTY FIFTY
New York	DOW JONES
Tokyo	NIKKEI
Frank furt	MID DAX
Singapore	SIMAX

**Key highlights of RBI March 19, 2012 monetary policy review : 2012-13**

RBI cuts repo rate by 25 basis points to 7.5% effective from 19th March, 2013.

RBI keeps CRR unchanged at 4%.

Limited headroom for further monetary easing

Risk on CAD, inflation remain significant

Headline inflation expected to remain at current levels in FY 14.

The year-on-year headline WPI inflation edged up to 6.8 per cent in February 2013 from 6.6 per cent in January, essentially reflecting the upward revisions effected to administered prices of petroleum products.

Worryingly, retail inflation continued on the upward path that set in from October 2012, with the new combined (rural and urban) CPI (Base : 2010=100) inflation at

a high of 10.9 per cent in February 2013 on sustained price pressures from food items, especially cereals and proteins. Consequently, the divergence between wholesale and consumer price inflation continued to widen during the year.

Demand supply gap to keep pressure on inflation.

Competitive rate necessary but not enough to revive investment.

Govt. has to remain committed to increase growth, fiscal consolidation.

RBI to ensure adequate credit flow to productive areas.

High retail inflation remains point of concern.

High food inflation worsening.

Government has a critical role to play in pushing growth.

RBI will continue to manage liquidity through OMOs.

Deceleration of service sector is a concern.

Reverse repo rate came down to 6.5 per cent as a result of new repo rate at 7.5 per cent.

Adjusted bank rate is now 8.5 per cent as on 19th March, 2013.

Marginal Standing Facility (MSF) changed to 8.5 per cent effective from 19th March, 2013.

India's GDP growth in Q3 of 2012-13, at 4.5 per cent, was the weakest in the last 15 quarters.

**COMMERCIAL BANKS IN INDIA AT A GLANCE**

Indicators	March 2007	March 2008	March 2009	March 2010	March 2011	March 2012
Number of Commercial Banks	182	173	170	167	167	173
(a) Scheduled Commercial Banks	178	169	166	163	163	169
<i>of which</i> : Regional Rural Banks	96	90	86	82	82	82
(b) Non-Scheduled Commercial Banks	4	4	4	4	4	4
Number of Bank Offices in India	74653	78787	82897	88203	94019	101261
(a) Rural	30409	30927	31598	32529	33868	36130
(b) Semi-Urban	16770	18027	19337	21022	23299	25931
(c) Urban	14202	15566	16726	18288	19046	20321
(d) Metropolitan	13272	14267	15236	16364	17806	18879
Population per Office (in thousands)	15	15	15	14	13	13
Aggregate deposits of Scheduled Commercial Banks in India (Rs. Billion)	26119.34	31969.40	38341.10	44928.26	52079.69	59090.82
(a) Demand deposits	4297.31	5243.10	5230.85	6456.10	6417.05	6253.30
(b) Time deposits	21822.03	26726.30	33110.25	38472.16	45662.64	52837.52
Bank credit of Scheduled Commercial Banks in India (Rs. Billion)	19311.90	23619.13	27755.49	32447.88	39420.83	46118.52
SLR investments of Scheduled Commercial Banks in India (Rs. Billion)	7915.16	9717.14	11664.10	13847.53	15016.19	17377.87
Deposits of Scheduled Commercial Banks per office (Rs. Million)	368	434	498	548	609	643
Credit of Scheduled Commercial Banks per office (Rs. Million)	276	322	362	398	458	502
Per capita Deposit of Scheduled Commercial Banks (Rs.)	23382	28610	33919	39107	45505	51106
Per capita Credit of Scheduled Commercial Banks (Rs.)	17541	21218	24617	28431	34187	39909
Deposits of Scheduled Commercial Banks as percentage to Gross National Product at factor cost (at current prices)	66.6	70.1	72.7	74.2	73.6	72.5
Scheduled Commercial Banks' Advances to Priority Sectors (Rs. Billion)	6553.17	7814.76	9089.29	10915.10	13158.59	14713.3
Share of Priority Sector Advances in Total Advances of Scheduled Commercial Banks (per cent)	33.1	31.6	30.3	31.2	30.6	29
Credit-Deposit Ratio (per cent)	73.5	74.6	73.8	73.7	76.5	78.6
Investment-Deposit Ratio (per cent)	35.3	35.5	35.7	36.4	34.3	34.6
Cash-Deposit Ratio (per cent)	7.2	9.7	7.3	7.7	8.2	5.8

- Notes :**
1. Number of bank offices includes administrative offices.
  2. Classification of bank offices according to population, for years upto March 2004 it is based on 1991 census. For March 2005 to March 2012, classification of bank offices are based on 2001 census.
  3. Population per office, per capita deposits and per capita credit are based on the estimated population figures as on March 1, supplied by the Office of the Registrar General, India.
  4. Aggregate deposits, bank credit and SLR investments of Scheduled Commercial Banks in India are as per "Form-A" return under Section 42(2) of the Reserve Bank of India Act, 1934 and relate to the last Friday of the reference period.
  5. Scheduled Commercial Banks' advances to priority sectors and the related ratios are exclusive of Regional Rural Banks.
  6. For working out cash-deposit ratio, cash is taken as the total of 'cash in hand' and 'balances with the Reserve Bank of India.
  7. Investments of Scheduled Commercial Banks in india include only investments in government securities and other approved securities.

**STATE-WISE DISTRIBUTION OF DEPOSITS AND CREDIT OF SCHEDULED COMMERCIAL BANKS IN INDIA (AS ON MARCH 31, 2012)**

Region/ State/Union Territory	No. of Reporting Officers	Amount (In ₹ Billion)	Per cent Share in Total Deposits	Amount (in ₹ Billion)	Per cent Share in Total Credit
<b>Northern Region</b>	<b>16926</b>	<b>12874.61</b>	<b>20.9</b>	<b>11601.19</b>	<b>24.1</b>
Chandigarh	296	399.96	0.6	454.47	0.9
Delhi	2665	6863.38	11.1	6542.65	13.6
Haryana	2882	1467.03	2.4	1497.90	3.1
Himachal Pradesh	1137	384.32	0.6	142.83	0.3
Jammu & Kashmir	1077	495.77	0.8	169.85	0.4
Punjab	4132	1744.33	2.8	1423.52	3.0
Rajasthan	4737	1519.83	2.5	1369.96	2.8
<b>North Eastern Region</b>	<b>2443</b>	<b>1087.70</b>	<b>1.8</b>	<b>368.01</b>	<b>0.8</b>
Arunachal Pradesh	91	61.19	0.1	13.76	0.0
Assam	1574	674.55	1.1	251.71	0.5
Manipur	87	42.35	0.1	12.74	0.0
Meghalaya	231	112.34	0.2	28.40	0.1
Mizoram	104	34.28	0.1	13.06	0.0
Nagaland	99	58.39	0.1	15.63	0.0
Tripura	257	104.61	0.2	32.70	0.1
<b>Eastern Region</b>	<b>15746</b>	<b>7399.13</b>	<b>12.0</b>	<b>3696.98</b>	<b>7.7</b>
Andaman & Nicobar Islands	45	20.39	0.0	7.74	0.0
Bihar	4503	1413.08	2.3	411.51	0.9
Jharkhand	2118	889.21	1.4	298.99	0.6
Orissa	3196	1254.20	2.0	588.46	1.2
Sikkim	88	41.47	0.1	13.28	0.0
West Bengal	5796	3780.78	6.1	2376.99	4.9
<b>Central Region</b>	<b>19092</b>	<b>7293.36</b>	<b>11.8</b>	<b>3450.85</b>	<b>7.2</b>
Chhattisgarh	1522	689.17	1.1	368.60	0.8
Madhya Pradesh	4600	1689.53	2.7	965.72	2.0
Uttar Pradesh	11567	4347.32	7.0	1914.48	4.0
Uttarakhand	1403	567.35	0.9	202.06	0.4
<b>Western Region</b>	<b>14886</b>	<b>19401.50</b>	<b>31.4</b>	<b>16127.83</b>	<b>33.4</b>
Dadra & Nagar Haveli	40	15.91	0.0	5.48	0.0
Daman & Diu	32	20.80	0.0	3.58	0.0
Goa	482	366.72	0.6	106.03	0.2
Gujarat	5279	3061.13	5.0	2134.47	4.4
Maharashtra	9053	15936.94	25.8	13878.27	28.8
<b>Southern Region</b>	<b>26966</b>	<b>13685.18</b>	<b>22.2</b>	<b>12970.42</b>	<b>26.9</b>
Andhra Pradesh	7947	3468.00	5.6	3826.99	7.9
Karnataka	6810	4117.24	6.7	2912.36	6.0
Kerala	4783	2005.73	3.2	1515.26	3.1
Lakshadweep	12	5.66	0.0	0.55	0.0
Puducherry	161	76.72	0.1	54.96	0.1
Tamil Nadu	7253	4011.82	6.5	4660.31	9.7
<b>All India</b>	<b>96059</b>	<b>61741.47</b>	<b>100.0</b>	<b>48215.27</b>	<b>100.0</b>

**Note :** Population per office, per capita deposits and per capita credit figures are worked out on the basis of population figures as on March 1, 2011 & 2012 supplied by the Office of the Registrar General, Government of India.

Source : Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, March 2011 & 2012, RBI.

**STATE-WISE DISTRIBUTION OF DEPOSITS AND CREDIT OF SCHEDULED COMMERCIAL BANKS IN INDIA 2012 (AS ON MARCH 31, 2012)**

Region/State/Union Territory	Population Per Office	Per capita Deposit (in ₹)	Deposits Per Office (in ₹ million)	Per Capita Credit (in ₹)	Credit Per Office (₹ million)
<b>Northern Region</b>	<b>9567</b>	<b>79503</b>	<b>761</b>	<b>71639</b>	<b>685</b>
Chandigarh	5095	265225	1351	301373	1535
Delhi	7123	361554	2575	344658	2455
Haryana	8971	56743	509	57937	520
Himachal Pradesh	6030	56056	338	20833	126
Jammu & Kashmir	11017	41784	460	14315	158
Punjab	6772	62340	422	50875	345
Rajasthan	14543	22061	321	19886	289
<b>North Eastern Region</b>	<b>18124</b>	<b>24565</b>	<b>445</b>	<b>8311</b>	<b>151</b>
Arunachal Pradesh	13791	48757	672	10964	151
Assam	19660	21798	429	8134	160
Manipur	28483	17090	487	5141	146
Meghalaya	11476	42376	486	10713	123
Mizoram	9769	33740	330	12854	126
Nagaland	22980	25666	590	6870	158
Tripura	14233	28598	407	8939	127
<b>Eastern Region</b>	<b>16733</b>	<b>28083</b>	<b>470</b>	<b>14032</b>	<b>235</b>
Andaman & Nicobar	11267	40217	453	15266	172
Bihar	21990	14271	314	4156	91
Jharkhand	15063	27871	420	9372	141
Orissa	12861	30512	392	14316	184
Sikkim	7034	66995	471	21454	151
West Bengal	15583	41860	652	26317	410
<b>Central Region</b>	<b>16356</b>	<b>23356</b>	<b>382</b>	<b>11051</b>	<b>181</b>
Chhattisgarh	16153	28032	453	14993	242
Madhya Pradesh	15944	23036	367	13167	210
Uttar Pradesh	17658	21284	376	9373	166
Uttarakhand	7187	56262	404	20038	144
<b>Western Region</b>	<b>11854</b>	<b>109953</b>	<b>1303</b>	<b>91401</b>	<b>1083</b>
Goa	3770	201827	761	58354	220
Gujarat	11328	51189	580	35693	404
Maharashtra	12613	139572	1760	121543	1533
Dadra & Nagar Haveli	9250	43000	398	14811	137
Daman & Diu	8781	74021	650	12740	112
<b>Southern Region</b>	<b>9260</b>	<b>54805</b>	<b>507</b>	<b>51942</b>	<b>481</b>
Andhra Pradesh	10758	40566	436	44765	482
Karnataka	8814	68591	605	48518	428
Kerala	7276	57633	419	43539	317
Lakshadweep	6417	73506	472	7143	46
Puducherry	9012	52874	477	37877	341
Tamil Nadu	9356	59117	553	68673	643
<b>All India</b>	<b>12577</b>	<b>51106</b>	<b>643</b>	<b>39909</b>	<b>502</b>

*Note* : Population per office, per capita deposits and per capita credit figures are worked out on the basis of population figures as on March 1, 2011 & 2012 supplied by the Office of the Registrar General, Government of India.

*Source* : Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, March 2011 & 2012, RBI.

### Top Ten Public Sector Bank's of India 2011-12

Bank	Capital Adequacy Ratio %		Deposits (Rs. Crore)	Advances (Rs. Crore)	Return on Assets (%)	Net WPA (%)	Net Profit Rs. Crore
	Basel I	Basel II					
1. State Bank of India	12.05	13.85	1043647	867579	3.85	1.82	11707
2. Punjab National Bank	11.58	12.63	379588	293775	1.06	1.52	4884
3. Bank of Baroda	12.95	14.67	384871	287377	1.33	0.54	4242
4. IDBI Bank	—	14.58	210493	181158	0.82	1.61	2032
5. Syndicate Bank	—	12.24	147707	110954	0.81	0.94	1313
6. Bank of India	11.57	11.95	318216	248833	0.72	1.47	2677
7. Canara Bank	—	13.76	327054	232490	0.95	1.46	3283
8. Union Bank of India	—	11.85	222869	181031	0.68	0.68	4305
9. Corporation Bank	12.06	13.12	136142	100469	—	1.06	1518
10. Bank of Maharashtra	—	12.43	76528	56059	0.58	2.26	430

### Top Ten Indian Bank 2012 (Turn over)

	Established	ATMs	Emplo- yees	Turn over Rs. Crore	Remarks
1. State Bank of India (B.O. 16000)	1806	8500		147843	Basically estd. at Imperial Bank of India
2. ICICI Bank (B.O. 1419)		4644		61595	
3. Punjab National Bank (B.O. 5000)	1894	6050		31207	
4. Bank of Baroda (B.O. 3958)	1908	2012	42175	25800	
5. Canara Bank	1 July, 1906	3184	42272	25792	Basically estd. at Canara Hindu Permanent Fund
6. HDFC Bank (B.O. 1500)	1994	3000		24628	Changed name in 1910
7. Bank of India (B.O. 4038)	7 Sept., 1906	1680	18746	24500	
8. IDBI Bank (B.O. 900)	1964	1500	15435	20838	Original estd. Development Bank
9. AXIS Bank (B.O. 729)	1994	3171		19826	Originally estd. at UTI Bank
10. Union Bank of India	11 Nov., 1919	3025	30838	18501	Inaugurated by Mahatma Gandhi in Mumbai

# True or False

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- ◆ A savings account can be opened and operated in joint names. **TRUE**
- ◆ If a huge balance is maintained in a current account, interest can be paid in that account. **FALSE**
- ◆ A partnership firm can open a savings account with post offices. **FALSE**
- ◆ A fixed deposit receipt cannot be transferred. **TRUE**
- ◆ If a fixed deposit is not claimed by the depositor after the due date, the bank can forfeit the amount. **FALSE**
- ◆ When the banker finds the account of the customer undesirable or unremunerative he can close the account immediately and remit the balance in the account by a cheque. **TRUE**
- ◆ The banker enjoys special status in as much as he need not repay his depositors unless a demand is made on him. **TRUE**
- ◆ The drawer of a cheque is always a banker. **FALSE**
- ◆ A traveller's cheque is a cheque issued by a traveler. **FALSE**
- ◆ Safe deposit lockers can be rented by banks only to single persons. **FALSE**
- ◆ The banker can advance as much money as he accepts as deposits. **FALSE**
- ◆ An overdraft means the amount drawn in excess over the sanctioned amount. **TRUE**
- ◆ Only immovable properties can be mortgaged. **TRUE**
- ◆ A bank cannot give loan against its own fixed deposits. **FALSE**
- ◆ The banker can sue the guarantor even if he has not exhausted all his recourse against the borrower. **TRUE**
- ◆ All regional rural banks are scheduled banks. **TRUE**
- ◆ The management of all public sector banks is vested with RBI. **FALSE**
- ◆ Nationalization of banks first took place in 1969. **TRUE**
- ◆ In India foreign exchange regulations are administered by the RBI. **TRUE**
- ◆ The licence issued to a commercial bank can be subsequently cancelled by RBI. **TRUE**
- ◆ SIDBI's headquarter is located at Lucknow. **TRUE**
- ◆ SIDBI is also known as 'Single Window Service'. **TRUE**
- ◆ IFCI is converted in company on July 1, 1993. **TRUE**
- ◆ ICICI Ltd. is merged into ICICI Bank on May 3, 2002. **TRUE**
- ◆ The repo rate is 7.50 on March 19, 2013. **TRUE**
- ◆ The present Bank Rate is 8.50%. **TRUE**

(As on March 19, 2013)

# Multiple Choice Questions

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## I. BANKING : PRODUCTS, SERVICES & PRACTICES

- Which of the following terms appropriately explains the role of banks in an economy?  
(a) Financial conglomerate  
(b) Holding companies  
(c) Financial intermediaries  
(d) Indigenous banking  
**Ans : (c)**
- In the financial sector there are many companies who are providing banking like activities though they are not recognized as banks. How is this particular type of activity known as?  
(a) Informal banking  
(b) Indigenous banking  
(c) Shadow banking  
(d) Development banking  
**Ans : (c)**
- What would a lender examine to judge whether a business can be given a funding facility?  
(a) The financial statements  
(b) The credit history  
(c) The business risk  
(d) All of the above  
**Ans : (d)**
- You might have heard of 'a bank run'. What does it mean?  
(a) Identifies those banks which are performing very well  
(b) Banks which are promoting marathon sports events  
(c) When people rush to withdraw funds from their bank accounts  
(d) When banks do door to door publicity campaigns  
**Ans : (c)**
- Which of the following is a stipulation under the Basel III norms?  
(a) The total minimum capital adequacy ratio to be 9%  
(b) Banks to maintain an overall minimum capital adequacy ratio of 11.5%  
(c) Banks to reach the minimum capital adequacy ratio of 11.5% by 31st March, 2018  
(d) Banks to maintain a capital adequacy ratio of 10% by 2013  
**Ans : (c)**
- Basel Committee on Banking Supervision is associated with which of the following?  
(a) Banking Regulation Committee  
(b) Bretton Woods Institution  
(c) Bank for International Supervision  
(d) Federal Reserve  
**Ans : (c)**
- What is known as the Open Market Operations of RBI?  
(a) Buying and selling of stocks  
(b) Auctioning of foreign exchange  
(c) Trading in securities  
(d) Transactions in gold  
**Ans : (c)**
- Fiat money is best described by which of the following?  
(a) Money which is accepted internationally  
(b) Money accepted temporarily in lieu of gold  
(c) Decried as money by the government  
(d) Money which is issued by keeping gold and silver as deposit  
**Ans : (c)**
- When did the rupee become a freely convertible currency in the current account of India?  
(a) 1994  
(b) 1999  
(c) 2000  
(d) 2001  
**Ans : (a)**
- ISO 4217 is the international standard describing 3 letter code for what?  
(a) Bank code  
(b) Currency codes  
(c) Forex code  
(d) None of these  
**Ans : (b)**
- Cash balances held in the currency chests are the property of which of the following?  
(a) Respective banks where the currency chest is located  
(b) Reserve Bank of India  
(c) The government  
(d) The individual bank branch  
**Ans : (b)**

12. Which of the following statements is true about RBI's recent branch licensing policy for banks?
- Banks are permitted to open branches freely in Tier 2 to Tier 6 centres
  - Banks can open branches in metropolitan centres without approval from RBI
  - Loss making semi urban branches to be closed
  - Merging adjacent branches in urban centres
- Ans : (a)**
13. What was achieved by passing the Banking Companies Act, 1969?
- Starting of regional rural banks
  - Nationalization of 14 commercial banks
  - Introduction of Lead Bank scheme
  - Introduced the concept of social control of banks
- Ans : (b)**
14. What is the maximum denomination of currency notes that can be printed in India?
- ₹ 10,000
  - ₹ 5,000
  - ₹ 1,000
  - No limit
- Ans : (a)**
15. Which of the following schemes/facilities available in the financial markets is not meant for investment purposes?
- National savings certificates
  - Infrastructure bonds
  - Mutual funds
  - Letter of credit
- Ans : (d)**
16. Small savings scheme like national savings certificates, public provident fund, monthly income schemes are popular among the salaried people. Which financial institutions manage these schemes?
- Public sector banks
  - Commercial banks
  - Post offices
  - Cooperative banks
- Ans : (c)**
17. Which of the following do you think is the accepted practice?
- Banks offer higher interest rates to senior citizens on their fixed deposits as compared to others
  - Banks charge lesser interest from senior citizens on their personal loans
  - Senior citizens can open bank accounts without the need to follow KYC norms
  - Senior citizens are not permitted to use mobile banking
- Ans : (a)**
18. A bank customer could not get his grievance resolved by his bank even after referring his complaint to the designated official. Whom should he approach next?
- consumer protection court
  - RBI
  - Banking ombudsman
  - Finance ministry
- Ans : (c)**
19. The Banking Ombudsman scheme is applicable to the working of which of the following?
- All scheduled commercial banks
  - All scheduled commercial banks excluding regional rural banks
  - All scheduled commercial banks excluding private sector banks
  - All public sector banks
- Ans : (a)**
20. What is common between Equity Linked Savings Schemes, National Savings Certificates and Public Provident Funds?
- Financial schemes handled by post offices
  - Investments in these schemes are permitted upto a specified limit
  - All are mutual fund schemes
  - These are tax saving schemes
- Ans : (d)**
21. A savings account is considered to be an inoperative account if there is no operation in the account for a continuous period. What is this time period?
- 2 years
  - 1 year
  - 5 years
  - 3 years
- Ans : (a)**
22. Which of the following is a punishable offence for a bank account holder?
- For bouncing of cheques issued by him
  - For providing wrong introduction for opening an account
  - For losing his pass book
  - For asking for stop payment of cheques regularly
- Ans : (a)**

23. In case a public provident fund account does not have a nomination, what is the maximum amount that the legal heirs may get without a succession certificate?  
 (a) ₹ 50,000 (b) ₹ 75,000  
 (c) ₹ 1,00,000 (d) ₹ 2,00,000  
**Ans : (c)**
24. A very popular savings scheme of the post office has been withdrawn as per the current provisions. Which is that scheme?  
 (a) National savings certificates  
 (b) Kisan vikas patra  
 (c) Recurring deposit scheme  
 (d) Monthly income scheme  
**Ans : (b)**
25. The rate of interest banks charge to its customers on credit facilities is linked to which benchmark rate?  
 (a) Risk premium rate  
 (b) Base rate lending  
 (c) Benchmark prime lending rate  
 (d) Reverse repo rate  
**Ans : (b)**
26. When a vehicle is financed by a bank what kind of charge does the bank have over the primary security?  
 (a) Pledge (b) Hypothecation  
 (c) Assignment (d) Lien  
**Ans : (b)**
27. SIDBI has a scheme for providing seed capital to business enterprise. What is meant by seed capital?  
 (a) Equity required by a commercial organization  
 (b) Initial funds required by an enterprise with high potential for growth  
 (c) The funds invested to run an organization  
 (d) The money provided to start an agricultural unit  
**Ans : (b)**
28. Where substantial funds are required to be mobilized, crowd funding as a strategy is often adopted. In which of the following do you think crowd funding would be appropriate?  
 (a) For political parties  
 (b) For charity issues  
 (c) For rehabilitating weak banks  
 (d) For pumping money in the stock exchange  
**Ans : (b)**
29. Which of the following organizations maintain the individual borrower's credit history in India?  
 (a) RBI (b) CRISIL  
 (c) CIBIL (d) CARE  
**Ans : (c)**
30. Banks permit grant of credit facilities against book debts to companies. What are these book debts?  
 (a) All debts due to the banks by a business enterprise  
 (b) All debts due by a business to suppliers/traders other than banks  
 (c) Debts owing to a business arising out of the sale of goods and services to their customers on credit  
 (d) Amounts due on the purchase of books  
**Ans : (c)**
31. Which of the following is not a document of title to goods as per law and practice?  
 (a) Bill of lading (b) Airway bill  
 (c) Warehouse receipt (d) Bill of exchange  
**Ans : (d)**
32. Public and private sector banks which have a shortfall in lending to the priority sector are required to contribute allocated amounts to a designated fund to meet their obligations. Which is this special account?  
 (a) Account with SIDBI  
 (b) The Rural Infrastructure Development Fund with NABARD  
 (c) Fund with RBI  
 (d) NABARD  
**Ans : (b)**
33. In case of foreign banks which do not meet the target of 32% lending to the priority sector, the shortfall has to be deposited with which authority?  
 (a) SIDBI  
 (b) RBI  
 (c) NABARD  
 (d) Exempted from depositing the shortfall  
**Ans : (a)**
34. Which is the contract/agreement under which an issuing bank at the request of the importer undertakes to make payment to the exporter against certain specified documents?  
 (a) Bill of exchange (b) Bill of lading  
 (c) Bill of entry (d) Letter of credit  
**Ans : (d)**

35. Banks have the benefit of using substantial amount of money when cheques are sent in clearing as there is usually 2-3 days gap between debit of the account holder's account and credit to the account of the payee/beneficiary of the cheque. What is this money known as?  
 (a) Float money  
 (b) Suspense money  
 (c) Unaccounted funds  
 (d) All of the above  
**Ans : (a)**
36. Which of the following is true?  
 (a) Asset classification is for judging the quality of loan accounts  
 (b) Non performing assets include standard assets  
 (c) Provisioning is uniform for all loan accounts  
 (d) All legal cases of banks are for loss assets  
**Ans : (a)**
37. In case of personal loans from banks the interest rate applicable is which of the following?  
 (a) The base rate of lending  
 (b) Lower than the base rate  
 (c) Higher than the base rate  
 (d) None of the above  
**Ans : (c)**
38. Which of the following ways of charging interest on loans is most beneficial to the borrower?  
 (a) Daily reducing balance  
 (b) The balance being reduced monthly  
 (c) Quarterly reducing balance  
 (d) Yearly reducing balance  
**Ans : (a)**
39. What is the target for priority sector lending that foreign banks having more than 20 branches in India are required to fulfil?  
 (a) 32% (b) 40%  
 (c) 36% (d) 38%  
**Ans : (b)**
40. Why do banks prefer customers to use ATMs to withdraw cash rather than coming to branches for this purpose?  
 (a) Staff problems are reduced  
 (b) Customers demand currency according to their choice from branches  
 (c) Cost of ATM operations to the bank is much less  
 (d) All of the above  
**Ans : (c)**
41. Which of the following denote demand deposits of a bank?  
 (a) Deposits in savings accounts  
 (b) Deposits in savings and current accounts  
 (c) Balances in recurring deposit accounts  
 (d) Balances in current and recurring deposit accounts  
**Ans : (b)**
42. Banks often look to have a sizable portion of CASA deposits in their total deposit portfolio. In what does it help?  
 (a) The cost of funds to the bank is low  
 (b) It fulfils the mandated requirement  
 (c) There is no need to renew the deposits  
 (d) Less of manpower is required to maintain these deposits  
**Ans : (a)**
43. Non performing assets of public sector banks during the last quarter of FY 2012-13 have shown an increase. What does it indicate?  
 (a) The assets of the banks are not performing as per their expectations  
 (b) The loans and advances of banks are not performing as per standard norms  
 (c) More loans and advance accounts of banks are becoming irregular in payment  
 (d) None of these  
**Ans : (c)**
44. Compliance with Employees' State Insurance Corporation rules is necessary for companies and firms. Why?  
 (a) It is a social security measure mandatory for employees whose salary does not exceed ₹15,000  
 (b) The employees are insured by their respective employers  
 (c) It is an employees' association which protects its members compulsorily  
 (d) The corporation helps the companies in arranging for insurance policies  
**Ans : (a)**
45. In the case of a contract of guarantee :  
 (a) The liability of the guarantor is secondary only when the principal debtor does not pay  
 (b) The liability of the guarantor does not arise as the principal debtor is solely responsible  
 (c) The guarantor's liability is co extensive with that of the principal debtor and is liable to pay whether or not the principal debtor pays

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- (d) The guarantor is liable to pay only half the amount as he shares the liability with the principal debtor.  
**Ans : (c)**
46. Payment of a crossed cheque can be made—  
(a) Only in cash  
(b) Through clearing account of a bank  
(c) Both in cash and through clearing account of a bank  
(d) Through none of the above  
**Ans : (b)**
47. A demand draft issued by one bank branch on another branch is legally—  
(a) Cheque (b) Promissory note  
(c) Delivery order (d) Supply bill  
**Ans : (b)**
48. Currently banks claim that they have achieved 100% CBS. What are they referring to?  
(a) It means all their branches are technology driven with core banking solutions  
(b) It suggests complete banking services  
(c) It is an indication of customized banking services  
(d) None of the above  
**Ans : (a)**
49. An asset reconstruction company looks for business from banks. What do you understand from this statement?  
(a) These companies assist banks in getting potential clients for big ticket loans  
(b) Banks identify potential borrowers for infrastructure lending by these companies  
(c) Banks sell their bad debts to these companies  
(d) Asset reconstruction companies buy bad debts at a discount from banks  
**Ans : (d)**
50. Banks fix separate cash limit and overall spending limit for each credit card. What is the disadvantage in withdrawing cash on credit cards?  
(a) Cash withdrawn means the credit balance is reduced  
(b) An amount is charged by the bank as cash withdrawal fees  
(c) Cash withdrawal fees together with service tax is charged to the card holder  
(d) Less time is given for payment as compared to other debits for purchases  
**Ans : (c)**
51. Many Indian corporates are expecting to launch their new banking company. How is this possible?  
(a) By tying up with foreign banks as joint ventures  
(b) RBI has announced new norms for issuing licences for opening banks  
(c) Applications have been sent to the Finance ministry for approval  
(d) Weak banks may be taken over  
**Ans : (b)**
52. Which is the last private sector bank to have been allowed to open in the country?  
(a) YES Bank (b) AXIS Bank  
(c) ING VVSYA Bank (d) IDBI Bank  
**Ans : (a)**
53. Which of the following is a public sector bank?  
(a) HDFC bank (b) IDBI bank  
(c) HSBC (d) SIDBI  
**Ans : (b)**
54. Banks earn income from fee based activities. Which of the following qualify as fee based business?  
(a) Issue of demand drafts  
(b) Doing foreign exchange business  
(c) Providing demat accounts  
(d) Selling insurance products  
**Ans : (d)**
55. Banks are not comfortable in lending to the infrastructure sector. What are the reasons for this?  
(a) Banks find it difficult to fund infrastructure projects of 15 years and more  
(b) Infrastructure projects require large scale funding  
(c) Infrastructure financing becomes a asset liability problem for banks  
(d) All of the above  
**Ans : (d)**
56. Which of the following is an example of cash less purchase?  
(a) Debit card (b) Credit card  
(c) POS payment (d) All of these  
**Ans : (d)**
57. Which of the following identifies itself as a foreign exchange transaction?  
(a) Payment through debit cards  
(b) Purchase of foreign currency  
(c) Negotiating inland bills of exchange  
(d) All of the above  
**Ans : (b)**

58. Third party usage of ATMs has been restricted to certain number of withdrawals/balance enquiries per month. What does it mean?
- Only card holders can use ATMs and not their representatives
  - Use of ATMs of all banks restricted to specified number
  - Customer of one bank can use ATMs of other banks upto a specified number without any charge
  - ATMs of other banks can be used within a limit on payment of fees
- Ans : (c)**
59. From the banking perspective the use of ATM can be called—
- Personal banking
  - Mobile banking
  - Internet banking
  - Branchless banking
- Ans : (d)**
60. RuPay payment system is considered to be a cheaper alternative to which of the following systems?
- Visa
  - Master Card
  - American Express
  - All of them
- Ans : (d)**
61. Which of the following is at times mentioned as a direct debit facility?
- RTGS
  - IMPS
  - ECS
  - EFT
- Ans : (c)**
62. Which of the following is necessary to transfer funds through the RTGS facility?
- Beneficiary's bank account number
  - The IFSC number of the beneficiary's bank branch
  - There is a minimum amount specified for transfer
  - All of the above
- Ans : (d)**
63. How can a Indian Financial Services Code number be identified?
- It is a 11 digit alpha numeric code
  - It is available on the cheque leaves of an individual's cheque book
  - It is provided by the bank if asked
  - All of the above
- Ans : (d)**
64. When a consumer durable item is financed by a bank what kind of charge does the bank have over the primary security?
- Pledge
  - Hypothecation
  - Assignment
  - Lien
- Ans : (b)**
65. Which of the following cards require the monthly outstandings in the card account to be paid in full within the due date of payment every month?
- Add on card
  - Co branded card
  - Debit card
  - Charge card
- Ans : (d)**
66. The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests SARFAESI Act is meant to—
- Make recovery of bad loans simpler
  - Enable banks recover the loan amount due without intervention of court
  - Make disbursement of loans simpler
  - For faster sanction of loans and advances
- Ans : (b)**
67. The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests Act at present is not applicable to—
- Public sector banks
  - Private banks
  - Non banking financial companies
  - Financial institutes of the government
- Ans : (c)**
68. Non performing assets are cause for serious concerns for banks. Why are these loans known as non performing?
- Recovery of bank's funds are difficult
  - Interest on these accounts are not charged
  - Banks have to make provision for these loans in their balance sheet
  - All of the above
- Ans : (d)**
69. Home loans are secured by equitable mortgage of the property. How is equitable mortgage created?
- The mortgage deed is registered with the Registrar of Assurances
  - The mortgage deed is registered under the Transfer of Property Act
  - The mortgage deed is executed by the borrower with two witnesses and the deed is deposited with the bank
  - The borrower deposits the title deeds of the property with the bank with an intention to create an equitable mortgage of the property
- Ans : (d)**

70. Which of the following is not a document of title to goods as per law and practice?  
 (a) Bill of lading  
 (b) Airway bill  
 (c) Warehouse receipt  
 (d) Letter of credit  
**Ans : (d)**
71. A confirmed letter of credit is—  
 (a) Confirmed to be authentic  
 (b) Confirmed by a bank ( other than the issuing bank) in the exporter's country  
 (c) Confirmed by the importer to be in order  
 (d) Confirmed by the exporter agreeing to the terms in the letter of credit  
**Ans : (b)**
72. Factoring services is meant for exporters mainly. How is it described?  
 (a) It guarantees realization of dues from buyer debtors  
 (b) It is a form of venture capital financing  
 (c) Eases the factory recruitment process  
 (d) Provides finance for working capital needs  
**Ans : (a)**
73. A bank assumes different roles of creditor, debtor, agent while dealing with customers. When does the bank perform the role of lessor?  
 (a) In cash dealings  
 (b) When accepting articles for safe custody  
 (c) When renting out locker  
 (d) When executing a mortgage deed  
**Ans : (c)**
74. Cost of funds is an important element in determining the base rate of lending by banks. Which explains aptly the cost of funds?  
 (a) Total interest paid on deposits  
 (b) Interest paid on deposits and borrowings from RBI  
 (c) Interest paid on deposits plus interest paid on borrowings divided by total deposits and borrowings  
 (d) Interest paid on deposits divided by total deposits  
**Ans : (c)**
75. What is the maximum period for which a fixed deposit can be accepted by a commercial bank?  
 (a) 10 years (b) 15 years  
 (c) No limit (d) 8 years  
**Ans : (a)**
76. Which of the following instruments cannot be presented for payment in a clearing house?  
 (a) Demand draft  
 (b) Dividends  
 (c) Fixed deposit receipt  
 (d) All of the above  
**Ans : (c)**
77. Which of the following schemes available in the financial markets is not meant for investment purposes?  
 (a) National savings certificates  
 (b) Infrastructure bonds  
 (c) Mutual funds  
 (d) Letter of credit  
**Ans : (d)**
78. Interest payable in savings account is—  
 (a) regulated by central government  
 (b) regulated by RBI  
 (c) not regulated by RBI  
 (d) regulated by state governments  
**Ans : (c)**
79. Which of the following can be a nominee in respect of a deposit account?  
 (a) Son only  
 (b) Son and daughter only  
 (c) Spouse only  
 (d) Any individual  
**Ans : (d)**
80. Which of the following cannot open a bank account?  
 (a) Person of unsound mind  
 (b) A minor  
 (c) An illiterate person  
 (d) A blind individual  
**Ans : (a)**
81. Which of the following investments is the most liquid?  
 (a) Bank fixed deposits due for maturity after three months  
 (b) Money in ELSS mutual funds which are one year old  
 (c) Gold bars and coins  
 (d) Post office deposits payable on demand  
**Ans : (d)**
82. Which of the following structures have the consumer forum courts in India adopted?  
 (a) Panchayats, state and national level  
 (b) State and national level

- (c) Only at the national level  
(d) District, state and national levels  
**Ans : (d)**
83. Which of the following may be identified as the drawee bank in respect of a cheque?  
(a) The payee's bank  
(b) The bank which collects the cheque  
(c) The bank on which the cheque is drawn  
(d) The endorsee's bank  
**Ans : (c)**
84. Which of the following explains the phrase 'the total business of a commercial bank' ?  
(a) The total loans and advances of the bank  
(b) The total figure of deposits and loans of the bank  
(c) The total of income and expenses figure  
(d) Both (b) and (c) together  
**Ans : (b)**
85. A demand draft issued by one bank branch on another branch is legally—  
(a) Cheque (b) Promissory note  
(c) Delivery order (d) Supply bill  
**Ans : (b)**
86. Which is the accepted document for establishing proof of identity of an individual for opening of bank accounts?  
(a) PAN card (b) Electricity bill  
(c) Telephone bill (d) LIC policy  
**Ans : (a)**
87. Bank accounts are required for doing most transactions. Which of the following does not require the customer to have an account for getting the facility?  
(a) Banker's draft (b) Loan  
(c) Cheque book (d) Credit card  
**Ans : (d)**
88. A cheque payable to bearer can be negotiated by—  
(a) Delivery only  
(b) Endorsement only  
(c) Endorsement and delivery  
(d) None of the above  
**Ans : (a)**
89. Which of the following banks does not provide for opening of a bank account in an individual's name?  
(a) Commercial banks  
(b) Cooperative banks  
(c) Scheduled banks  
(d) NABARD  
**Ans : (d)**
90. Which of the following may be identified as the place where bankers meet to settle their mutual claims and accounts?  
(a) Treasury (b) Clearing house  
(c) Collection centre (d) BPO  
**Ans : (b)**
91. Banks in India which were nationalized in 1969 had deposits not less than ₹ .....cr?  
(a) 50 (b) 100  
(c) 200 (d) 250  
**Ans : (a)**
92. Banks are providing the facility of clearing out-station cheques within the same time period as for local cheques. What is this facility known as?  
(a) Electronic fund transfer  
(b) Speed clearing  
(c) High value clearing  
(d) Electronic clearing service  
**Ans : (b)**
93. The interest rate payable on bank recurring deposit schemes is linked to which of the following?  
(a) Savings account rates  
(b) Term deposit rates  
(c) Bank rate  
(d) None of the above  
**Ans : (b)**
94. How would you classify an account which requires the account holder to deposit monthly a fixed or variable amount for a period of 24 months?  
(a) Pension account  
(b) Term deposit account  
(c) Variable recurring deposit account  
(d) Flexi account  
**Ans : (c)**
95. What is the term used for the facility enjoyed by business for withdrawing funds up to an agreed limit from a bank account?  
(a) Financial lease  
(b) Capital lease  
(c) Over draft facility  
(d) Hire purchase facility  
**Ans : (c)**
96. Current accounts cannot be freely opened by?  
(a) Government departments  
(b) Firms and companies  
(c) HUFs  
(d) All non resident Indians  
**Ans : (d)**

97. How much of the bank's deposits are available to be given as loans?
- The entire amount of deposits mobilized
  - Only 75 per cent is permitted
  - As much as each bank decides
  - The amount available after providing for cash reserve ratio and statutory liquidity ratio

**Ans : (d)**

## II. RBI, BANKS & FINANCIAL INSTITUTIONS

1. Which authority/organization is the major shareholder in NABARD?

- RBI
- Central Government
- SBI
- None of these

**Ans : (b)**

2. NABARD was established by an act of Parliament. Which of the following is its year of establishment?

- 1982
- 1979
- 1990
- 1969

**Ans : (a)**

3. Which of the following institutions was the first development financial institution in India?

- IDBI
- IFCI Ltd
- IIBI
- NABARD

**Ans : (b)**

4. Which development financial institution is known to have integrated with a bank?

- IFCI Ltd
- ICICI Ltd
- NHB
- IIFCL

**Ans : (b)**

5. Which financial institution is helping commercial banks in lending to the infrastructure sector?

- IFCI Ltd
- IDBI
- IIFCL
- IIBI

**Ans : (c)**

6. Which of the following is a development bank?

- HDFC bank
- NHB
- Axis Bank
- Development Credit Bank

**Ans : (b)**

7. Which of the following is not an apex institution?

- SBI
- SIDBI

- NABARD
- State Cooperative bank

**Ans : (a)**

8. Which of the following institution is responsible for finalizing the interest rates and credit policy of the Euro zone?

- Bundesbank
- European Central Bank
- Federal Reserve
- Bank of England

**Ans : (b)**

9. Special drawing right is an international practice of drawing funds from the organization by its member countries. Which of the following control this special funding?

- International Monetary Fund
- Asian Development Bank
- Federal Reserve
- European Common Market

**Ans : (a)**

10. Which foreign bank operating in India recently celebrated 200 years of its existence?

- Standard Chartered bank
- Citi bank
- HSBC
- Royal Bank of Scotland

**Ans : (b)**

11. Which authority/institution fully acquired Reserve Bank of India's stake in State Bank of India in 2007?

- LIC
- Government of India
- NABARD
- ICICI Bank

**Ans : (b)**

12. Out of the four entities mentioned below which is not a credit rating agency?

- CRISIL
- ICRA
- Experian
- FITCH

**Ans : (c)**

13. Which of the following is not an international rating agency?

- Standard & Poors
- Moodys
- Fitch
- Morgan Stanley

**Ans : (d)**

14. When RBI sells securities its effect on the market is that—

- The liquidity in the banking system increases

- (b) The liquidity in the system remains unaffected  
 (c) The liquidity in the banking system diminishes  
 (d) None of the above  
**Ans : (c)**
15. Which one of the following is not a tool of fiscal policy?  
 (a) Public expenditure  
 (b) Taxation  
 (c) Interest rate  
 (d) Public borrowing  
**Ans : (c)**
16. For the top posts of Chairman and Managing Director and Executive Directors of public sector banks which of the following is the appointing authority?  
 (a) RBI  
 (b) The central government  
 (c) Respective bank's board of directors  
 (d) Indian Banks' Association  
**Ans : (b)**
17. PMI is a measure of the growth of different sectors of an economy. What is it?  
 (a) Prime measurement index  
 (b) Purchasing Manager's Index  
 (c) Prime Mean index  
 (d) Purchase Mean index  
**Ans : (b)**
18. In terms of the Banking Amendment Bill passed in December 2012 the cap on voting rights for investors in government banks has been raised from the current 1%. What is the new cap?  
 (a) 5% (b) 7%  
 (c) 10% (d) 12%  
**Ans : (c)**
19. Which of the following is not a financial regulator?  
 (a) IRDA (b) PFRDA  
 (c) SEBI (d) AMFI  
**Ans : (d)**
20. Which international organization helps in prevention of money laundering?  
 (a) World Bank (b) IMF  
 (c) FATF (d) All of these  
**Ans : (c)**
21. Who is the appointing authority for the Banking Ombudsman?  
 (a) RBI  
 (b) Finance Ministry  
 (c) PMO  
 (d) Team of PM, Finance Minister and RBI Governor  
**Ans : (a)**
22. Which of the following is the government's customer grievances website?  
 (a) Jago grahak jago (b) Grahak sewa  
 (c) Paisa bolta hai (d) Grahak kalyan  
**Ans : (b)**
23. The bullion market trades in which commodities?  
 (a) Precious metals (b) Iron ore, steel etc  
 (c) Gold, silver (d) Copper, bronze  
**Ans : (c)**
24. Deposits of customers in banks are insured upto ₹ 1 lakh. Which organization is responsible for payment of claims, if any?  
 (a) RBI (b) Government  
 (c) DICGC (d) ECGC  
**Ans : (c)**
25. Forward Markets Commission is the independent regulator of which of the following markets?  
 (a) Mutual funds  
 (b) Stock exchanges  
 (c) Commodity exchanges  
 (d) Foreign exchange  
**Ans : (c)**
26. Inter bank mobile payments service has been launched by National Payments Corporation of India to facilitate transfer of money using cell phones. What is National Payments Corporation of India?  
 (a) It is an independent body set up by Indian Banks' Association to monitor mobile payments  
 (b) It is an autonomous body under the Finance ministry  
 (c) It is an institution set up by RBI to handle the retail payments system  
 (d) It is an organization under the Telecom Regulatory Authority for mobile transactions  
**Ans : (c)**
27. Which of the following is a fully owned subsidiary of RBI?  
 (a) NABARD (b) NHB  
 (c) SIDBI (d) IDBI  
**Ans : (b)**

28. Euro money is the official currency of—  
 (a) NATO  
 (b) UN  
 (c) European Union  
 (d) Germany and England  
**Ans : (c)**
29. Which of the following institutions introduced the concept of reverse mortgage loans?  
 (a) RBI (b) NHB  
 (c) SBI (d) None of these  
**Ans : (b)**
30. Bank rate as fixed by RBI means—  
 (a) Rate of interest charged by banks from borrowers  
 (b) Rate of interest on bank deposits  
 (c) Rate of interest charged by RBI on its long term loans to banks  
 (d) Rate of interest on inter bank loans  
**Ans : (c)**
31. How many countries constitute the Euro zone, which share the same currency?  
 (a) 17 (b) 21  
 (c) 24 (d) 11  
**Ans : (a)**
32. Which of the following institution is responsible for finalizing the interest rates and credit policy of the Euro zone?  
 (a) Bundesbank  
 (b) European Central Bank  
 (c) Federal Reserve  
 (d) Bank of England  
**Ans : (b)**
33. What is the criteria for charging of service tax on companies?  
 (a) All services not covered under the negative list is liable for payment of service tax  
 (b) The Customs and Central Excise department notifies the services which are liable for payment  
 (c) The Income Tax department announces the services which are liable  
 (d) The list of services liable is mentioned in the Annual Budget  
**Ans : (a)**
34. The full form of the organization known as FEDAI is—  
 (a) Foreign Exchange Dealers Agency of India  
 (b) Full Exchange Deal and Industries  
 (c) Foreign Exchange Dealers' Association of India  
 (d) Foreign Exchange Draft Associated Instructions  
**Ans : (c)**
35. Which of the following banks are permitted to undertake business of the central and state governments in India?  
 (a) Public sector banks only  
 (b) All commercial banks  
 (c) Only public and private sector banks  
 (d) Public, private sector and foreign banks  
**Ans : (c)**
36. Why are anti money laundering laws important for the economy?  
 (a) To control flow of illegal money to stop anti national and criminal activities  
 (b) To prohibit trade in unaccounted money  
 (c) To stop benami activity  
 (d) To check money lending activity  
**Ans : (a)**
37. Where does RBI mint currency coins?  
 (a) At Mumbai and Alipore (Kolkata)  
 (b) At Mumbai and Noida  
 (c) At Kolkata and Noida  
 (d) At Mumbai, Alipore(Kolkata), Hyderabad and Noida  
**Ans : (d)**
38. Which of the following accounts for the maximum share in India's foreign exchange reserves?  
 (a) Gold reserves  
 (b) NRI deposits  
 (c) Special depository receipts  
 (d) Foreign currency assets  
**Ans : (d)**
39. The government of India is empowered to borrow funds from RBI. Through which of the following instruments does it borrow?  
 (a) Commercial papers  
 (b) Certificates of deposits  
 (c) Treasury bills  
 (d) Ways and Means advances  
**Ans : (c)**
40. RBI enables banks to tide over their funds problems with the help of LAF facility. What is the full form of LAF?  
 (a) Liquid Adjustment Facility  
 (b) Liabilities Adjustment Finance  
 (c) Liquid Assets and Finance  
 (d) Liquidity and Finance  
**Ans : (a)**

41. Basel Committee on Banking Supervision is also commonly known as—  
 (a) Banking Regulation Committee  
 (b) Bretton Woods Institution  
 (c) Bank for International Supervision  
 (d) Federal Reserve  
**Ans : (c)**
42. SWIFT is a network for banks to exchange information. What is the expanded form?  
 (a) Safe Window for International transactions  
 (b) Secured Worldwide International Transactions  
 (c) Society for Worldwide Interbank Financial Telecommunications  
 (d) None of the above  
**Ans : (c)**
43. Which of the following units is known as 'Paper Gold'?  
 (a) Euro dollars  
 (b) Special drawing rights  
 (c) Global depository receipts  
 (d) Petro dollars  
**Ans : (b)**
44. National income in India is estimated by which authority?  
 (a) NCAER  
 (b) Ministry of Statistics  
 (c) Planning Commission  
 (d) Central Statistical Office  
**Ans : (d)**
45. The foreign exchange rate is dependent on which of the following?  
 (a) Government policies  
 (b) Monetary policy directives  
 (c) Demand and supply forces  
 (d) Foreign exchange reserves  
**Ans : (c)**
46. The European Union is passing through a serious financial crisis. When did it come into existence?  
 (a) 1993 (b) 1997  
 (c) 2001 (d) 2002  
**Ans : (a)**
47. A bank which acts as a banker to other banks is called?  
 (a) Commercial bank (b) Development bank  
 (c) Central bank (d) Investment bank  
**Ans : (c)**
48. Regional Rural banks are working in all the states of India except—  
 (a) Sikkim (b) J&K  
 (c) Goa (d) Sikkim and Goa  
**Ans : (d)**
49. What method does RBI follow while issuing currency notes?  
 (a) Maximum reserve system  
 (b) Fixed fiduciary system  
 (c) Minimum reserve system  
 (d) Proportionate reserve system  
**Ans : (c)**
50. The cash balances held in the currency chests are the property of.....?  
 (a) Respective banks where the currency chest is located  
 (b) Reserve Bank of India  
 (c) The government  
 (d) The individual bank branch  
**Ans : (b)**
51. Which bank was established to promote investments in the real estate market?  
 (a) SIDBI (b) NHB  
 (c) NABARD (d) IFCI  
**Ans : (b)**
52. Which of the following interest rates signify RBI's long term stance of monetary policy?  
 (a) Repo rate  
 (b) Bank rate  
 (c) Cash reserve ratio  
 (d) Statutory liquidity ratio  
**Ans : (b)**
53. Swabhiman scheme of the central government is meant to promote which of the following?  
 (a) Rural food security  
 (b) Pension scheme  
 (c) Rural banking  
 (d) All of the above  
**Ans : (c)**
54. Which of the following statements is true about RBI's recent branch licensing policy for banks?  
 (a) Banks are permitted to open branches freely in Tier 2 to Tier 6 centres  
 (b) Banks can open branches in metropolitan centres without approval from RBI  
 (c) Loss making semi urban branches to be closed  
 (d) Merging adjacent branches in urban centres  
**Ans : (a)**

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55. A new mechanism to check tax evasion by identifying deals or arrangements which are made specifically to avoid the tax stipulations is likely to be introduced by the government shortly. Which regulations are being referred to?  
(a) Direct Taxes Code  
(b) GAAR  
(c) General anti avoidance restrictions  
(d) FEMA  
**Ans : (b)**
56. Where was Reserve Bank of India's first central office located?  
(a) Calcutta now Kolkata  
(b) Bombay now Mumbai  
(c) New Delhi  
(d) Hyderabad  
**Ans : (a)**
57. What was achieved by passing the Banking Companies Act 1969?  
(a) Starting of regional rural banks  
(b) Nationalization of 14 commercial banks  
(c) Introduction of Lead Bank scheme  
(d) Introduced the concept of social control of banks  
**Ans : (b)**
58. For collecting rural data for the newly launched Consumer Price Index who will be used by the Government of India?  
(a) The local SBI branch  
(b) The patwari  
(c) The local postman  
(d) All of the above  
**Ans : (c)**
59. What was World Bank previously known as?  
(a) International Bank for Reconstruction and Development IBRD  
(b) International Development Agency IDA  
(c) International Finance Corporation IFC  
(d) International Monetary Fund IMF  
**Ans : (a)**
60. Which is the first country to launch plastic currency notes?  
(a) Australia (b) USA  
(c) Germany (d) France  
**Ans : (a)**
61. When was the World Bank established?  
(a) 1947 (b) 1943  
(c) 1949 (d) 1944  
**Ans : (d)**
62. What is the name for the stock market regulator in the UK?  
(a) Financial Services Authority FSA  
(b) Securities and Exchange Commission  
(c) Federal Reserve  
(d) Bank of England  
**Ans : (a)**
63. What is the maximum denomination for which coins can be produced in India?  
(a) ₹ 1,000 (b) ₹ 10  
(c) ₹ 100 (d) ₹ 50  
**Ans : (a)**
64. Which is the minimum denomination of coin that is accepted as legal tender in India?  
(a) 50 paise coin (b) 25 paise  
(c) One rupee coin (d) All of these  
**Ans : (a)**
65. Which body/authority is vested with the power to mint coins in India?  
(a) The government of India  
(b) RBI  
(c) SBI  
(d) State governments  
**Ans : (a)**
66. Who is responsible for the production of currency notes in India?  
(a) Reserve Bank of India  
(b) The central government  
(c) The President of India  
(d) The Chief Justice of India  
**Ans : (a)**
67. What is meant by the net worth of a company?  
(a) It is the financial statement of the net asset position of an enterprise  
(b) It is an indication of the strength to do business  
(c) It is the aggregation of the strength of the directors of a company  
(d) It reflects the total tax paid to the government during each financial year  
**Ans : (a)**
68. Four credit information companies have been permitted by RBI to start operating in the country. What is the scope of these companies?  
(a) They maintain a data base of individuals/companies with their credit history  
(b) They decide in association with banks whether to sanction loan to an individual or not

- (c) Corporate loans are sanctioned only after clearance from these companies  
 (d) All of the above  
**Ans : (a)**
69. When economists speak of angel investors, seed funds, venture capitals what do they intend to convey?  
 (a) Suggests people wishing to invest in financial companies  
 (b) Means type of investors willing to promote a new business idea/venture  
 (c) Indicates foreign investors with substantial financial strength  
 (d) Means high net worth individuals looking for suitable investments  
**Ans : (b)**
70. What does 'write off' mean in the context of banking business?  
 (a) Loans sanctioned but not disbursed to the customer  
 (b) Syndicated lending with other banks for large advances  
 (c) Those loans which cannot become bad because of government guarantee  
 (d) Bad and unpaid loans which have no possibility of recovery  
**Ans : (d)**
71. Which of the following organization maintains the individual borrower's credit history in India?  
 (a) RBI (b) CRISIL  
 (c) Experian (d) ICRA  
**Ans : (c)**
72. Banks in India do not give loans against the security of the bank's own shares because—  
 (a) It is prohibited by RBI  
 (b) It is not permitted by the Banking Regulation Act  
 (c) It is against the provisions of the Companies Act  
 (d) It is considered risky  
**Ans : (b)**
73. A warehouse receipt which is acceptable as security for loans is best described by which of the following?  
 (a) It is a trustee security  
 (b) It is a contract of lease  
 (c) It is a document of title to goods  
 (d) It is a negotiable instrument  
**Ans : (c)**
74. Which of the following is true about cooperative banks?  
 (a) They are established under the cooperative societies act  
 (b) They have profit as their main motive  
 (c) All are scheduled banks  
 (d) All of the above  
**Ans : (a)**
75. Negotiable Instruments Act 1881 is an important law which relates to—  
 (a) Banking (b) Stock markets  
 (c) Mutual Funds (d) Insurance  
**Ans : (a)**
76. Which of the following is not a banking term?  
 (a) Letter of credit  
 (b) MIBOR  
 (c) Factoring services  
 (d) Entry load  
**Ans : (d)**
77. Which is the largest associate bank of State Bank of India?  
 (a) State Bank of Patiala  
 (b) State Bank of Hyderabad  
 (c) State Bank of Bikaner & Jaipur  
 (d) State Bank of Saurashtra  
**Ans : (b)**
78. Which was the first associate bank of State Bank of India to merge with it in 2008?  
 (a) State Bank of Saurashtra  
 (b) State Bank of Indore  
 (c) State Bank of Mysore  
 (d) State Bank of Travancore  
**Ans : (a)**
79. Which of the following is an old private sector bank in India?  
 (a) Kotak bank (b) Indus Ind bank  
 (c) Federal bank (d) UCO bank  
**Ans : (c)**
80. Which Act is fully applicable to the commercial banks?  
 (a) Companies Act 1956  
 (b) Partnership Act  
 (c) Banking Regulation Act  
 (d) Sale of Goods Act  
**Ans : (c)**

81. Which bank was the first to be set up in India after the economic reforms process of the 1990s?  
 (a) Times Bank (b) UTI bank  
 (c) Global trust bank (d) ICICI bank  
**Ans : (c)**
82. Which of the following banks in India is the first to start banking services through the social media 'Facebook'?  
 (a) Citi bank (b) ICICI bank  
 (c) SBI (d) HDFC bank  
**Ans : (b)**
83. What was the criteria for the second round of nationalization of six banks in India in 1980?  
 (a) Private banks with business over ₹ 100 crores were identified  
 (b) Private banks who had deposits of ₹ 200 crores and above were nationalized  
 (c) Private banks who were being run by designated business houses  
 (d) Those banks which were identified by RBI as guilty of favouring certain industrial houses  
**Ans : (b)**
84. Name the oldest public sector bank in India—  
 (a) Punjab National Bank  
 (b) Central Bank of India  
 (c) Bank of Baroda  
 (d) Allahabad Bank  
**Ans : (d)**
85. When was the Banking Regulation Act enacted in India?  
 (a) 1934 (b) 1947  
 (c) 1949 (d) 1950  
**Ans : (c)**
86. It is considered to be the second largest bank in India with close to 3000 branches and over 10,000 ATMs. Which is this bank?  
 (a) SBI  
 (b) ICICI bank  
 (c) PNB  
 (d) Central Bank of India  
**Ans : (b)**
87. The least liquid asset in a balance sheet would be—  
 (a) Stocks and inventories  
 (b) Short term investments  
 (c) Trade debtors  
 (d) Cash and bank balances  
**Ans : (a)**

88. Which of the following institutions is responsible for controlling credit creation by banks in India?  
 (a) RBI (b) SEBI  
 (c) IFCI (d) SIDBI  
**Ans : (a)**

### III. GOVERNMENT FINANCES & ACCOUNTS

1. Which of the following statements best explain Rajiv Gandhi Equity Savings Scheme?  
 (a) It is for investors whose taxable income is not more than ₹ 5 lacs annually  
 (b) 75% of the invested amount is eligible for tax exemption  
 (c) The tax benefit is for the year of investment  
 (d) Individuals with an income of up to ₹ 12 lacs can invest in this scheme  
**Ans : (d)**
2. What monetary relief has been given to tax payers in the income bracket of ₹ 2 lakhs to ₹ 5 lakhs in the budget for 2013-14?  
 (a) ₹ 2,000 (b) ₹ 5,000  
 (c) ₹ 3,000 (d) None  
**Ans : (a)**
3. What is the initial capital proposed for the first women's bank in the current year's budget?  
 (a) ₹ 300 cr (b) ₹ 500 cr  
 (c) ₹ 1,000 cr (d) ₹ 1,550 cr  
**Ans : (c)**
4. It is felt that the budget has been harsh for individuals considered wealthy. What is the proposed action?  
 (a) The income tax rate has been increased from 30 to 40% for income incomes above ₹ 1 cr  
 (b) Tax exemptions disallowed to individuals with income above ₹ 1 cr  
 (c) Surcharge of 10% on persons with taxable income exceeding ₹ 1 cr  
 (d) Surcharge of 5% proposed on incomes above ₹ 50 lakhs  
**Ans : (c)**
5. Investment allowance provisions in the budget for 2013-14 mean which of the following?  
 (a) It is an allowance to companies for making one time investments in real estate  
 (b) It is tax exemption to companies for high value investment in plant and machinery

- (c) This tax benefit is for holding companies of banks  
 (d) It is a tax break for small and medium enterprises  
**Ans : (b)**
6. Why has the government introduced inflation indexed bonds in the budget for 2013-14?  
 (a) These bonds might help increase financial savings  
 (b) To provide investment opportunities to fight inflation  
 (c) These bonds are likely to give better returns than debt instruments  
 (d) All of the above  
**Ans : (d)**
7. Which of the following organs is the highest authority to approve the country's Five Year plans?  
 (a) Lok Sabha  
 (b) Rajya Sabha  
 (c) Finance Ministry  
 (d) National Development Council  
**Ans : (d)**
8. What is the purpose of the ₹ 1,000 cr Nirbhaya Fund in this year's budget?  
 (a) For education of the girl child  
 (b) For women's empowerment and safety  
 (c) For setting up fast track courts  
 (d) For all of the above  
**Ans : (b)**
9. RBI Governor has proposed the PPI, an index which would measure the average change over time in the sale price of domestic goods and services. What is the full form of PPI?  
 (a) Purchasing Price Index  
 (b) Producer Price Index  
 (c) Producer Payment Index  
 (d) Purchaser Payment Index  
**Ans : (b)**
10. The government has proposed amendments to the Regional Rural Banks Act, 1976 to enhance authorized and issued capital to strengthen their capital base. What is the current authorized capital of the regional rural banks?  
 (a) ₹ 1 cr                      (b) ₹ 2 cr  
 (c) ₹ 3 cr                      (d) ₹ 5 cr  
**Ans : (d)**
11. Which of the following would fulfill the short term finance requirements of small scale industries?  
 (a) Loans by banks  
 (b) NABARD  
 (c) SIDBI  
 (d) RBI  
**Ans : (a)**
12. RBI has set a maximum limit on rate of interest to be charged by micro finance institutions. What is this limit?  
 (a) 26%                      (b) 30%  
 (c) 32%                      (d) No limit  
**Ans : (a)**
13. The Foreign Investment Promotion Board FIPB cleared the investment proposal of which Malaysian airline to launch services in India as a joint venture?  
 (a) Jetstar                      (b) Air Asia  
 (c) Air Indigo                      (d) Indigo Asia  
**Ans : (b)**
14. Important trains in India would have Anubhuti coaches as per announcement in the Railway Budget for 2013-14. What is the significance of these coaches?  
 (a) Special AC luxury coaches  
 (b) They will cater to Tatkal booking only  
 (c) Will be unreserved compartments  
 (d) Reserved for the Armed forces only  
**Ans : (a)**
15. How is the annual budget defined as in the Indian constitution?  
 (a) Profit and loss statement  
 (b) Annual financial statement  
 (c) Statement of revenue and expenditure  
 (d) None of the above  
**Ans : (b)**
16. Which finance minister presented the first Union budget for India in 1947?  
 (a) CD Deshmukh  
 (b) Jawaharlal Nehru  
 (c) PC Mahalanobis  
 (d) RK Shanmukham Chetty  
**Ans : (d)**
17. What is the term used to explain the gap between total expenditure and total receipts including both the capital and revenue expenditure and receipts?  
 (a) Revenue deficit  
 (b) Fiscal deficit  
 (c) Budget deficit  
 (d) Primary deficit  
**Ans : (c)**

18. Which of the following is true about the Income Tax rules for filing of income tax returns by income tax assesses?
- Salaried people need not file income tax returns if their total income is less than ₹ 5 lacs
  - Salaried individuals are required to file income tax returns irrespective of the amount of total income
  - Salaried individuals are exempt from filing income tax returns if their total income including interest from savings account upto ₹ 10,000 is less than ₹ 5 lacs
  - None of the above
- Ans : (c)**
19. Which of the following banks are permitted to undertake business of the central and state governments in India?
- Public sector banks only
  - All commercial banks
  - Only public and private sector banks
  - Public, private sector and foreign banks
- Ans : (c)**
20. High fiscal deficit is cause for concern for any economy. What does it denote?
- It is a measure of the borrowings of an economy
  - It is total expenditure less total receipts excluding borrowings
  - It reflects the decrease in tax collections for the year
  - It means the lack of liquidity and earnings for the economy
- Ans : (b)**
21. Which of the following organizations plays a critical role in controlling inflation in the country?
- Central bank of the country
  - Stock markets of the country
  - Planning Commission
  - Commercial banks
- Ans : (a)**
22. When is a state of 'hyperinflation' said to exist?
- When inflation continues uncontrolled over a three year period
  - When basic food items reach an inflation rate of 25% and more
  - When the government starts demonetizing its currency
  - When monthly inflation exceeds 50% or three year cumulative inflation exceeds 100%
- Ans : (d)**
23. Which of the following statements suitably describes the reverse repo rate?
- Benchmark for long term rates
  - It represents funding cost for banks
  - It is lower than the repo rate
  - It is a market determined rate
- Ans : (c)**
24. How would you classify the services provided by a bank to issue IPOs or corporate bonds?
- Retail banking
  - Corporate banking
  - Investment banking
  - Net banking
- Ans : (c)**
25. Income Tax department insists on payment of advance tax from commercial organizations. Why is it necessary?
- Income tax is required to be paid proportionately during the year as per income generated by organizations during the course of the year
  - It becomes easier for organizations to pay in instalments rather than the full amount at the end of the year
  - The income tax department requires the tax money to run its department
  - The benefit of tax exemptions are available
- Ans : (a)**
26. The monetary policy prescribed by RBI is a means to check money supply and credit availability. Which of these is not a channel of monetary policy transmission ?
- Cash reserve ratio
  - Deposit interest rates
  - Repo rate
  - Bank rate
- Ans : (b)**
27. Why do micro finance institutions prefer lending through self help groups?
- These groups distribute the money among themselves making it easier for microfinance institutions
  - Self help groups are composed of individual members who have similar background and are therefore helpful in recovery of the loan amounts which help keep financial discipline for further loans to their members

- (c) It reduces the cost of locating individual borrowers  
 (d) Bulk loaning is possible through self help groups  
**Ans : (b)**
28. The profits from sale of a house property which is earned by an owner is taxed by the government. What is this form of tax known as?  
 (a) Capital gains tax  
 (b) Income from property tax  
 (c) Wealth tax  
 (d) Sales tax  
**Ans : (a)**
29. The Income tax department has created a new class of individuals termed as very senior citizens who have been extended certain additional tax exemptions. Who are these very senior citizens?  
 (a) Those above 65 years of age  
 (b) Describes persons above 75 years  
 (c) Meant to indicate persons of 80 years and above  
 (d) All of the above  
**Ans : (c)**

#### IV. CURRENT ECONOMIC AFFAIRS-NATIONAL

1. In terms of the new Companies Bill 2011 presented in Parliament in December 2012 what is the percentage that some companies have to spend of their net profit on corporate social responsibility activities?  
 (a) 1% (b) 5%  
 (c) 3% (d) 2%  
**Ans : (d)**
2. The cap on voting rights for investors in government banks has been raised from the current ceiling. What is the new limit?  
 (a) 5% (b) 7%  
 (c) 10% (d) 12%  
**Ans : (c)**
3. In which city has been inaugurated India's first All Women Employees post office?  
 (a) Mumbai (b) New Delhi  
 (c) Hyderabad (d) Rae Bareli  
**Ans : (b)**
4. The Chief Economic Adviser to the government of India has recently changed. Who is the present incumbent?  
 (a) Raghuram Rajan  
 (b) Bimal Jalan  
 (c) Rakesh Mohan  
 (d) Kaushik Basu  
**Ans : (a)**
5. Service tax is collected by which government department?  
 (a) Customs and central excise  
 (b) Income tax  
 (c) Local corporation  
 (d) RBI  
**Ans : (a)**
6. Before presentation of the Annual budget by the union government an important document is released on the subject. Which is this document?  
 (a) Economic Survey  
 (b) Budget projections  
 (c) Industry analysis  
 (d) RBI annual report  
**Ans : (a)**
7. A new chamber of commerce has been opened by an emerging influential business group in India. Can the group be identified?  
 (a) Young women entrepreneurs  
 (b) Dalit business group  
 (c) Gold merchants  
 (d) Retail investors in the stock markets  
**Ans : (b)**
8. Who is the appointing authority for the Banking Ombudsman?  
 (a) Reserve Bank of India  
 (b) Finance Minister  
 (c) Prime Minister  
 (d) Planning Commission  
**Ans : (a)**
9. What was the objective of starting cooperative banking in India?  
 (a) To act as competitors to commercial banks  
 (b) To be solely for the agriculture sector  
 (c) To start self help groups  
 (d) To replace moneylenders and indigenous bankers  
**Ans : (d)**
10. Almost all banks in India are offering special schemes for providing banking services to the rural poor. What is this concept known as?  
 (a) Trade finance  
 (b) Investment banking  
 (c) Priority sector loaning  
 (d) Financial inclusion  
**Ans : (d)**

11. BCSBI is an important organ in the banking sector in India. What is its full form?  
 (a) Banking Concerns and State Bank of India  
 (b) Banking Commission for Savings Banks in India  
 (c) Banking Codes and Standards Board of India  
 (d) Bank Council for Small Business Industries  
**Ans : (c)**
12. IDRBT located at Hyderabad is an important institution for the banking sector. What does it stand for?  
 (a) Institute for Development and Research in Banking Technology  
 (b) Institute for Defence Research and Business Techniques  
 (c) Institute for Design of Rural Banking Technology  
 (d) Institute for Development of Rural Banking Technology  
**Ans : (a)**
13. With which of the following innovations can you associate IDRBT with?  
 (a) National Financial Switch  
 (b) POS terminals  
 (c) Business correspondents  
 (d) All of them  
**Ans : (a)**
14. The ratio of a bank's cash holding to its total deposit liabilities is known as—  
 (a) Valuable reserve ratio  
 (b) Cash reserve ratio  
 (c) Statutory liquidity ratio  
 (d) Minimum reserve ratio  
**Ans : (b)**
15. Who has been appointed as the new deputy governor of RBI in January 2013?  
 (a) Kaushik Basu (b) D Subba Rao  
 (c) Urjit Patel (d) Subir Gokarn  
**Ans : (c)**
16. The formation of the 14th Finance Commission in India has been finalized. Who has been appointed to head the commission?  
 (a) D Subba Rao  
 (b) Y V Reddy  
 (c) Montek Singh Ahluwalia  
 (d) Raghuram Rajan  
**Ans : (b)**
17. Which body is known as the regulator of chit funds in India?  
 (a) Registrar of Companies  
 (b) RBI  
 (c) SEBI  
 (d) Registrar of Chit Funds  
**Ans : (d)**
18. What is the benefit under Section 80C of the Income tax Act to the individual taxpayer?  
 (a) The government permits savings under this section  
 (b) Investments upto ₹ 1 lakh is exempt from tax  
 (c) Investments in specified schemes are exempt from tax upto ₹ 1 lakh  
 (d) Savings under these section have the benefit of compound interest  
**Ans : (c)**
19. How can an Indian Financial Services Code number be identified?  
 (a) It is a 11 digit alpha numeric code  
 (b) It is available on the cheque leaves of an individual's cheque book  
 (c) It is provided by the bank if asked  
 (d) All of the above  
**Ans : (d)**
20. RBI has asked banks to switch to CTS -10 facility from August 2013. What is CTS-10?  
 (a) Cheque truncation service  
 (b) Cheque total service  
 (c) Cash tendering service  
 (d) Cash technique system  
**Ans : (a)**
21. Presently which is the most commonly used network communication for ATMs in India?  
 (a) GPRS (b) CDMA  
 (c) VSAT (d) Dial in connection  
**Ans : (c)**
22. Biometric cards would help in providing banking services to the rural people in India. What is the speciality of these cards?  
 (a) These are cards which can be used with finger prints and PIN  
 (b) Instead of PIN number these are used by verification of finger prints  
 (c) These cards use biotechnology for their operation  
 (d) Biogas helps in using these cards by rural people  
**Ans : (b)**
23. Which of the following is not a Chamber of commerce and industry?  
 (a) FICCI (b) CII  
 (c) CRISIL (d) PHDCCI  
**Ans : (c)**

24. The government is being represented in different legal cases by the attorney general or solicitor general. Who are these legal officials?
- They are officials of the ministry of law and justice
  - They are the senior most legal officials of the government
  - They are authorized by the Supreme Court to defend the government
  - They are the senior most advocates of the Bar Council
25. When investment and savings options are discussed there is often reference to the real interest rate. What is meant by this real interest rate?
- It is the actual rate that is received minus the charges and other costs which are at times not clearly mentioned
  - It is the compounded rate which is not indicated
  - It is the declared rate minus the inflation rate which is the real value of money
  - The actual yield over a period of time calculated on simple interest basis
4. Which of the following insurance company does not receive premium payments from the public?
- New India Assurance Company
  - Deposit Insurance and Credit Guarantee Corporation
  - Bajaj Allianz
  - HDFC Standard Life
5. SEBI through its latest directive has permitted insurance companies to participate in the stock markets. What has been proposed?
- Insurance companies can now come out with IPOs
  - Retail investors can participate in IPOs of insurance companies without any cap
  - Insurance companies to let their employees have larger share in the allotment process
  - Stocks of insurance companies to be listed only on BSE

**Ans : (b)**

- Ans : (b)**
- Ans : (c)**

## V. INSURANCE, NON BANKING FINANCE COMPANIES

1. Till what amount are deposits of public in NBFCs insured?
- ₹ 1 lakh
  - ₹ 50,000
  - Not insured
  - None of the above
2. In which of the following ways have organization of workers proved to be effective in providing micro finance by banks and financial institutions to the rural poor?
- Shiksha sevaks
  - Self help groups
  - Link workers
  - Chit fund members
3. What is the current limit for Foreign Direct Investment in the insurance sector in India?
- 100%
  - 51%
  - 49%
  - 26%
7. Contract of insurance is a contract of—
- Indemnity
  - Guarantee
  - Agency
  - Bailment
8. Micro finance institutions in India have formed an association to regulate and monitor their working. What is it known as?
- Micro finance institutions organization
  - Micro finance institutions network
  - Association of micro finance institutions
  - Confederation of micro finance institutions
9. The measurement of poverty line in India is based on the criteria of—
- Dwelling houses
  - Nature of employment
  - Level of education
  - Calorie consumption
10. As part of financial inclusion measures banks have been directed by RBI to open a certain

**Ans : (b)**

**Ans : (a)**

**Ans : (a)**

**Ans : (a)**

**Ans : (b)**

**Ans : (d)**

- percentage of their new branches in unbanked rural centres. What is this number?  
 (a) 30 per cent (b) 25 per cent  
 (c) 10 per cent (d) 15 per cent  
**Ans : (b)**
11. Which of the following is a non banking financial company?  
 (a) SBI Caps  
 (b) ICICI Venture Fund  
 (c) Mannapuram Finance  
 (d) ING Vysya  
**Ans : (c)**
12. Which of the following is true?  
 (a) NBFCs can accept deposits from the public  
 (b) NBFCs cannot offer deposit schemes to the public  
 (c) Deposits of NBFCs are insured with DICGC  
 (d) NBFCs can accept deposits from public if they are registered and permitted by RBI  
**Ans : (d)**
13. Which of the following countries was the first to launch the concept of micro finance?  
 (a) India (b) Nepal  
 (c) Peru (d) Bangladesh  
**Ans : (d)**
14. Just like banks have to maintain a stipulated capital adequacy ratio, similarly non banking finance companies NBFCs are also required to do so. What is the minimum stipulation for NBFCs?  
 (a) 15 per cent (b) 12 per cent  
 (c) 10 per cent (d) 8 per cent  
**Ans : (a)**
15. The mortality tables used by life insurance companies are meant to serve which of the following purposes?  
 (a) The payment to agents are decided on these tables  
 (b) The premiums for each policy is fixed in accordance with these tables  
 (c) The term for each policy is decided accordingly  
 (d) All of the above  
**Ans : (b)**
16. According to the norms prescribed by RBI for setting up of White Label ATMs, what is the minimum net worth the NBFCs should have?  
 (a) ₹ 50 cr (b) ₹ 75 cr  
 (c) ₹ 100 cr (d) ₹ 200 cr  
**Ans : (c)**
17. What does the term 'bancassurance' mean :  
 (a) Assurance from the bank to its account holder regarding safety of his money  
 (b) A special product designed by the bank  
 (c) Selling of insurance policies by banks  
 (d) Understanding between banks and insurance companies  
**Ans : (c)**
18. 'Free look' period allowed by life insurance companies is a customer friendly initiative. What is the purpose of this facility?  
 (a) The customer can reduce the amount of premium during this period  
 (b) Grace period is given to pay the premium amount  
 (c) The customer can decide whether to take the policy or reject it during this time  
 (d) None of the above  
**Ans : (c)**
19. Financial literacy is a serious issue for RBI. Why?  
 (a) It would mean banks can do more business  
 (b) So that RBI policies are understood by the maximum number of people  
 (c) It would enable better understanding of banking business  
 (d) With better understanding more and more people would utilize the banking services  
**Ans : (d)**
20. Which body/official determines the risk coverage for calculation of premium for life insurance policies?  
 (a) Actuary of the life insurance company  
 (b) IRDA  
 (c) The chief executive of the life insurance company  
 (d) The board of directors of the life insurance company  
**Ans : (a)**
21. NBFCs are important players in the financial sector. Which feature differentiates NBFCs from banks?  
 (a) NBFCs are not part of payment and settlement systems  
 (b) NBFCs do not accept deposits  
 (c) NBFCs do not have branches  
 (d) None of the above  
**Ans : (a)**
22. Life insurance companies have been allowed to approach capital markets with their public

issues by IRDA. What is the eligibility norm for insurance companies to be permitted to adopt this approach?

- (a) Insurance companies require to be ten years old
- (b) Insurance companies require to show profits for the last three years
- (c) Insurance companies doing business of more than ₹ 10,000 crores would be eligible
- (d) All of the above

**Ans : (a)**

23. Most life insurance policies need to be renewed annually by payment of premium for the year. Term insurance policies however provide for one time payment. What is the difference with other plans?

- (a) Term plans are generally long term plans insuring the risk of death
- (b) Insured amount is paid only in the event of death of the insured
- (c) No amount is paid on maturity if insured survives
- (d) All of the above

**Ans : (d)**

24. With which financial sector are these terms associated with : free look period; rider; third party administrator; surrender value—

- (a) Insurance                      (b) Banking
- (c) Capital markets              (d) Mutual funds

**Ans : (a)**

25. A new project requires funds to purchase fixed assets for its business. What is this funding/expense known as?

- (a) Working capital
- (b) Revenue expenditure
- (c) Start up loans
- (d) Capital expenditure

**Ans : (d)**

26. Which of the following is not a physical asset?

- (a) Gold jewellery              (b) Real estate
- (c) Commodities                  (d) Debentures

**Ans : (d)**

27. Society for Elimination of Rural Poverty SERP is an important body of the government in the field of microfinance. What does it do?

- (a) It distributes cash subsidies through co-operative banks to the rural poor
- (b) It identifies the rural poor for bank finance

- (c) It is a nodal agency for monitoring the SHGs
- (d) It supervises the funds distributed under NREGS

**Ans : (c)**

28. Self help groups are an important borrower class of which of the following institutions?

- (a) Banks
- (b) Micro finance institutions
- (c) SIDBI
- (d) All of the above

**Ans : (d)**

29. An angel investor would be known as which of the following?

- (a) Pension fund investor
- (b) Bank depositor
- (c) Wealthy individual looking for investment in fresh projects
- (d) Investor in government projects

**Ans : (c)**

30. Which of the following sources of finance would be the costliest for a new entrepreneur?

- (a) Bank overdraft              (b) Trade credit
- (c) Government grant              (d) Personal savings

**Ans : (a)**

31. How is a payment gateway explained?

- (a) It facilitates the payment transaction in e-commerce
- (b) It is an intermediary service which permits acceptance of electronic payments
- (c) It is the infrastructure for online trading
- (d) All of the above

**Ans : (d)**

32. What is the service called which transfers funds from one centre to another in time blocks on the same day?

- (a) NEFT                              (b) EFT
- (c) RTGS                              (d) ECS

**Ans : (a)**

33. Which of the following is necessary to transfer funds through the RTGS facility?

- (a) Beneficiary's bank account number
- (b) The IFSC number of the beneficiary's bank branch
- (c) There is a minimum amount specified for transfer
- (d) All of the above

**Ans : (d)**

34. Which of the following is not a means of remitting money?

- (a) Electronic clearing service

- (b) Mail transfer
- (c) Telegraphic transfer
- (d) RTGS

**Ans : (a)**

35. Which of the following financial product is available for investment online?

- (a) Post office savings products
- (b) Senior citizen savings scheme
- (c) Life insurance policies
- (d) Treasury bills

**Ans : (c)**

## VI. CURRENT ECONOMIC AFFAIRS – INTERNATIONAL

1. Which country in the eurozone recently received a financial bail out package of 10 billion euros from the IMF?

- (a) Greece
- (b) Spain
- (c) Cyprus
- (d) Ireland

**Ans : (c)**

2. Which is the latest country to become a member of the International Monetary Fund?

- (a) Zimbabwe
- (b) South Sudan
- (c) Latvia
- (d) Bolivia

**Ans : (b)**

3. The global economy is seeing countries engaging in currency wars. Which of the following statements best describe what they are they precisely doing?

- (a) Countries are maneuvering exchange rates to improve their trade
- (b) Balance of payments are disturbed by countries with strong currencies
- (c) Contraband currency is being floated by countries to weaken the other country
- (d) Inferior goods are exported by countries with strong currency to kill the domestic markets of the weaker countries

**Ans : (a)**

4. Which of the following institutions is responsible for finalizing the interest rates and credit policy of the Euro zone?

- (a) Banque National de Paris
- (b) European Central Bank
- (c) IMF
- (d) Bank of England

**Ans : (b)**

5. LIBOR or London Inter Bank Offered Rate is an interest rate for inter bank dealings. Which authority finalizes this rate daily?

- (a) Bank of England

- (b) Banks in London themselves
- (c) British Bankers' Association
- (d) All of the above

**Ans : (c)**

6. Which was the first bank in UK to collapse during the 2007-08 financial crisis?

- (a) Northern Rock
- (b) Morgan Stanley
- (c) Chase Manhattan
- (d) Barings Bank

**Ans : (a)**

7. Lehmann Brothers crisis is often discussed in financial circles. What does it indicate?

- (a) An European financial company which went bankrupt
- (b) An US investment bank which collapsed leading to international financial crisis
- (c) An US company which cheated its depositors
- (d) None of the above

**Ans : (b)**

8. Factoring services is meant for exporters mainly. How is it described?

- (a) It guarantees realization of dues from buyer debtors
- (b) It is a form of venture capital financing
- (c) Eases the factory recruitment process
- (d) Provides finance for working capital needs

**Ans : (a)**

9. Shadow banking is increasingly becoming an alternative in the financial sector. What is shadow banking?

- (a) The role of unaccounted money in the economy
- (b) Money laundering activities
- (c) The role of non banking financial companies in banking like business
- (d) None of the above

**Ans : (c)**

10. Tax havens like Cayman Islands, Mauritius, British Virgin Islands etc., are considered detrimental to security interests of other countries. Why?

- (a) These places permit easy investment norms with high growth potential
- (b) These are generally zero tax jurisdictions with flexible corporate and regulatory structure

- (c) There is freedom for companies to manage their business in any way
- (d) There is no control over flow of money into these places

**Ans : (b)**

11. What is the official currency of China?

- (a) Peso (b) Dinar
- (c) Baht (d) Renminbi

**Ans : (d)**

12. India was recently given membership of FATF. What is it?

- (a) It is an inter governmental body to tackle money laundering and terrorist financing
- (b) It is an international organization to tackle financial issues in the developing countries
- (c) It is a forum for Southeast Asian countries to fight terror funding
- (d) The task force is meant to rescue and bail out weak economies from financial crisis

**Ans : (a)**

## VII. CAPITAL MARKETS & INVESTMENTS

1. When shares are sold for more than the amount paid for it, what is the gain known as?

- (a) Profit
- (b) Capital gains
- (c) Beneficial sale
- (d) Capital allowance

**Ans : (b)**

2. Which of the following sets is correctly matched?

- (a) FTSE...New York
- (b) HangSeng....Korea
- (c) Nikkei.....Japan
- (d) S&P.....London

**Ans : (c)**

3. For what kind of transactions are demat accounts necessary?

- (a) For having mobile banking facilities
- (b) For taking retail loans from banks
- (c) For trading in shares of companies
- (d) For non resident accounts

**Ans : (c)**

4. Which of the following is not the name of the sensitive index of any stock exchange?

- (a) Nikkei (b) Dow
- (c) Matrix (d) Kosp

**Ans : (c)**

5. Insider trading is considered an offence in the stock market. What activity does it relate to?

- (a) Officials manipulate the market because of their status in the company
- (b) Officials who have knowledge of confidential information about the company which they use to their unfair benefit
- (c) When companies manipulate the price of their stocks
- (d) When bulk lot of shares are dumped in the market

**Ans : (b)**

6. The main objective of providing depreciation on assets is to—

- (a) Calculate the true net profit
- (b) Compute the actual cash profit
- (c) Create funds for replacement of the assets
- (d) Reduce tax burden

**Ans : (c)**

7. Identify the new rating index developed by the government—

- (a) Nifty (b) MCX
- (c) CRIS (d) ETF

**Ans : (c)**

8. Investment in which of the following instruments enables the holder to become a member of the company and have voting rights?

- (a) Debentures (b) Commercial papers
- (c) Equity (d) Treasury bills

**Ans : (c)**

9. Progressive companies are working towards gaining carbon credits while their performances are being evaluated. What are these carbon credits?

- (a) Carbon credits are earned if a company can reduce green house gas emissions as part of its functions
- (b) Credits are received if emission of carbon dioxide is curbed at a production plant
- (c) Carbon credits are gained by contributing to ecological balance
- (d) Credits are received if carbon effluents are not discharged into the rivers/seas

**Ans : (a)**

10. SX 40 is the new stock index of which of the following stock exchanges?

- (a) NSE (b) NYSE
- (c) MCX SX (d) BSE

**Ans : (c)**

11. Which of the following is not necessarily involved in an IPO process?  
 (a) Underwriter  
 (b) Registrar of Companies  
 (c) Investment bank  
 (d) Registrar of Issues  
**Ans : (b)**
12. If the company is reporting loss for a financial year at what rate should it declare dividends for that year?  
 (a) 5% (b) 7%  
 (c) 0% (d) 10%  
**Ans : (c)**
13. What is meant by an Initial Public Offering IPO?  
 (a) When a company is first offered for sale in the market  
 (b) When a company invites the general public to buy its shares  
 (c) When the shares of a company are first issued to the general public  
 (d) When any new product of a listed company is first put up for sale  
**Ans : (c)**
14. Filing of red herring prospectus is an important part while approaching the market for issue of stocks to the public. What does it signify?  
 (a) The detailed terms and conditions are mentioned for approval before finalization of issue  
 (b) It is a document which gives details of the lead manager and bankers to the issue  
 (c) The approval of the Registrar of Companies is required to be obtained before launch of the issue  
 (d) The management profile and the previous three years' balance sheet of the company is presented in a customary red file  
**Ans : (a)**
15. Where substantial funds are required to be mobilized crowd funding as a strategy is often adopted. In which of the following do you think crowd funding would be appropriate?  
 (a) For political parties  
 (b) For charity issues  
 (c) For rehabilitating weak banks  
 (d) For pumping money in the stock exchange  
**Ans : (b)**
16. Gold exchange traded funds are considered to be investor friendly and is thus being actively promoted. In what way does the investor benefit?  
 (a) Traded daily on the stock markets  
 (b) Is safe and convenient to maintain  
 (c) There is no doubt about purity  
 (d) All of the above  
**Ans : (d)**
17. Companies raising money through non convertible debentures has reduced appreciably. What is this mode of mobilizing funds?  
 (a) Through banks against companies' assets mortgaged  
 (b) Medium term debt for companies issuing debentures  
 (c) Medium to long term debt instrument without facility of exchange with stocks  
 (d) Short term equity holding in the company  
**Ans : (c)**
18. Which of the following terms is not the terminology of the stock markets?  
 (a) Stock lot (b) Front running  
 (c) Arbitrage (d) Base rate  
**Ans : (d)**
19. The government's stake in public sector banks has been reduced from its earlier holding of 100 per cent. How was this possible?  
 (a) Through World bank aid  
 (b) Through its public issue  
 (c) Twenty per cent shares bought by SBI  
 (d) RBI has been given ten per cent of government shares  
**Ans : (b)**
20. Identify the index which captures changes in the prices of residential buildings at the national level?  
 (a) Propdex (b) Residex  
 (c) SX 40 (d) Nifty  
**Ans : (b)**
21. SEBI allows retail investors to apply for shares of Initial Public Offerings without actual transfer of their funds from their accounts. What is this facility known as?  
 (a) Systematic transfer plans  
 (b) Systematic investment plans  
 (c) Hedge fund accounts  
 (d) ASBA  
**Ans : (d)**

22. Employees are required to compulsorily deposit funds in their provident fund account from their monthly salary. There is another provident fund account which post offices/banks are authorized to open for the general public. How is this account described?
- (a) Pension fund account  
(b) Tax savings account  
(c) Public provident fund account  
(d) Monthly income scheme account  
**Ans : (c)**
23. Non banking finance companies are required to maintain a stipulated capital adequacy ratio. What is this stipulated ratio?
- (a) 15 per cent            (b) 20 per cent  
(c) 5 per cent            (d) 8 per cent  
**Ans : (a)**
24. National Payments Corporation of India is an umbrella institution set up by RBI. What is its scope and purpose?
- (a) To settle payments between the states and the central government  
(b) To handle inter bank accounts held with RBI  
(c) To manage all the retail payment systems in the country  
(d) To settle the transactions connected with ATMs of all banks  
**Ans : (c)**
25. The concept of ultra small bank branch has been introduced. How would it be described?
- (a) Branch with two staff members  
(b) A small place with one bank staff  
(c) An ATM with cash payment and cash deposit  
(d) Branch controlled by gram panchayat  
**Ans : (b)**
26. Non resident Indians can open fixed deposit accounts with banks in India. What are these fixed deposit accounts known as?
- (a) FCNR                    (b) NRE  
(c) NRO                    (d) Flexi account  
**Ans : (a)**
27. What is the validity period of a cheque from its date of issue?
- (a) 3 months            (b) 6 months  
(c) 1 month            (d) 4 months  
**Ans : (a)**
28. National Savings Certificate NSC scheme of post offices has undergone a change recently. What is this change?
- (a) There is bonus payment of 5 per cent on maturity  
(b) Two maturity periods of 5 and 10 years introduced  
(c) The investment amount is taxable  
(d) The interest on maturity is non taxable  
**Ans : (b)**
29. Penny stocks at times give huge returns to the investors who have holdings of such shares. How is it described?
- (a) Stocks of companies which are in seasonal business  
(b) Shares which are the subject of speculation  
(c) Shares of companies which are specially reviewed by the media  
(d) Stocks which are of small insignificant companies trading well below their face value  
**Ans : (d)**
30. Which of the following is performing the role of an underwriter?
- (a) A firm which guarantees the minimum estimated proceeds from sale of securities  
(b) An entity which manages the documentation for sale of shares  
(c) The firm which does all correspondence with the Registrar of Companies for an IPO  
(d) The firm which maintains the records of the shares allotted to each investor after an IPO  
**Ans : (a)**
31. Which of the following statements would appropriately define the term 'short selling'?
- (a) When the required number of shares are not given by the seller to the buyer  
(b) When the amount due for payment to the seller remains partly paid by the buyer in a stock deal  
(c) When the seller of the stocks can sell without actually owning it; he borrows the stocks and gives it for delivery  
(d) None of the above  
**Ans : (c)**
32. Growth fund schemes of mutual funds invest in which of the following?
- (a) Treasury bills and commercial papers

- (b) Equity schemes  
(c) Debt schemes  
(d) Bank deposits  
**Ans : (b)**
33. SEBI has recently launched a portal to enable investors to post their complaints and for its follow up. What is the name of this portal?  
(a) Aadhar (b) MORE  
(c) SCORES (d) Happy times  
**Ans : (c)**
34. If shares of companies are re-issued at a price which is higher than the face value of the shares, then the excess amount is credited to which account?  
(a) General reserve  
(b) Share forfeiture account  
(c) Profit and loss account  
(d) Share premium account  
**Ans : (d)**
35. What is the name given to the amount actually demanded by the company on its shares?  
(a) Nominal capital  
(b) Called up capital  
(c) Issued capital  
(d) Subscribed capital  
**Ans : (b)**
36. In the world of commodity exchanges what is denoted by the concept of 'A standard contract to buy or sell a specified commodity at a certain date in future and at a market driven price'?  
(a) Futures contract  
(b) Market contract  
(c) Securities contract  
(d) Standard contract  
**Ans : (a)**
37. A well known public sector unit decided to go for stock split method to regulate its shares. What is this stock split?  
(a) The stock is subdivided to attract more investors  
(b) It is done when the stock price crosses ₹ 1,000 per share  
(c) It is done when there is a follow on offer  
(d) All of the above  
**Ans : (a)**
38. As part of financial literacy it is suggested that investing in the stock market with a long term perspective is being wise. Why is it so?  
(a) Investing over a longer period is safer because the market is volatile over the short term  
(b) There is no tax deduction on the amount gained from sale of stocks  
(c) Companies pay dividend every year and thus there is regular income  
(d) All of the above  
**Ans : (a)**
39. Which of the following is not the name of the sensitive index of any stock exchange?  
(a) Nifty (b) Dow  
(c) CRIS (d) SX 40  
**Ans : (c)**
40. SIMEX share price index relates to the stock exchange of which of the following?  
(a) London (b) Tokyo  
(c) Singapore (d) Mumbai  
**Ans : (c)**
41. How many number of companies comprise the Bombay Stock Exchange 'sensex'?  
(a) 25 (b) 30  
(c) 40 (d) 50  
**Ans : (b)**
42. Which of the following is not a member of the Indian money market?  
(a) Bill market  
(b) Call money market  
(c) Banks  
(d) Indian Gold Council  
**Ans : (d)**
43. The purchase of bonds and shares of Indian companies by Foreign Institutional investors is known as—  
(a) FDI  
(b) NRI investment  
(c) Portfolio investment  
(d) Foreign indirect investment  
**Ans : (a)**
44. Which of the following is an appropriate description of Capital Markets?  
(a) It comprises of stock markets and bond markets  
(b) Refers to markets for banks and RBI  
(c) Indicates markets of banks and insurance companies

- (d) Means markets for stock markets and NBFCs  
**Ans : (a)**
45. What is common between Wall Street in New York and Dalal Street in Mumbai?  
 (a) Both are locations of the central bank of the country  
 (b) Stock exchanges of the respective countries are located on these streets  
 (c) These are major banking centres  
 (d) Financial publications are located here  
**Ans : (b)**
46. The base period of the Sensex index which corresponds to 100 value points is which of the following?  
 (a) 1978-79 (b) 1975-76  
 (c) 1985-86 (d) 1988-89  
**Ans : (a)**
47. If a company shows a higher share capital than debt what does it indicate?  
 (a) The company has not been able to get bank funding  
 (b) The company is shy of taking debt  
 (c) The company is strong as it has enough internal resources  
 (d) All of the above  
**Ans : (c)**
48. SEBI was set up by an act of Parliament in 1992. It was however through orders of the central government that it started its operations. When was it?  
 (a) 1988 (b) 1990  
 (c) 1992 (d) 1993  
**Ans : (a)**
49. Companies wanting to raise money from the public have to disclose their full details as per rules framed by which organization?  
 (a) Financial Stability Development Council  
 (b) SEBI  
 (c) RBI  
 (d) Registrar of Companies  
**Ans : (b)**
50. Which of the following indicates the wealth of a person?  
 (a) Assets (b) Capital  
 (c) Bank balance (d) Net worth  
**Ans : (d)**
51. Which institute is proposed to be set up to manage land records in India?  
 (a) Central Electronic Registry  
 (b) National Institute of Land Management  
 (c) National Land Board  
 (d) Central Land Organization  
**Ans : (b)**
52. The Banking Laws Bill, 2011 has provided for establishment of which of the following for taking over unclaimed amounts of inoperative fixed deposit accounts of over 10 years?  
 (a) Investor Education & Awareness Fund  
 (b) Depositor Education & Awareness Fund  
 (c) Deposit Insurance & Credit Guarantee Corporation  
 (d) Banking Ombudsman  
**Ans : (b)**
53. Which former RBI Governor has been appointed to head the 14th Finance Commission in India?  
 (a) Bimal Jalan  
 (b) Y V Reddy  
 (c) C Rangarajan  
 (d) KC Chakravarty  
**Ans : (b)**
54. Which body is known as the regulator of chit funds in India?  
 (a) Registrar of Companies  
 (b) RBI  
 (c) SEBI  
 (d) Registrar of Chit Funds  
**Ans : (d)**
55. Nidhis are also a popular model of savings and finance followed in India. Which body regulates nidhis?  
 (a) Registrar of Chit Funds  
 (b) RBI  
 (c) Ministry of Corporate Affairs  
 (d) Registrar of Societies  
**Ans : (c)**
56. Which condition(s) is required to be fulfilled by banks before declaring dividends?  
 (a) Minimum capital adequacy of 9% to be maintained  
 (b) Dividends to be paid only from current year profits  
 (c) Net non performing assets to be below 7%  
 (d) All of the above  
**Ans : (d)**

57. Banks usually provide working capital loans and term loans of different tenures. Which of the following is not allowed by banks?  
 (a) Loans for shares  
 (b) Casual overdraft facility  
 (c) Debit card payments  
 (d) Consumption loans  
**Ans : (a)**
58. The Narasimhan committee report of the 1990s is associated with which of the following?  
 (a) Reforms in the banking sector  
 (b) Capital market changes  
 (c) Banking product marketing  
 (d) Recovery in bad accounts of banks  
**Ans : (a)**
59. UTI bank was one of the private sector banks established in the 1990s. What is its subsequent name after its renaming?  
 (a) Yes bank  
 (b) Axis bank  
 (c) Development Credit bank  
 (d) Oriental bank of Commerce  
**Ans : (b)**
60. Bank of Rajasthan was found to be involved in financial irregularities and was therefore merged with another bank. Which bank took over Bank of Rajasthan?  
 (a) PNB  
 (b) ICICI bank  
 (c) Union bank of India  
 (d) HDFC bank  
**Ans : (b)**
61. Which of the following describes IBA?  
 (a) Association of banks in India  
 (b) A subsidiary of RBI  
 (c) Bank employees' apex organization  
 (d) Bank officers' body  
**Ans : (a)**
62. The Service Area approach is an important model of the financial institutions in India. It is associated with which of the following?  
 (a) City branches of commercial banks  
 (b) Self help groups  
 (c) The lending process of NBFCs  
 (d) Rural and semi urban branches of commercial banks  
**Ans : (d)**
63. Which of the following is not the primary business of a bank?  
 (a) Receiving cheques for clearance  
 (b) Providing safe deposit lockers  
 (c) Issuing of demand drafts  
 (d) Issuing of fixed deposit receipts  
**Ans : (b)**
64. Which of the following foreign banks has the highest number of branches in India?  
 (a) Standard Chartered bank  
 (b) CITI Bank  
 (c) HSBC  
 (d) American Express  
**Ans : (a)**
65. Which is the first Indian bank to open a branch in Saudi Arabia?  
 (a) State Bank of India  
 (b) ICICI Bank  
 (c) HDFC Bank  
 (d) Central Bank of India  
**Ans : (a)**
66. Which is the least expensive transaction that is offered by the branch of a commercial bank?  
 (a) Branch banking  
 (b) Mobile banking  
 (c) ATM banking  
 (d) All cost the same  
**Ans : (b)**
67. Recruitment to clerical and officers' cadre in public sector banks is now being undertaken by a single agency. Which is this organization?  
 (a) RBI recruitment board  
 (b) Banking Services Recruitment Board  
 (c) Institute of Banking Personnel Selection  
 (d) Banking Codes and Standards Board of India  
**Ans : (c)**
68. Banks have the benefit of using substantial amount of money when cheques are sent in clearing as there is usually 2-3 days gap between debit of the account holder's account and credit to the account of the payee/beneficiary of the cheque. What is this money known as?  
 (a) Float money  
 (b) Suspense money  
 (c) Unaccounted funds  
 (d) All of the above  
**Ans : (a)**

69. Investment through Indian Depository receipts was initiated by which foreign bank?  
 (a) HSBC  
 (b) Standard Chartered  
 (c) Deutsche Bank  
 (d) Citi Bank  
**Ans : (b)**
70. What is the benefit under Section 80C of the Income tax Act to the individual taxpayer?  
 (a) The government permits savings under this section  
 (b) Investments upto ₹ 1 lakh is exempt from tax  
 (c) Investments in specified schemes are exempt from tax upto ₹ 1 lakh  
 (d) Savings under these section have the benefit of compound interest  
**Ans : (c)**
71. Which expenditure results in creation of assets in the economy?  
 (a) Depreciation (b) Capital  
 (c) Revenue (d) Recurring  
**Ans : (b)**
72. Government securities are debt instruments issued by RBI on behalf of the government. What are these instruments known as?  
 (a) Money bills  
 (b) National savings certificates  
 (c) Gilts  
 (d) All of the above  
**Ans : (c)**
73. Which of the following instrument is considered to be a rewarding investment if compared with the others?  
 (a) Equity (b) Fixed deposits  
 (c) Bonds (d) Treasury bills  
**Ans : (a)**
74. Which of the following factors affect the interest rates?  
 (a) Inflation rate  
 (b) Government borrowings  
 (c) Supply of money  
 (d) All of the above  
**Ans : (d)**
75. Which of the following is not an asset held by commercial banks in India?  
 (a) Money lent at short notice  
 (b) Bills of exchange  
 (c) Current account deposits  
 (d) Credit balances in accounts with RBI  
**Ans : (c)**
76. ECB is a means of raising funds from overseas. What is its full form?  
 (a) External commercial borrowing  
 (b) Essential commodities borrowing  
 (c) External credit and business  
 (d) Essential commodity buyers  
**Ans : (a)**
77. Which of the following organization maintains the individual borrower's credit history in India?  
 (a) RBI (b) CRISIL  
 (c) CIBIL (d) CARE  
**Ans : (c)**
78. In a commercial business, raw materials, consumables, work in progress, finished goods are jointly regarded as—  
 (a) Inventory (b) Capital stock  
 (c) Net worth (d) Investment  
**Ans : (b)**
79. Frauds are fairly common in the sphere of home loans. What should be done to check the genuineness of the title of the property given for equitable mortgage by the borrower?  
 (a) To get lawyer's certificate  
 (b) To check with the Registrar of Companies  
 (c) To verify records of the Central Registry  
 (d) To make physical verification of the property to be mortgaged  
**Ans : (c)**
80. When there is transfer of immovable property there is often reference to mutation. What does mutation mean?  
 (a) Deposit of title deeds with the bank  
 (b) Cancellation of any mortgage facility previously availed  
 (c) Recording of transfer of property from one person to another in the revenue records  
 (d) Payment of registration charges for the property  
**Ans : (c)**
81. Shadow banking is increasingly becoming an alternative in the financial sector. What is shadow banking?  
 (a) The role of unaccounted money in the economy

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- (b) Money laundering activities  
(c) The role of non banking financial companies in the lending business  
(d) None of the above  
**Ans : (c)**
82. Which of the following would be included in calculation of operating profit?  
(a) Interest costs  
(b) Insurance costs  
(c) Dividends  
(d) Corporate taxes  
**Ans : (b)**
83. The least liquid asset in a balance sheet would be—  
(a) Stocks and inventories  
(b) Short term investments  
(c) Trade debtors  
(d) Cash and bank balances  
**Ans : (a)**
84. What is the terminology for the credit facility permitted to business by suppliers for purchase of goods and services?  
(a) Trade debt  
(b) Trade credit  
(c) Packing credit  
(d) Overdraft  
**Ans : (b)**
85. Which of the following is not true regarding commercial papers?  
(a) It is mandatory to under write commercial papers  
(b) The issue of commercial paper attracts stamp duty  
(c) It has minimum maturity of 15 days and maximum maturity of 1 year  
(d) It is issued in multiples of ₹ 5 lacs  
**Ans : (a)**
86. Credit cards provide for rolling over of the outstanding balance on the card. What is the minimum amount payable every month in case of charge card?  
(a) 5%  
(b) 10%  
(c) 50%  
(d) The entire outstanding amount is required to be paid every month  
**Ans : (d)**
87. Credit substitution measures are being adopted by corporates in view of tight bank lending norms. Which of the following qualifies as a credit substitution process?  
(a) External commercial borrowings  
(b) Commercial paper  
(c) Certificates of deposit  
(d) All of the above  
**Ans : (d)**
88. An enterprising young individual has a promising business idea but no funds. He feels that the idea can be a successful business model. Whom should he approach?  
(a) Public sector bank  
(b) CII  
(c) FICCI  
(d) Venture capitalists  
**Ans : (d)**
89. When we talk of companies belonging to the SME sector, it means—  
(a) Small and marginal enterprises  
(b) Sick and manipulated entities  
(c) Small multinational enterprises  
(d) Small and medium enterprises  
**Ans : (d)**
90. Which of the following is performing the role of an underwriter?  
(a) A firm which guarantees the minimum estimated proceeds from sale of securities  
(b) An entity which manages the documentation for sale of shares  
(c) The firm which does all correspondence with the Registrar of Companies for an IPO  
(d) The firm which maintains the records of the shares allotted to each investor after an IPO  
**Ans : (a)**
91. What is meant by a lock in period for mutual fund schemes?  
(a) Investors can apply for issue of units in such schemes during this period only  
(b) Investors can withdraw from the scheme during the lock in period only  
(c) Investors can exit from the scheme only after the expiry of the lock in period  
(d) None of the above  
**Ans : (c)**
92. Which type of funds do not have a fixed date of redemption?  
(a) Diversified funds  
(b) Close ended funds

- (c) Open ended funds  
(d) Both (b) and (c)  
**Ans : (c)**
93. It is generally accepted that high returns are linked to high risk investments. Which of the following is associated with this remark?  
(a) Equity investments  
(b) Government securities  
(c) Post office schemes  
(d) Mutual fund units  
**Ans : (a)**
94. How is the price of a public issue determined through the book building mechanism?  
(a) By fixing a price band  
(b) By charging premium on the offer price  
(c) By starting from the base price at a discount  
(d) By keeping the price initially at ₹ 10 per share  
**Ans : (a)**
95. Which of the following instruments is likely to suffer from maximum volatility?  
(a) Government securities  
(b) Commercial property  
(c) Shares in a company  
(d) Fixed deposits in mid sized companies  
**Ans : (c)**
96. In which of the following cases would a company be considered as highly geared?  
(a) Debt is much greater than equity  
(b) Equity is greater than debt  
(c) Debt is greater than equity  
(d) Equity is much greater than debt  
**Ans : (a)**
97. SX 40 is the new stock index of which of the following stock exchanges?  
(a) NSE (b) NYSE  
(c) MCX SX (d) BSE  
**Ans : (c)**
98. Which of the following time durations best describe call money?  
(a) 1 to 14 days (b) 10 to 15 days  
(c) 15 to 30 days (d) 25 to 30 days  
**Ans : (a)**
99. Which financial institution is the appropriate body to offer fixed maturity plans?  
(a) Mutual funds  
(b) Banks  
(c) Companies  
(d) Pension funds  
**Ans : (a)**
100. Fixed maturity plans as an investment scheme is best compared with which of the following investment schemes?  
(a) Public provident fund  
(b) National savings certificate  
(c) Recurring deposit scheme of banks  
(d) Fixed deposit schemes of banks  
**Ans : (d)**
101. Initial public offerings and FPOs are dealt in which financial market?  
(a) Bullion market  
(b) Money market  
(c) Commodity markets  
(d) Stock market  
**Ans : (d)**
102. Which authority is responsible for fixing the price band of shares of a company?  
(a) Company officials  
(b) Registrar of Companies  
(c) Merchant bankers  
(d) Brokers  
**Ans : (c)**
103. What is the percentage of public share holdings mandated by SEBI for all listed companies to have by June 2013?  
(a) 15% (b) 20%  
(c) 25% (d) 30%  
**Ans : (c)**
104. Which of the following is not necessarily involved in an IPO process?  
(a) Underwriter  
(b) Registrar of Companies  
(c) Investment bank  
(d) Registrar of Issues  
**Ans : (b)**
105. What is the term used for depository receipts which are based on the securities of foreign companies and listed on stock exchanges in India?  
(a) Global Depository Receipts  
(b) American Depository Receipts  
(c) Indian Depository Receipts  
(d) Derivatives  
**Ans : (c)**
106. When a company goes for initial public offerings a draft prospectus is filed with whom?  
(a) SEBI (b) ROC  
(c) RBI (d) AMFI  
**Ans : (a)**

## Miscellaneous Multiple Choice Questions

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- Negotiable Instruments Act 1881 is an important law which relates to—  
(A) Banking (B) Stock markets  
(C) Mutual Funds (D) Insurance  
**Ans : (A)**
- Why does RBI periodically change the Cash Reserve Ratio ?  
(A) To keep the banks alert in handling their cash  
(B) To control money supply in the economy  
(C) As per RBI norms  
(D) All of the above  
**Ans : (B)**
- Which of the following is not a banking term?  
(A) Letter of credit (B) MIBOR  
(C) Factoring services (D) Entry load  
**Ans : (D)**
- An average citizen cannot open a savings account in which of the following?  
(A) Commercial bank  
(B) Post office  
(C) Cooperative bank  
(D) RBI  
**Ans : (D)**
- Which of the following cannot open a bank account?  
(A) Person of unsound mind  
(B) A minor  
(C) An illiterate person  
(D) A blind individual  
**Ans : (A)**
- Which of the following schemes is not meant for investment purposes?  
(A) National savings certificates  
(B) Infrastructure bonds  
(C) Mutual funds  
(D) Letter of credit  
**Ans : (D)**
- New banks are likely to be set up shortly. Which organization gives this permission?  
(A) RBI  
(B) Indian Banks Association  
(C) Finance Ministry  
(D) Cabinet Committee on Economic Affairs  
**Ans : (A)**
- Financial inclusion is a programme of the government to cover the maximum population with bank accounts. What is the current coverage?  
(A) 25% (B) 15%  
(C) 40% (D) 65%  
**Ans : (C)**
- Basel norms which are important regulatory stipulations is meant for which sector?  
(A) Insurance (B) Banking  
(C) Micro finance (D) Pension funds  
**Ans : (B)**
- The monetary and credit policy of India is the responsibility of which of the following?  
(A) Planning Commissions  
(B) Finance Ministry  
(C) RBI (D) National Advisory Council  
**Ans : (C)**
- Electronic clearing service is a payment facility for customers. Which of the following provide this facility?  
(A) RBI (B) SBI  
(C) Cooperative banks (D) Finance ministry  
**Ans : (B)**
- Financial inclusion is meant for—  
(A) Less privileged persons  
(B) Senior citizens  
(C) Micro finance institutions  
(D) All of the above  
**Ans : (A)**
- Savings account with zero balance can be opened for—  
(A) Persons of high net worth  
(B) Employees of IT companies  
(C) Weaker sections of society  
(D) Women customers  
**Ans : (C)**
- Systematic Investment Plans are a facility by which of the following?  
(A) Mutual funds  
(B) Life insurance companies  
(C) Commercial banks  
(D) Post office savings schemes  
**Ans : (A)**
- Which of the following lending is considered as a priority sector loan?  
(A) Loan for purchase of gold for marriage of daughter  
(B) Car loan (C) Housing loan  
(D) Loan for purchase of tractor  
**Ans : (D)**

16. Euro money is the official currency of—  
 (A) NATO  
 (B) UN  
 (C) European Union  
 (D) Germany and England  
**Ans : (C)**
17. Which of the following is an example of cash less purchase?  
 (A) Debit card (B) Credit card  
 (C) ATM withdrawal (D) All of these  
**Ans : (D)**
18. Whose signature appears on Indian ₹ 100 note?  
 (A) Finance Minister  
 (B) RBI Governor  
 (C) RBI Dy. Governor  
 (D) Chairman, Planning Commission  
**Ans : (B)**
19. Who is responsible for formulating the monetary policy of India?  
 (A) Planning Commission  
 (B) Financial Stability Development Council  
 (C) Reserve Bank of India  
 (D) Finance Commission  
**Ans : (C)**
20. While discussing investments there is mention of short term government security. What is this investment?  
 (A) Debenture (B) Mutual fund  
 (C) Treasury bill (D) Share  
**Ans : (C)**
21. Special drawing right is an international practice of drawing funds. Which of the following control this special funding?  
 (A) World Bank  
 (B) Asian Development Bank  
 (C) Federal Reserve  
 (D) European Common Market  
**Ans : (A)**
22. NBFCs are an important part of the Indian financial system. What is meant by this term?  
 (A) New Banking Financial Companies  
 (B) Non Banking Financial Companies  
 (C) Neo Banking Financial Confederation  
 (D) Non Banking Fiscal Companies  
**Ans : (B)**
23. As per current trends maximum number of foreign exchange transactions and international reserves are held in one currency. Which is this currency?  
 (A) Pound sterling (B) US dollar  
 (C) Euro (D) Deutsche mark  
**Ans : (B)**
24. Banker customer relationship is often considered a fiduciary one. What is relation?  
 (A) Contract (B) Faith  
 (C) Commercial (D) Agent and principal  
**Ans : (B)**
25. Bank loan against property requires the asset to be free from encumbrances. What does it mean?  
 (A) The asset to be free from any liability  
 (B) The asset to be properly registered  
 (C) The property to be fully constructed  
 (D) The asset should not have multiple owners  
**Ans : (A)**
26. RBI stipulates a healthy mix of CASA in the business figures of banks. What does it denote?  
 (A) Customer Analysis and Savings Pattern  
 (B) Cost Appreciation and Selling Analysis  
 (C) Current Account and Savings Account  
 (D) Credit and Savings Aggregate  
**Ans : (C)**
27. Banks are authorized to sell third party products. Which are these products?  
 (A) Mutual funds (B) Term deposits  
 (C) Credit cards (D) Gift cheques  
**Ans : (A)**
28. Electronic clearing service in banks can be availed only by—  
 (A) Individuals (B) Corporates  
 (C) Senior citizens (D) All of these  
**Ans : (D)**
29. Retail Banking includes which of the following?  
 (A) Corporate loans  
 (B) Foreign exchange transactions  
 (C) Personal loans  
 (D) Micro finance  
**Ans : (C)**
30. Which of the following identifies as a foreign exchange transaction?  
 (A) Payment through international debit cards  
 (B) Purchase of foreign currency  
 (C) Negotiating inland bills of exchange  
 (D) All of the above  
**Ans : (D)**
31. Which of the following is a term not linked to banking and financial transactions?  
 (A) Provision coverage ratio  
 (B) Securitization

- (C) Credit default swap  
(D) Consolidation  
**Ans : (D)**
32. When RBI raises the Cash Reserve Ratio rate what action are the banks required to take?  
(A) They have to deposit additional money with RBI as reserve money  
(B) Banks are required to increase their lending to the priority sector  
(C) Banks also increase their lending and deposit rates  
(D) All of the above  
**Ans : (A)**
33. Currently the bank rate is fixed at 8.50 per cent. What does it mean for banks?  
(A) No bank is supposed to give loans at a lesser rate than the bank rate  
(B) This is meant to be a benchmark rate for lending to the agri sector  
(C) It is a direction to invest 8.50 per cent of bank's deposit with RBI  
(D) It is the rate at which RBI lends funds to banks  
**Ans : (A)**
34. Almost all banks in India are providing special schemes for providing banking services to the rural poor. What is this concept known as?  
(A) Trade finance  
(B) Investment banking  
(C) Priority sector loaning  
(D) Financial inclusion  
**Ans : (D)**
35. RBI has sold its entire stake except 1 per cent in which of the following organizations?  
(A) DICGC  
(B) NABARD  
(C) SIDBI  
(D) National Housing Bank  
**Ans : (B)**
36. Organization of workers in which of the following ways has proved to be effective in providing micro finance by banks and financial institutions to the rural poor?  
(A) Shiksha sevaks (B) Self help groups  
(C) Link workers (D) Chit fund members  
**Ans : (B)**
37. Which of the following statements is correct?  
(A) RBI is just like any ordinary commercial bank  
(B) RBI is responsible for the overall monetary policy  
(C) The fiscal policy of India is approved by RBI  
(D) RBI has Dy. Chairman Planning Commission on its board  
**Ans : (B)**
38. Bank rate as fixed by RBI means—  
(A) Rate of interest charged by banks from borrowers  
(B) Rate of interest on bank deposits  
(C) Rate of interest charged by RBI on its loans to banks  
(D) Rate of interest on inter bank loans  
**Ans : (C)**
39. Increase in remittances from non resident Indians suggest—  
(A) Increase in the balance of payments deficit in India  
(B) Reduces the balance of payments deficit in India  
(C) Has no effect on the balance of payments position  
(D) None of these  
**Ans : (B)**
40. Which one of the following does not qualify as priority sector lending by commercial banks ?  
(A) Software exports  
(B) Small business loans  
(C) Education loans  
(D) Small industries loan  
**Ans : (A)**
41. Which of the following is not a method of credit control?  
(A) Cash reserve ratio  
(B) Open market operations  
(C) Credit deposit ratio  
(D) Bank rate policy  
**Ans : (C)**
42. A bank normally does not have to deal with an issue related to—  
(A) Payments and settlements system  
(B) Contractual rights of creditors  
(C) Intellectual property rights  
(D) Cases of insolvency  
**Ans : (C)**
43. The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests Act at present is not applicable to—  
(A) Public sector banks  
(B) Private banks  
(C) Non banking financial companies

- (D) Financial institutes of the government  
**Ans : (C)**
44. The rate of interest banks charge to its customers is called—  
 (A) Risk premium rate  
 (B) Base rate lending  
 (C) Benchmark prime lending rate  
 (D) Reverse repo rate  
**Ans : (B)**
45. Third party usage of ATMs has been restricted to certain number of withdrawals/balance enquiries per month. What does it mean?  
 (A) Only card holders can use ATMs and not their representatives  
 (B) Use of ATMs of all banks restricted to specified number  
 (C) Customer of one bank can use ATMs of other banks upto a specified number without any charge  
 (D) ATMs of other banks can be used within a limit on payment of fees  
**Ans : (C)**
46. Banks are required to provide loans to the priority sector upto a specified limit. What is the limit for public sector banks?  
 (A) 40 per cent (B) 32 per cent  
 (C) 45 per cent (D) 35 per cent  
**Ans : (A)**
47. Which of the following rates is decided by the market conditions and not by RBI?  
 (A) Bank rate (B) SLR  
 (C) CRR (D) Inflation rate  
**Ans : (D)**
48. Which of the following institutions is not directly associated with the financial sector in India?  
 (A) Bombay Stock Exchange  
 (B) BIFR  
 (C) SEBI  
 (D) Planning Commission  
**Ans : (D)**
49. From the banking perspective the use of ATM can be called—  
 (A) Personal banking (B) Mobile banking  
 (C) Internet banking (D) Branchless banking  
**Ans : (D)**
50. Loans and advances given to the poor and weaker sections by banks are known as—  
 (A) Agricultural lending  
 (B) Retail lending  
 (C) SME financing  
 (D) Priority sector lending  
**Ans : (D)**
51. Which of the following countries was the first to launch the concept of micro finance?  
 (A) India (B) Nepal  
 (C) Peru (D) Bangladesh  
**Ans : (D)**
52. Basel committee recommendations concerns—  
 (A) Space research (B) Micro finance  
 (C) Banking (D) Insurance  
**Ans : (C)**
53. In terms of RBI instructions all banks are required to provide one of the following. Which is it?  
 (A) Special counter for senior citizens  
 (B) Note sorting machine  
 (C) Separate staff for women customers  
 (D) Drinking water facility  
**Ans : (B)**
54. Which of the following is the short form of the organization which provides credit guarantee to exporters?  
 (A) FICCI (B) ECGC  
 (C) SEBI (D) SIDBI  
**Ans : (B)**
55. Which of the following is not an apex institution?  
 (A) SBI (B) SIDBI  
 (C) NABARD (D) State Cooperative bank  
**Ans : (A)**
56. Which of the following is the most important component of the liabilities of commercial banks?  
 (A) Time deposits  
 (B) Demand deposits  
 (C) Inter bank liabilities  
 (D) Other borrowings  
**Ans : (A)**
57. The interest rate at which the RBI lends to commercial banks in the short term to maintain liquidity is known as—  
 (A) Interest rate (B) Repo rate  
 (C) Reverse repo rate (D) Bank rate  
**Ans : (B)**
58. The primary role of NABARD is—  
 (A) Lending to farmers  
 (B) Agricultural research  
 (C) Development of agriculture  
 (D) Refinance against agriculture finance  
**Ans : (C)**

59. In the case of a contract of guarantee—  
 (A) The liability of the guarantor is secondary only when the principal debtor does not pay  
 (B) The liability of the guarantor does not arise as the principal debtor is solely responsible  
 (C) The guarantor's liability is co extensive with that of the principal debtor and is liable to pay whether or not the principal debtor pays  
 (D) The guarantor is liable to pay only half the amount as he shares the liability with the principal debtor  
**Ans : (C)**
60. A demand draft issued by one bank branch on another branch is legally—  
 (A) Cheque (B) Promissory note  
 (C) Delivery order (D) Supply bill  
**Ans : (B)**
61. A current account in a bank means—  
 (A) In which balances are kept high  
 (B) Interest is not paid on the balance in the account  
 (C) In which transactions should take place daily  
 (D) Availing credit facilities  
**Ans : (B)**
62. What is meant by a stale cheque ?  
 (A) A cheque which is lost or stolen  
 (B) A cheque which is more than six months old from the date of the cheque  
 (C) A cheque which is defaced/mutilated  
 (D) A cheque from an account which is closed  
**Ans : (B)**
63. Who is known as the drawer of a cheque ?  
 (A) The person who is receiving the amount of the cheque  
 (B) The bank which has issued the cheque  
 (C) The person from whose account the cheque is paid  
 (D) None of the above  
**Ans : (C)**
64. What does the term 'bancassurance' mean ?  
 (A) Assurance from the bank to its account holder regarding safety of his money  
 (B) A special product designed by the bank  
 (C) Selling of insurance policies by banks  
 (D) Understanding between banks and insurance companies  
**Ans : (C)**
65. What does EMI indicate in the context of a bank loan ?  
 (A) Equal monetary incentive  
 (B) Equated monthly instalment  
 (C) Exact monthly indicator  
 (D) Exact mean index  
**Ans : (B)**
66. The management of a bank rests with—  
 (A) RBI  
 (B) Chairman and managing director of the bank  
 (C) Board of directors of the bank  
 (D) Finance ministry, Govt. of India  
**Ans : (C)**
67. Banking in India is no longer 'brick and mortar' banking. What does it suggest?  
 (A) Banking has undergone financial reforms  
 (B) Control of RBI has weakened  
 (C) Private and foreign banks are competing with public sector banks  
 (D) Banking has changed from branch banking to branchless banking  
**Ans : (D)**
68. If interest is paid at quarterly rests instead of annually on a two years term deposit will the maturity amount be—  
 (A) More (B) Less  
 (C) Equal (D) Calculation not possible  
**Ans : (A)**
69. Forensic accounting is being increasingly adopted. It means—  
 (A) Accounting in a forensic laboratory  
 (B) Accounting to check each item of the balance sheet  
 (C) Accounting being practiced by the police department  
 (D) None of the above  
**Ans : (B)**
70. There is often reference to 'plastic money'. It means—  
 (A) Currency coated with plastic  
 (B) Credit cards, debit cards, ATM cards used to draw money  
 (C) Currency of the denomination of ₹ 500 and ₹ 1,000  
 (D) Cash received through bank counters  
**Ans : (B)**
71. Banks are required to open 'no frills' accounts. What are these accounts?  
 (A) Accounts with zero or very nominal balances  
 (B) Accounts meant only for rural areas

- (C) Accounts in the name of more than one person  
 (D) Accounts in which interest is not to be paid  
**Ans : (A)**
72. Financial inclusion is being emphasized by RBI for—  
 (A) Providing basic banking services to the unbanked areas  
 (B) Providing loans to the unbanked population  
 (C) Opening accounts for the poor  
 (D) Bringing branches of all banks under one authority  
**Ans : (A)**
73. The Governor, Reserve Bank of India is assisted by Deputy Governors. How many posts are there?  
 (A) One (B) Two  
 (C) Three (D) Four  
**Ans : (D)**
74. Who is a Banking Ombudsman?  
 (A) The chief vigilance officer of a bank  
 (B) The chairman of a bank  
 (C) An official in the Finance Ministry, government of India  
 (D) An independent authority appointed by RBI to address customer complaints  
**Ans : (D)**
75. Upto what amount are deposits in bank accounts of an account holder insured?  
 (A) The full amount in an account  
 (B) ₹ 1 lakh  
 (C) Not insured  
 (D) ₹ 2 lakhs  
**Ans : (B)**
76. Demat accounts are necessary for dealing in shares of companies. These are—  
 (A) Accounts of share brokers  
 (B) Accounts in electronic form for holding shares  
 (C) Electronic accounts of companies issuing shares  
 (D) Electronic shares controlled by SEBI  
**Ans : (B)**
77. Phishing is a form of cyber crime meaning—  
 (A) Hacking the internet for stealing password of bank account  
 (B) Tracking illegally email accounts  
 (C) Sending spam mails asking for money  
 (D) Crimes committed at cyber cafes  
**Ans : (A)**
78. There are many indigenous bankers operating in the country. Who are they?  
 (A) Cooperative banks  
 (B) Regional rural banks  
 (C) Micro finance institutions  
 (D) Money lenders, shroffs etc.  
**Ans : (D)**
79. Know Your Customer KYC norms are required to be strictly followed by banks. It means—  
 (A) Providing improved customer services  
 (B) Determining the identity and residence proof of account holders through approved documents  
 (C) Ensuring that staff members know the customers  
 (D) Organizing regular customer service meetings  
**Ans : (B)**
80. Bouncing of cheques or cheques returned unpaid for insufficient funds is considered illegal. It is treated as—  
 (A) A criminal offence  
 (B) A civil offence  
 (C) An offence under RBI rules  
 (D) An offence under The Banking Regulation Act  
**Ans : (A)**
81. Payment of a crossed cheque can be made—  
 (A) Only in cash  
 (B) Through clearing account of a bank  
 (C) Both in cash and through clearing account of a bank  
 (D) None of the above  
**Ans : (B)**
82. Reverse mortgage is a new loan product for the Indian consumers. What is its unique feature?  
 (A) The interest rates are lower than other home loans  
 (B) It is a loan against property for senior citizens  
 (C) It is a loan to buy property for senior citizens  
 (D) It is a loan against rental income of property  
**Ans : (B)**
83. There is serious debate on bank consolidation for India. What is meant by it?  
 (A) Bigger banks are considered to be safer  
 (B) Instead of large number of banks there is thinking of having few bigger banks

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- (C) Proposal is for merger of existing banks to have fewer banks which can withstand financial crises  
 (D) Some banks want to take over smaller banks for larger business  
**Ans : (C)**
84. Why are anti money laundering laws important for the economy?  
 (A) To control flow of illegal money to stop anti national and criminal activities  
 (B) To prohibit trade in unaccounted money  
 (C) To stop benami activity  
 (D) To check money lending activity  
**Ans : (A)**
85. Which of the following denote demand deposits of a bank?  
 (A) Deposits in savings accounts  
 (B) Deposits in savings and current accounts  
 (C) Balances in recurring deposit accounts  
 (D) Balances in current and recurring deposit accounts  
**Ans : (B)**
86. Reserve Bank of India is known as—  
 (A) The central bank  
 (B) The leading financial institution  
 (C) The bank of the central government  
 (D) The top most public sector bank  
**Ans : (A)**
87. Why are credit cards costlier if full payment is not made on due dates than personal loans?  
 (A) Interest rate on credit cards is higher than personal loans  
 (B) Rate of interest on personal loans is less  
 (C) The benefit of 30 days is not available if full payment is not made and interest rate is much higher  
 (D) There is a tendency to spend more on credit cards than personal loans  
**Ans : (C)**
88. Which of the following is not plastic money?  
 (A) Credit cards (B) Debit cards  
 (C) Gift cards (D) Recharge cards  
**Ans : (D)**
89. Sub prime mortgages were one of the main reasons for the financial crisis in the world. What does it mean?  
 (A) Borrowers of lesser means were given mortgage loans  
 (B) Borrowers who were less credit worthy defaulted in payment of their mortgage loans  
 (C) Selection of borrowers was defective  
 (D) None of these  
**Ans : (B)**
90. In what way does the increase in repo rate affect the working of banks?  
 (A) Cost of funds become costlier  
 (B) Borrowing from RBI becomes expensive  
 (C) The cost of deposits is higher in such cases  
 (D) The lending rates are increased by banks  
**Ans : (B)**
91. Out of the four entities mentioned below which is not a credit rating agency?  
 (A) CRISIL (B) ICRA  
 (C) CIBIL (D) FITCH  
**Ans : (C)**
92. For what kind of transactions are demat accounts necessary?  
 (A) For having mobile banking facilities  
 (B) For taking retail loans from banks  
 (C) For trading in shares of companies  
 (D) For non resident accounts  
**Ans : (C)**
93. Why are interest rates charged by micro finance institutions higher than lending rates of banks?  
 (A) MFIs are not allowed to source deposits from public  
 (B) Banks have the benefit of cheaper funds  
 (C) MFIs borrow bulk of their funds from banks  
 (D) MFIs borrow funds from banks at high cost and also their administrative expenses are more  
**Ans : (D)**
94. Which apex body regulates insurance companies in India ?  
 (A) RBI (B) IRDA  
 (C) PFRDA (D) SEBI  
**Ans : (B)**
95. Systematic Investment Planning SIP is a preferred mode of investing in mutual funds. Why?  
 (A) It means regular investments at different prices and thus the investor gets benefit of average pricing  
 (B) The mutual fund companies give rebate on this type of investing  
 (C) This is the only way to get rich  
 (D) In this way only the better performing funds allow investment  
**Ans : (A)**

96. Banks often look to have a sizable portion of CASA deposits in their total deposit portfolio. In what does it help?
- (A) The cost of funds to the bank is low  
 (B) It fulfils the mandated requirement  
 (C) There is no need to renew the deposits  
 (D) Less of manpower is required to maintain these deposits
- Ans : (A)**
97. 'Class action' would be initiated by RBI against banks if their investigation into individual complaints of consumers show deficient working. What is their objective?
- (A) It is for the benefit of not only the individual complainant but all other customers facing similar problems  
 (B) It means taking action against all banks  
 (C) Action is taken only against a particular class of banks  
 (D) It means helping only a particular category of customers who have complained
- Ans : (A)**
98. Why is there misselling of insurance policies by insurance agents/advisors?
- (A) Agents look to sell those policies which give them higher commission  
 (B) Agents do not know the schemes properly and thus make wrong sales  
 (C) Agents do not protect the interest of clients and are interested in selling policies with higher commissions  
 (D) The clients are not told about the schemes properly
- Ans : (C)**
99. Which institution in India completed 75 years of its existence in 2010?
- (A) Supreme Court  
 (B) State Bank of India  
 (C) Parliament  
 (D) Reserve Bank of India
- Ans : (D)**
100. Why are investments in equity funds more risky than debt funds?
- (A) Equity funds invest their resources in shares of companies  
 (B) Debt funds give a more steady return  
 (C) Equity funds look for higher returns by investing in shares of companies which generally fluctuate rather than steady returns from debt schemes  
 (D) Equity fund managers are more aggressive than debt fund managers
- Ans : (C)**
101. Biometric cards would help in providing banking services to the rural people in India. What is the speciality of these cards?
- (A) These are cards which can be used with finger prints and PIN  
 (B) Instead of PIN number these are used by verification of finger prints  
 (C) These cards use biotechnology for their operation  
 (D) Biogas helps in using these cards by rural people
- Ans : (B)**
102. Small savings scheme like national savings certificates, kisan vikas patras, monthly income schemes are popular among the salaried people. Which financial institutions manage these schemes?
- (A) Public sector banks  
 (B) Commercial banks  
 (C) Post offices  
 (D) Cooperative banks
- Ans : (C)**
103. Currently banks claim that they have achieved 100% CBS. What are they referring to?
- (A) It means all their branches are technology driven with core banking solutions  
 (B) It suggests complete banking services  
 (C) It is an indication of customized banking services  
 (D) None of the above
- Ans : (A)**
104. Which is not a function of RBI?
- (A) Fixing of repo rate  
 (B) Managing currency  
 (C) Announcing prime lending rates  
 (D) Fixing of CRR
- Ans : (C)**
105. An asset reconstruction company looks for business from banks. What do you understand from this statement?
- (A) These companies assist banks in getting potential clients for big ticket loans  
 (B) Banks identify potential borrowers for infrastructure lending by these companies  
 (C) Banks sell their bad debts to these companies

- (D) Asset reconstruction companies buy bad debts at a discount from banks  
**Ans : (D)**
106. What is meant by the net worth of a company?  
 (A) It is the financial statement of the net asset position of an enterprise  
 (B) It is an indication of the strength to do business  
 (C) It is the aggregation of the strength of the directors of a company  
 (D) It reflects the total tax paid to the government during each financial year  
**Ans : (A)**
107. SIDBI has a scheme for providing seed capital to business enterprise. What is meant by seed capital?  
 (A) Equity required by a commercial organization  
 (B) Initial funds required by an enterprise with high potential for growth  
 (C) The funds invested to run an organization  
 (D) The money provided to start an agricultural unit  
**Ans : (B)**
108. What is the Scope of Financial Stability Development Council ?  
 (A) An apex body to monitor the working of the financial regulators  
 (B) A super monitoring authority for supervising the working of RBI, SEBI etc.  
 (C) A government body to supervise the anti money laundering activities  
 (D) A high level body working to ensure financial stability  
**Ans : (B)**
109. What is the capital required to start a banking company in India?  
 (A) ₹ 300 cr. (B) ₹ 1,000 cr.  
 (C) ₹ 330 cr. (D) ₹ 500 cr.  
**Ans : (D)**
110. Which of the following does not qualify as priority sector lending?  
 (A) Agricultural lending  
 (B) Education loans  
 (C) Auto loans  
 (D) Loans to small scale sector  
**Ans : (C)**
111. 'Free look' period allowed by life insurance companies is a customer friendly initiative. Why has it been made mandatory?  
 (A) The customer can reduce the amount of premium during this period  
 (B) Grace period is given to pay the premium amount  
 (C) The customer can decide whether to take the policy or reject it during this time  
 (D) None of the above  
**Ans : (C)**
112. Financial literacy is a serious issue for RBI. Why?  
 (A) It would mean banks can do more business  
 (B) So that RBI policies are understood by the maximum number of people  
 (C) It would enable better understanding of banking business  
 (D) With better understanding more and more people would utilize the banking services  
**Ans : (D)**
113. Credit Information Bureau India Ltd is an independent organization meant to assist banks. What services does it render?  
 (A) It is a storehouse of information about credit facilities availed by bank clients  
 (B) It provides credit reports on individual borrowers  
 (C) It maintains credit history about all bank borrowers for use by its member banks  
 (D) It decides whether loan should be granted or not  
**Ans : (C)**
114. Why are Equity Linked Savings Scheme or ELSS funds very popular with investors?  
 (A) Gives better returns than bank deposits regularly  
 (B) Returns are higher when compared to plain equity schemes  
 (C) Besides returns on investments it allows for tax exemption on the amount invested without limit  
 (D) It is primarily an income tax exemption scheme eligible for deduction under Sec. 80C  
**Ans : (D)**
115. What is meant by a lock in period for mutual fund schemes?  
 (A) Investors can apply for issue of units in such schemes during this period only  
 (B) Investors can withdraw from the scheme during the lock in period only

- (C) Investors can exit from the scheme only after the expiry of the lock in period  
 (D) None of the above  
**Ans : (C)**
116. Many banks are presently recruiting large numbers of business correspondents in terms of RBI instructions for financial inclusion. What would be their nature of work?  
 (A) These persons would approach customers for larger business  
 (B) Business correspondents would cover rural areas for generating business  
 (C) Business correspondents would provide basic banking services to the rural population  
 (D) Persons recruited would do market survey in rural areas to explore business potential  
**Ans : (C)**
117. Many banks provide add on cards to their credit card holders. What do we understand from this?  
 (A) Co branded cards are given for special benefits  
 (B) Duplicate card is issued when the original card is lost/misplaced  
 (C) Additional card is given for higher spending  
 (D) Additional card is issued in the name of spouse / children as part of the main card  
**Ans : (D)**
118. Which is the first microfinance company in India to approach the capital market?  
 (A) SKS Microfinance (B) Spandana  
 (C) Grameen Koota (D) Bandhan  
**Ans : (A)**
119. Why there is so much emphasis on branchless banking? Why is it needed?  
 (A) The spread of ATMs has been successful  
 (B) To cover large rural areas where banks cannot be established  
 (C) To reach the rural population with basic banking services to achieve financial inclusion  
 (D) The cost of having banks in physical form is proving expensive  
**Ans : (C)**
120. Which body/official determines the risk coverage for calculation of premium for life insurance policies?  
 (A) Actuary of the life insurance company  
 (B) IRDA  
 (C) The chief executive of the life insurance company  
 (D) The board of directors of the life insurance company  
**Ans : (A)**
121. Which state in India is the first to introduce financial literacy as a subject in the school curriculum from the academic session 2010?  
 (A) Tamil Nadu (B) Karnataka  
 (C) Maharashtra (D) Kerala  
**Ans : (B)**
122. Which is the accepted document for establishing proof of identity of an individual for opening of bank accounts?  
 (A) PAN card  
 (B) House Rent Slip  
 (C) School leaving certificate  
 (D) LIC policy  
**Ans : (A)**
123. Which of the following is not a Chamber of commerce and industry?  
 (A) FICCI (B) CII  
 (C) CRISIL (D) PHDCCI  
**Ans : (C)**
124. If a bank wants to borrow money from RBI which rate of interest is applicable?  
 (A) Reverse repo rate  
 (B) Base rate  
 (C) Repo rate  
 (D) Differential rate of interest  
**Ans : (C)**
125. The net interest margin for the commercial banks is in the interest band of 2-3% usually. What does it denote?  
 (A) The difference between RBI lending rate and the average lending rate of a bank  
 (B) The difference in the interest rates between the fixed deposit rate and savings rate of a bank  
 (C) The difference between the deposit rates and the lending rates of a bank  
 (D) The difference in the deposit rates for the banks and the borrowing rates of RBI  
**Ans : (C)**
126. Sovereign wealth funds are entering the Indian markets in a big way. Who manages these funds?  
 (A) These are government promoted sovereign funds for investment  
 (B) These are funds of the royal family of England  
 (C) These are funds of the sheikhs of the Middle East for investment

- (D) These are funds used for increasing wealth of the owners  
**Ans : (A)**
127. NABARD is an apex financial institution in India. What are its major responsibilities?  
 (A) It is an institution for regulating credit for agriculture and other economic activities in rural areas  
 (B) It is an institution controlling cooperative banks  
 (C) It is a specialized bank solely for farmers  
 (D) It is an institution promoting research and training in agriculture and other allied activities  
**Ans : (A)**
128. The Unique Identity project or UID has been given a brand name for ready identification. Which is the name approved?  
 (A) Abhigyan (B) Asmita  
 (C) Aasha (D) Aadhar  
**Ans : (D)**
129. Most banks are offering teaser rates on home loans. What does it mean?  
 (A) The rates keep fluctuating during the period of loan with high uncertainty  
 (B) The initial rate is offered at a rate lower than the prevailing market rate for a few months and then gradually keeps increasing  
 (C) The initial rate is higher than the current market rate with offer of lower rates at a later date  
 (D) Home loan borrowers of shorter duration are given preferential rates  
**Ans : (B)**
130. Deposits of customers in banks are insured upto Rs. 1 lakh. Which organization is responsible for payment of claims, if any?  
 (A) RBI (B) Government  
 (C) DICGC (D) ECGC  
**Ans : (C)**
131. Inflation is measured in India on the basis of which index?  
 (A) Consumer price index  
 (B) Wholesale price index  
 (C) Retail price index  
 (D) Market forces  
**Ans : (B)**
132. High fiscal deficit is cause for concern for any economy. What does it denote?  
 (A) It is a measure of the borrowings of an economy  
 (B) It is total expenditure less total receipts excluding borrowings  
 (C) It reflects the decrease in tax collections for the year  
 (D) It means the lack of liquidity and earnings for the economy  
**Ans : (B)**
133. The profits from sale of a house property which is earned by an owner is taxed by the government. What is this form of tax known as?  
 (A) Capital gains tax  
 (B) Income from property tax  
 (C) Wealth tax  
 (D) Sales tax  
**Ans : (A)**
134. Who decides on the value and volume of bank notes to be printed and on what basis ?  
 (A) Finance ministry  
 (B) Planning Commission  
 (C) RBI  
 (D) Stock exchange  
**Ans : (C)**
135. ULIPS which are subject of a continuing controversy is known as a financial product. What are its special features?  
 (A) It is an market linked investment product  
 (B) It is an investment with growth product  
 (C) It is a market linked investment product with insurance  
 (D) It is a product of Unit Trust of India  
**Ans : (C)**
136. What is the role of banking correspondents in the current financial inclusion programme of RBI?  
 (A) To act as special reporters of RBI to check the quality of banking services  
 (B) To act as agents of RBI to promote banking in the villages in India  
 (C) To act as agents of banks to provide banking services in unbanked areas  
 (D) To act as agents of RBI to provide banking facilities in rural areas  
**Ans : (C)**
137. Apart from ATMs credit card holders can get cash upto a specified limit from POS or point of sales terminals. What are these POS terminals?  
 (A) These are locations where credit cards are used  
 (B) These are merchant establishments where credit cards can be used for payment

- (C) These are locations where Master card can be used  
 (D) These are locations where only Visa cards can be used  
**Ans : (B)**
138. There are many security features which are regularly being explained and stressed to check against forged currency notes. One of them is Intaglio printing. What is it ?  
 (A) It is specialized printing of ₹ 1,000 and ₹ 500 denomination currency notes  
 (B) It is raised printing on the currency notes of RBI seal, Ashoka Pillar emblem etc.  
 (C) It is printing on special printing press of RBI  
 (D) It is printing through special inks of the security features on currency notes  
**Ans : (B)**
139. Often we hear of banks offering bancassurance services to its customers. What is it?  
 (A) It is a written assurance from banks about RBI approved customer service levels  
 (B) It is selling of insurance products through banks  
 (C) It is the subsidiaries of banks selling insurance products  
 (D) Customer relationship managers are provided to answer customer queries  
**Ans : (B)**
140. Which of the following is not an international rating agency?  
 (A) Standard & Poors (B) Moodys  
 (C) Fitch (D) Morgan Stanley  
**Ans : (D)**
141. Where does RBI mint currency coins?  
 (A) At Mumbai and Alipore (Kolkata)  
 (B) At Mumbai and Noida  
 (C) At Kolkata and Noida  
 (D) At Mumbai, Alipore (Kolkata), Hyderabad and Noida  
**Ans : (D)**
142. Which of the following is known as a secured loan of a commercial bank?  
 (A) Personal loans  
 (B) Credit card overdues  
 (C) Temporary overdrafts  
 (D) Educational loans for ₹ 7 lacs  
**Ans : (D)**
143. Which commercial bank is known for using the tag line 'The Banker to every Indian' ?  
 (A) ICICI Bank  
 (B) Punjab National Bank  
 (C) HDFC Bank  
 (D) State Bank of India  
**Ans : (D)**
144. Non performing assets of public sector banks during the last quarter of FY 2010-11 have shown an increase. What does it indicate?  
 (A) The assets of the banks are not performing as per their expectations  
 (B) The loans and advances of banks are not performing as per standard norms  
 (C) More loans and advance accounts of banks are becoming irregular in payment  
 (D) None of these  
**Ans : (C)**
145. Punjab National Bank has granted loan of Rs. 5 lacs to 'A' for business purposes. 'A' has 'D' as guarantor for the loan. Despite PNB asking for repayment of the loan, 'A' is not returning the loan amount. What can PNB do against 'D'?  
 (A) Request 'D' to make 'A' repay the loan amount  
 (B) Ask 'D' to jointly pay with 'A'  
 (C) Ask 'D' to make the payment  
 (D) Can take no action against 'D'  
**Ans : (C)**
146. Kisan Vikas Patra is an effective scheme for savings for the common man. With which organization can savings be made in this scheme?  
 (A) Cooperative banks  
 (B) Regional rural banks  
 (C) Post offices  
 (D) Commercial banks  
**Ans : (C)**
147. The monetary policy prescribed by RBI is a means to check money supply and credit availability. Which of these is not a channel of monetary policy transmission ?  
 (A) Cash reserve ratio  
 (B) Deposit interest rates  
 (C) Repo rate  
 (D) Bank rate  
**Ans : (B)**
148. Why do micro finance institutions prefer lending through self help groups?  
 (A) These groups distribute the money among themselves making it easier for microfinance institutions  
 (B) Self help groups are composed of individual members who have similar back-

ground and are therefore helpful in recovery of the loan amounts which help keep financial discipline for further loans to their members

- (C) It reduces the cost of locating individual borrowers
- (D) Bulk loaning is possible through self help groups

**Ans : (B)**

149. Reserve Bank of India's emblem carries the sketch of a tiger and a tree. What kind of tree is depicted in this emblem?

- (A) Palm tree                      (B) Cactus
- (C) Banyan                        (D) Banana

**Ans : (A)**

150. Rabindranath Tagore is often mentioned as a customer by a public sector bank in its advertisements and corporate communications. Which is this bank?

- (A) Bank of India
- (B) Central Bank of India
- (C) Union Bank of India
- (D) State Bank of India

**Ans : (D)**

151. Which out of the following is not a small savings product of the government?

- (A) Savings account in banks
- (B) Postal savings accounts
- (C) Public provident fund accounts in post offices
- (D) Post offices recurring deposit accounts

**Ans : (A)**

152. The SME sector is an important contributor to India's economy. What is the maximum permissible investment in plant and machinery to qualify as a medium scale industry?

- (A) ₹ 5 crore                      (B) ₹ 50 crore
- (C) ₹ 20 crore                    (D) ₹ 10 crore

**Ans : (D)**

153. Mobile banking has been started as a pilot project in Pune recently. What kind of service will it provide?

- (A) Customers can operate their accounts while traveling and on the move
- (B) Banks will be sending their staff to villages to help customers operate their accounts from their respective homes
- (C) Mobile phones would be used to transfer money and pay utility bills

- (D) Customers would be provided handsets by banks to operate their accounts

**Ans : (C)**

154. Tax havens like Cayman Islands, Mauritius, British Virgin Islands etc., are considered detrimental to security interests of other countries. Why?

- (A) These places permit easy investment norms with high growth potential
- (B) These are generally zero tax jurisdictions with flexible corporate and regulatory structure
- (C) There is freedom for companies to manage their business in any way
- (D) There is no control over flow of money into these places

**Ans : (B)**

155. Number of public sector banks is being given additional funds by the government. What is the purpose for this funding?

- (A) To distribute funds received from World Bank
- (B) To maintain capital adequacy ratio as per norms
- (C) To remain classified as scheduled commercial bank
- (D) In terms of instructions from RBI

**Ans : (B)**

156. The base rate system of lending by banks is meant to correct which aspect of interest application on loans?

- (A) Borrowers will get better interest rates now
- (B) All customers will be treated at par
- (C) The new system would be more transparent
- (D) There will be no lending below the base rate except for certain exempted categories

**Ans : (D)**

157. Which of the following is not a prepaid card/instrument?

- (A) Gift card                      (B) Travel card
- (C) Debit card                    (D) Mobile charge card

**Ans : (C)**

158. The government and RBI are very keen to promote financial inclusion without further delay. Which are the steps being adopted to spread this programme?

- (A) All villages with population above 2,000 to have bank branch by 2012
- (B) To appoint banking correspondents for all districts

- (C) To encourage mobile banking  
(D) To open accounts without observing KYC norms  
**Ans : (A)**
159. RBI has deregulated interest rate for savings accounts. What does it suggest?  
(A) Customers will get the benefit of higher interest rates  
(B) Banks will have the right to fix their interest rates independently  
(C) Each bank will have their respective interest rates without the need to adhere to fixed interest rate common to all banks  
(D) Banks will decide interest rates for individual customers according to their savings pattern  
**Ans : (C)**
160. Which of the following could be considered as an initiative towards promotion of financial inclusion?  
(A) Opening of no frills accounts  
(B) Appointing banking correspondents for servicing rural customers  
(C) Opening of bank branches in unbanked districts  
(D) All of the above  
**Ans : (D)**
161. The Indian rupee is now identified by a new symbol. On which script is this symbol based on?  
(A) Devnagri (B) Roman  
(C) Devnagri and Roman (D) None of these  
**Ans : (C)**
162. With the recent increase in repo rates and reverse repo rates announced by RBI there is speculation that the lending rates of banks would also increase. Why?  
(A) Cost of funds for banks would increase  
(B) Banks use this opportunity to raise lending rates  
(C) RBI would instruct the banks to raise the lending rates  
(D) None of these  
**Ans : (A)**
163. An enterprising young individual has a promising business idea but no funds. He feels that the idea can be a successful business model. Whom should he approach?  
(A) Public sector bank (B) CII  
(C) FICCI (D) Venture capitalists  
**Ans : (D)**
164. RBI has asked public sector banks to increase their share of CASA funds in their deposits portfolio. What is meant by CASA?  
(A) Deposits of big corporates  
(B) Deposits of small scale companies  
(C) Deposits in current and savings accounts  
(D) Deposits of non resident Indians  
**Ans : (C)**
165. What is common between Equity Linked Savings Schemes, National Savings Certificates and Public Provident Funds?  
(A) Financial schemes handled by post offices  
(B) Investments in these schemes are permitted upto a specified limit  
(C) All are mutual fund schemes  
(D) These are tax saving schemes  
**Ans : (D)**
166. Assume Mr. A has 200 units of a mutual fund equity scheme which he purchased for ₹ 2,540. He redeems these 200 units for ₹ 5985 after a year. What is this amount of gain known as?  
(A) Profit  
(B) Redeemed funds  
(C) Income growth  
(D) Capital gains  
**Ans : (D)**
167. E-commerce is increasingly becoming a popular mode of doing business. What is this way of operating?  
(A) Buying goods and services online from vendors  
(B) Placing orders on the phones  
(C) Getting 30 days credit period for payment  
(D) Payment has to be made in advance before goods/ services are delivered  
**Ans : (A)**
168. India has increased the number of high net worth individuals in its population since 2009. Who are these individuals?  
(A) Group of individuals who are linked to big business families  
(B) Individuals who pay more than ₹ 1 crore annually as income tax  
(C) Individuals who have investments in multinational companies  
(D) Individuals who have substantial investible liquid assets  
**Ans : (D)**

169. A retired person has sufficient investments in long term bank fixed deposits, property and Public Provident funds. He however finds it hard to manage his daily expenses. How would you describe his financial position?  
 (A) Man of means with poor liquidity  
 (B) Wealthy person who is miserly  
 (C) Person with sound investment ideas  
 (D) High net worth individual  
**Ans : (A)**
170. RBI has again increased the repo and reverse repo rates by 25 basis points. If a bank wishes to keep funds with RBI will it get higher or lesser interest now as compared to the previous rates?  
 (A) No change (B) Higher  
 (C) Lower (D) Will not get any interest  
**Ans : (B)**
171. Gold is increasingly becoming a preferred means of investing. Where can one buy gold from?  
 (A) Bank branches (B) Post offices  
 (C) Bullion dealers (D) All of these  
**Ans : (D)**
172. Teaser home loans rates are disturbing RBI as they want banks to stop this practice. What do these rates indicate?  
 (A) Rates keep changing as per market conditions and the borrower remains helpless  
 (B) In the initial years the rates are kept low to attract customers  
 (C) The customers are offered low rates in the beginning and later the rates are revised as per market situation  
 (D) All of the above  
**Ans : (C)**
173. Of the following means of delivering money which do you think is not an illegal mode of transfer of money?  
 (A) Export underinvoicing  
 (B) Cross border smuggling of currency  
 (C) Payment through travelers cheques  
 (D) Physically through couriers  
**Ans : (C)**
174. Banks are being appointed as registrars to UIDAI for promoting the Aadhar programme. In what way are the banks to assist?  
 (A) They would give a list of their customers  
 (B) They would provide biometric and demographic identification of their customers  
 (C) They would help in distributing the Aadhar identification cards to their customers  
 (D) Details of savings accounts of customers would be shared with the authorities  
**Ans : (B)**
175. Three credit information companies have been permitted by RBI to start operating in the country. What is the scope of these companies?  
 (A) They maintain a data base of individuals/companies with their credit history  
 (B) They decide in association with banks whether to sanction loan to an individual or not  
 (C) Corporate loans are sanctioned only after clearance from these companies  
 (D) All of the above  
**Ans : (A)**
176. The global economy is seeing countries engaging in currency wars. What are they precisely doing?  
 (A) Countries are maneuvering exchange rates to improve their trade  
 (B) Balance of payments are disturbed by countries with strong currencies  
 (C) Contraband currency is being floated by countries to weaken the other country  
 (D) Inferior goods are exported by countries with strong currency to kill the domestic markets of the weaker countries  
**Ans : (A)**
177. The success of the public sector companies in their maiden public offerings have prompted them to go for FPOs. What do they intend to do with FPOs?  
 (A) These are follow on issues after IPOs for further issue of shares  
 (B) Follow on offers further dilute the holding of the government  
 (C) FPOs give additional shares to those successful in the IPO  
 (D) These shares are issued when additional funds are required  
**Ans : (A)**
178. RBI prescribes the Cash Reserve ratio to be maintained by banks as part of prudential norms. In what way is this cash reserve maintained by the banks?  
 (A) It is kept as reserves of gold with RBI  
 (B) It is maintained as cash with RBI  
 (C) Each bank keeps the reserve in their respective head offices

- (D) It is maintained as investments in government bonds  
**Ans : (B)**
179. Third party administrators are an important component of health insurance policies. What exactly is their role?  
 (A) They source clients for general insurance companies  
 (B) They are representatives of IRDA to check malpractices in distribution of health policies  
 (C) They are representatives of insurance companies who help in disposal of medical claims of the insured  
 (D) They work on behalf of medical service providers to check fraudulent bills  
**Ans : (C)**
180. Cold calling has come to be a common marketing strategy being adopted specially in case of financial services sector. How does this strategy operate?  
 (A) The callers are extremely courteous with the customer  
 (B) These marketing calls are made at the homes of prospective customers  
 (C) Events are organized where the prospective customers are shown presentations  
 (D) Prospective customers are randomly chosen for sales calls without appointment  
**Ans : (D)**
181. Where substantial funds are required to be mobilized crowd funding as a strategy is often adopted. In which of the following do you think crowd funding would be appropriate?  
 (A) For political parties  
 (B) For charity issues  
 (C) For rehabilitating weak banks  
 (D) For pumping money in the stock exchange  
**Ans : (B)**
182. Gold exchange traded funds are considered to be investor friendly and is thus being actively promoted. In what way does the investor benefit?  
 (A) Traded daily on the stock markets  
 (B) Is safe and convenient to maintain  
 (C) There is no doubt about purity  
 (D) All of the above  
**Ans : (D)**
183. Companies raising money through non convertible debentures has reduced appreciably. What is this mode of mobilizing funds?  
 (A) Through banks against companies' assets mortgaged  
 (B) Medium term debt for companies issuing debentures  
 (C) Medium to long term debt instrument without facility of exchange with stocks  
 (D) Short term equity holding in the company  
**Ans : (C)**
184. Benard Madoff created a huge financial crisis in the US with his Ponzi schemes. What are these Ponzi schemes?  
 (A) High returns were promised within a short period of investment which did not materialize  
 (B) Popular mortgage loans were sanctioned but all the loans became irregular  
 (C) Old deposits were paid off with new deposits but the cycle burst when fresh deposits stopped  
 (D) Real estate investments were mobilized without any construction activity actually taking place  
**Ans : (C)**
185. Systematic investment plans SIPs are considered a smart way of investing in mutual funds. What is the special feature?  
 (A) Amounts are regularly invested at periodic intervals over a length of time which gives the benefit of average pricing of units  
 (B) Units are bought only at a pre determined price  
 (C) Units are bought in newly floated schemes  
 (D) Plans are meant only for investment in debt schemes and are less risky  
**Ans : (A)**
186. RBI has asked banks to closely monitor their financial inclusion progress in terms of the plans finalized to be achieved by March 2012. Which services offered by banks would qualify to be treated as a financial inclusion measure?  
 (A) Savings accounts and credit cards  
 (B) Savings account with overdraft facility and remittance facility  
 (C) Credit facility, savings product and remittance facility  
 (D) Kisan credit cards and savings accounts  
**Ans : (C)**
187. Kisan credit cards are an effective way of reaching out to the farmers by the banks. What assistance does the farmer receive in this way?

- (A) Credit facility for crops etc. against an approved limit  
 (B) Short term credit facility against value of his crops  
 (C) Long term credit is provided against his land holdings  
 (D) Loan is permissible against crops sold but payment yet to be received by the farmer  
**Ans : (A)**
188. RBI has reduced by one percentage point the Statutory Liquidity Ratio required to be maintained by banks to 23 per cent. In what form is this stipulation required to be fulfilled?  
 (A) Banks are required to keep the amount in approved government securities of the appropriate value  
 (B) The amount to be maintained in cash and securities with RBI  
 (C) The required amount is to be maintained in gold with RBI  
 (D) All of these  
**Ans : (A)**
189. Mutual fund companies declare dividends annually depending upon their performances. When the dividends are paid out the net asset value (NAV) of the units held by the investors are recalculated. What is the monetary value of the revised NAV?  
 (A) The revised NAV is less than the one prior to declaring dividends  
 (B) The value of the revised NAV rises  
 (C) The scheme closes with declaration of dividends  
 (D) The residual value of the units are paid out  
**Ans : (A)**
190. Many companies invite deposits from the public for durations of one year and more similar to bank fixed deposits. Why are these deposits required to be rated?  
 (A) It is as per SEBI guidelines  
 (B) It indicates the standing of the company  
 (C) Ratings reflect the risks involved in investing in the company's deposits  
 (D) Ratings compare it to similar deposits of banks  
**Ans : (C)**
191. The first meeting of the Financial Stability Development Council was recently held under the chairmanship of the finance minister. What is the purpose of this committee?  
 (A) To discuss inter regulatory coordination issues and financial stability matters  
 (B) Meant to address the stock market volatility and stabilize the stock prices, if volatile  
 (C) It is for supplementing the efforts of the Planning Commission  
 (D) All of the above  
**Ans : (A)**
192. The concept of self help groups is one of the crucial working models for promoting micro finance. What is the basis of this model?  
 (A) It is linked to the concept of group guarantee  
 (B) Each member is supposed to make his payment without help from others  
 (C) Such groups prepare their own plan for savings and credit  
 (D) They work on the principle of helping each other  
**Ans : (A)**
193. Which of the following is a formal way of getting finance?  
 (A) Floating of chit funds  
 (B) From local money-lenders  
 (C) Through internet banking  
 (D) All of the above  
**Ans : (C)**
194. Which of the following do you think is the accepted practice ?  
 (A) Banks offer higher interest rates to senior citizens on their fixed deposits as compared to others  
 (B) Banks charge lesser interest from senior citizens on their personal loans  
 (C) Senior citizens can open bank accounts without the need to follow KYC norms  
 (D) Senior citizens are not permitted to use mobile banking  
**Ans : (A)**
195. Frauds are being committed in companies leading to huge revenue loss. Which is the most appropriate way to identify the loss?  
 (A) Revenue audit (B) Cost audit

- (C) Forensic audit (D) Concurrent audit  
**Ans : (C)**
196. Employees Provident Fund Organisation has huge funds which are required to be invested in appropriate schemes/ markets. The government is persuading them to invest in the stock markets. Why?
- (A) EPFO does not invest in stocks as it considers it risky  
 (B) It has been made mandatory to invest in the stock market  
 (C) The government wants EPFO to declare higher returns  
 (D) The subscribers to EPFO want their funds to be invested in the stock market  
**Ans : (A)**
197. An investor holding paper securities of a well known company wishes to sell the shares in the stock market. He is unable to do so. What would you suggest to him?
- (A) Convert the paper securities to dematerialized form  
 (B) Sell it to a stock broker  
 (C) Open a demat account and credit the shares to this account after dematerialization  
 (D) Any one of the above  
**Ans : (C)**
198. RBI is concerned about the high credit deposit ratio of the commercial banks as per its credit policy. What do you understand from this statement?
- (A) Repayments in the loan accounts is low leading to high outstandings  
 (B) Number of accounts running irregular is high  
 (C) Loans as a percentage of deposits is high  
 (D) Deposit growth is not satisfactory  
**Ans : (C)**
199. Lending rates have been raised by most banks in view of the tight market conditions. What happens to the home loan repayments when the interest rates are raised as a result of the market situation?
- (A) Most loan accounts become default accounts  
 (B) The amount of the monthly instalments are increased  
 (C) The loan period gets stretched  
 (D) The loan is rescheduled by making monthly instalments higher or the loan period is proportionately increased with the same monthly instalments  
**Ans : (D)**
200. Most banks have increased their deposit rates as a result of change in RBI's repo and reverse repo rates. What benefit, if any, would senior citizens get?
- (A) Monthly compounding of interest  
 (B) No additional benefit  
 (C) 0.25% higher interest rate  
 (D) 0.5% additional interest  
**Ans : (D)**
201. An individual has the following investments. Which of them is the most liquid?
- (A) Bank fixed deposits due for maturity after three months  
 (B) Money in ELSS mutual funds which are one year old  
 (C) Gold bars and coins  
 (D) Post office deposits payable on demand  
**Ans : (D)**
202. Which rate is not by RBI ?
- (A) Repo Rate  
 (B) Reverse Repo Rate  
 (C) Interest Rate  
 (D) Bank Rate  
**Ans : (C)**
203. Islamic banking is likely to be introduced as an alternative banking model on the basis of demand. What is the special feature?
- (A) Meant only for a particular section of people  
 (B) It is based on Shariat law  
 (C) Bank branches are not required  
 (D) Can be accessed only through mobiles  
**Ans : (B)**
204. When investment and savings options are discussed there is often reference to the real interest rate. What is meant by this real interest rate?
- (A) It is the actual rate that is received minus the charges and other costs which are at times not clearly mentioned

- (B) It is the compounded rate which is not indicated
- (C) It is the declared rate minus the inflation rate which is the real value of money
- (D) The actual yield over a period of time calculated on simple interest basis
- Ans : (C)**
205. Of the following class of people in India which are the financially excluded?
- (A) Artisans and craftsmen
- (B) Agricultural landlords
- (C) Landless farmers
- (D) Urban domestic workers
- Ans : (C)**
206. Non performing assets are cause for serious concerns for banks. Why are these loans known as non performing?
- (A) Recovery of bank's funds are difficult
- (B) Interest on these accounts are not charged
- (C) Banks have to make provision for these loans in their balance sheet
- (D) All of the above
- Ans : (D)**
207. Inter bank mobile payments service has been launched by National Payments Corporation of India to facilitate transfer of money using cell phones. What is National Payments Corporation of India?
- (A) It is an independent body set up by Indian Banks' Association to monitor mobile payments
- (B) It is an autonomous body under the Finance ministry
- (C) It is an institution set up by RBI to handle the retail payments system
- (D) It is an organization under the Telecom Regulatory Authority for mobile transactions
- Ans : (C)**
208. A bank customer could not get his grievance resolved by his bank even after referring his complaint to the designated official. Since his complaint was regarding excess interest charged in his loan account he was desperate to settle the matter. Whom should he approach next?
- (A) Consumer protection court
- (B) RBI
- (C) Banking ombudsman
- (D) Finance ministry
- Ans : (C)**
209. A retail investor wishes to sell 500 units of his mutual funds holding as he is in need of money. At what price will his mutual funds units be calculated?
- (A) At the current NAV prices
- (B) The prevailing stock prices of the units
- (C) At 10 per cent of his buying price plus the original cost
- (D) The current NAV price less 2 per cent
- Ans : (A)**
210. Banks have different interest rates for different loan products. To which rate are these interest rates linked?
- (A) Prime lending rates
- (B) Base rate
- (C) RBI administered rates
- (D) The bank rate
- Ans : (B)**
211. SEBI allows retail investors to apply for shares of Initial Public Offerings without actual transfer of their funds from their accounts. What is this facility known as?
- (A) Systematic transfer plans
- (B) Systematic investment plans
- (C) Hedge fund accounts
- (D) ASBA
- Ans : (D)**
212. Employees are required to compulsorily deposit funds in their provident fund account from their monthly salary. There is another provident fund account which post offices/banks are authorized to open for the general public. How is this account described?
- (A) Pension fund account
- (B) Tax savings account
- (C) Public provident fund account
- (D) Monthly income scheme account
- Ans : (C)**

213. Biometric cards are used when banking correspondents do business at unbanked centres. What are the security features of biometric cards?
- (A) They carry a unique identification number  
 (B) Their password is alpha numeric  
 (C) They have scan of finger prints and the iris  
 (D) They have location details of the card holder
- Ans : (C)**
214. While investing in mutual funds there is a choice between equity funds and debt funds besides others. What is the basic difference between equity and debt funds?
- (A) Debt funds are less riskier than equity  
 (B) Equity funds may give higher returns  
 (C) Debt funds are likely to give assured returns  
 (D) All of the above
- Ans : (D)**
215. Even though mutual funds invest their resources in the stock markets it is still considered safer than investing directly in stocks. Why is it so?
- (A) The risk is spread over a number of stocks in case of mutual funds and managed professionally  
 (B) There are more number of people investing in mutual funds  
 (C) Investing is not done by the investor  
 (D) The mutual fund company is careful not to lose money
- Ans : (A)**
216. Life insurance penetration in India is not satisfactory. What is the percentage of population who are covered by life insurance?
- (A) 20 per cent      (B) 6 per cent  
 (C) 10 per cent      (D) None of these
- Ans : (C)**
217. Just like banks have to maintain a stipulated capital adequacy ratio similarly non banking finance companies NBFCs are also required to do so. What is the minimum stipulation for NBFCs?
- (A) 15 per cent      (B) 12 per cent  
 (C) 10 per cent      (D) 8 per cent
- Ans : (A)**
218. RBI has recently revised the rule to fix interest rate on savings accounts in banks. What is the revised rate?
- (A) 3.5 per cent  
 (B) It is regulated by individual bank concerned  
 (C) 3.0 per cent  
 (D) 3.75 per cent
- Ans : (B)**
219. When Reserve Bank of India nationalised ?
- (A) January 1, 1949      (B) January 1, 1950  
 (C) March 1, 1935      (D) March 1, 1940
- Ans : (A)**
220. The Indian Banking Act was passed in—
- (A) March 1949      (B) March 1948  
 (C) March 1947      (D) March 1946
- Ans : (A)**
221. For the development of the banking facilities in the rural areas the Imperial Bank of India was partially nationalised on—
- (A) June 1, 1940      (B) June 1, 1942  
 (C) July 1, 1955      (D) July 1, 1949
- Ans : (C)**
222. The Imperial Bank of India was named as the—
- (A) Reserve Bank of India  
 (B) State Bank of India  
 (C) Union Bank of India  
 (D) Bank of India
- Ans : (B)**
223. Which is/are not an associated bank of SBI ?
- (A) The State Bank of Hyderabad  
 (B) The Union Bank of India  
 (C) The State Bank of Bikaner and Jaipur  
 (D) The State Bank of Mysore
- Ans : (B)**
224. In order to have more control over the banks, 14 large commercial banks whose reserves were more than ₹ 50 crore each were nationalised on—
- (A) 19th July, 1969      (B) 19th July, 1970  
 (C) 19th July, 1971      (D) 19th July, 1972
- Ans : (A)**
225. Which is not a nationalised bank ?
- (A) Bank of India      (B) Canara Bank  
 (C) AXIS Bank      (D) Vijaya Bank
- Ans : (C)**

226. When the Government of India merged the New Bank of India with Punjab National Bank ?  
 (A) Sept. 4, 1993 (B) July 1, 1990  
 (C) July 1, 1993 (D) March 1, 1993  
**Ans : (A)**
227. Which is the Central Bank of India ?  
 (A) The Central Bank of India  
 (B) The State Bank of India  
 (C) The Reserve Bank of India  
 (D) The Union Bank of India  
**Ans : (C)**
228. The RBI was established in—  
 (A) 1935 (B) 1940  
 (C) 1947 (D) 1949  
**Ans : (A)**
229. When RBI was set up, the Capital of the Bank was—  
 (A) 500 crore (B) 50 crore  
 (C) 15 crore (D) 5 crore  
**Ans : (D)**
230. The general administration and direction of RBI is managed by a Central Board of Directors consisting of—  
 (A) 20 members (B) 15 members  
 (C) 5 members (D) 25 members  
**Ans : (A)**
231. RBI released ₹ 1000 currency note for circulation on—  
 (A) October 1, 1970 (B) July 1, 1980  
 (C) October 9, 2000 (D) October 3, 2011  
**Ans : (C)**
232. Which of the following instruments cannot be presented for payment in a clearing house ?  
 (A) Demand draft (B) Dividends  
 (C) Fixed deposit receipt (D) All of the above  
**Ans : (C)**
233. The Security Printing Press at Hyderabad was established in—  
 (A) 1982 (B) 1983  
 (C) 1980 (D) 1950  
**Ans : (A)**
234. “Swabhiman” Scheme is related—  
 (A) Rich Customers of the Bank  
 (B) RRBs  
 (C) To provide basic banking services to bank-less villages  
 (D) None of the above  
**Ans : (C)**
235. When RBI has decided to circulate ‘Plastic Currency Notes’ in the market ?  
 (A) July 1, 1999 (B) July 1, 2010  
 (C) July 1, 2011 (D) Sept. 1, 2011  
**Ans : (B)**
236. Which is the measures of credit control ?  
 (A) Quantitative credit control  
 (B) Qualitative credit control  
 (C) Budgetary control  
 (D) Both (A) and (B)  
**Ans : (D)**
237. NPAs stands for—  
 (A) Net Present Value  
 (B) Non Performing Assets  
 (C) Net Pure Assets  
 (D) Net Permanent Assets  
**Ans : (B)**
238. When was introduced the Differential Rate of Interest (DRI) ?  
 (A) In 1972 (B) In 1990  
 (C) In 2009 (D) In 2011  
**Ans : (A)**
239. When was adopted, New strategy for Rural Lending : Service Area Approach ?  
 (A) April 1, 1989 (B) March 1, 2007  
 (C) April 1, 2010 (D) April 1, 2011  
**Ans : (A)**
240. As on June 30, 2010, which Indian Bank has the maximum number of offices in abroad ?  
 (A) Bank of India  
 (B) SBI  
 (C) Bank of Baroda  
 (D) None of these  
**Ans : (B)**
241. Under Microfinance, SHG stands for—  
 (A) Self High Group  
 (B) Self Help Group  
 (C) Saving High Group  
 (D) Self Help Goods  
**Ans : (B)**

242. What is the target of the Government of India for the year 2013-14 to the agriculture sector ?  
 (A) ₹ 575000 crore  
 (B) ₹ 4050000 crore  
 (C) ₹ 700000 crore  
 (D) ₹ 475000 crore  
**Ans : (A)**
243. The government has put a target of disbursing ₹ 700000 crore institutional credit to agriculture sector during—  
 (A) 2012-13 (B) 2013-14  
 (C) 2014-15 (D) 2016-17  
**Ans : (B)**
244. The Banking Regulation (Amendment) Bill 2004 was introduced for—  
 (A) Privatisation of Bank  
 (B) Credit Control  
 (C) For removing 10% cap on voting rights and also encouraging foreign banks to set up subsidiaries and attract foreign investment  
 (D) Bank Rate  
**Ans : (C)**
245. India Millennium Deposit (IMD) scheme was launched by the—  
 (A) SBI (B) RBI  
 (C) UTI (D) UBI  
**Ans : (A)**
246. RBI announced its Monetary & credit policy 2012-13 on—  
 (A) January 1, 2012 (B) March 17, 2012  
 (C) April 17, 2012 (D) May 4, 2012  
**Ans : (C)**
247. What is the base year of newly introduced Consumer Price Index (CPI) ?  
 (A) 2004-05 (B) 2010  
 (C) 2011 (D) 2012  
**Ans : (B)**
248. Planning Commission has lowered the poverty line from ₹ 32 per day to—  
 (A) ₹ 28 (B) ₹ 29  
 (C) ₹ 30 (D) ₹ 31  
**Ans : (A)**
249. In, Third Review of Monetary and Credit Policy 2012-13, Cash Reserve ratio kept—  
 (A) At 7% (B) At 8%  
 (C) At 4.00% (D) At 9%  
**Ans : (C)**
250. As on March 19, 2013 Repo Rate is—  
 (A) 7.50% (B) 7.75%  
 (C) 8.0% (D) 8.25%  
**Ans : (A)**
251. SLR refers to—  
 (A) That portion of total deposit of a commercial bank which it has to keep with itself in the form of cash reserves  
 (B) Interest Rate  
 (C) Bank Rate  
 (D) Repo Rate  
**Ans : (A)**
252. When RBI reduced SLR from 24% to 23% ?  
 (A) Aug. 11, 2012 (B) July 1, 2011  
 (C) July 16, 2011 (D) October 1, 2011  
**Ans : (A)**
253. Which is more closed to Base Rate of the Banks?  
 (A) Repo Rate (B) Reverse Repo Rate  
 (C) PLR (D) CRR  
**Ans : (C)**
254. What is Bank Rate (As on March 19, 2013) ?  
 (A) 8.5% (B) 7%  
 (C) 8% (D) 6%  
**Ans : (A)**
255. On March 19, 2013 Reverse Repo Rate fixed at—  
 (A) 8.75% (B) 8.25%  
 (C) 6.5% (D) 8.50%  
**Ans : (C)**
256. Which is not correct ?  
 (A) Bank Rate : 9.0 %  
 (B) Reverse Repo Rate : 6.5 %  
 (C) Repo Rate : 7.5 %  
 (D) SLR : 23%  
**Ans : (A)**
257. At present how many commercial banks in Public Sector are working in the country ?  
 (A) 26 (B) 30  
 (C) 35 (D) 18  
**Ans : (A)**

258. Which bank is the largest Public Sector bank in the country ?  
 (A) Union Bank of India  
 (B) HDFC  
 (C) RBI  
 (D) SBI  
**Ans : (D)**
259. Which is the largest Private Sector Bank in the country ?  
 (A) HDFC Bank  
 (B) ICICI Bank  
 (C) Kotak Mahindra Bank  
 (D) AXIS Bank  
**Ans : (B)**
260. On June 30, 2012 how many branches of SBI and Group were working in the country ?  
 (A) 18992 (B) 18200  
 (C) 67300 (D) 62650  
**Ans : (A)**
261. When Government of India was approved SBI-SBS Merger ?  
 (A) In August 2007  
 (B) In August 2009  
 (C) In March 2011  
 (D) In July 2011  
**Ans : (A)**
262. When RBI made compulsory to the Basel II norms for Banks ?  
 (A) March 31, 2007 (B) March 31, 2008  
 (C) March 31, 2010 (D) March 31, 2011  
**Ans : (B)**
263. Which bill passed for reducing the minimum level of government's shareholding in equity of SBI from 55 per cent to 51 per cent ?  
 (A) SBI (Amendment) Bill 2009  
 (B) SBI (Amendment) Bill 2010  
 (C) RBI (Amendment) Bill 2012  
 (D) None of these  
**Ans : (B)**
264. The Reverse Repo rate as announced by RBI on 19 March, 2013 stand at—  
 (A) 6.5% (B) 9.0%  
 (C) 8.0% (D) 8.5%  
**Ans : (A)**
265. The new President of ASSOCHAM for the year 2012-13 is—  
 (A) Dilip Modi (B) R. V. Kanoria  
 (C) Raj Kumar Dhoot (D) N. L. Kidwai  
**Ans : (C)**
266. The saving-investment gap during 2011-12 has been estimated at—  
 (A) 4.6% of GDP (B) 3.0% of GDP  
 (C) 3.2% of GDP (D) 3.8% of GDP  
**Ans : (A)**
267. The pace of credit growth for Private Sector banks increased to 11.7 per cent during—  
 (A) 2010-11 (B) 2009-10  
 (C) 2012-13 (D) 2008-10  
**Ans : (B)**
268. According to RBI, bank loan registered a growth of 21.38 per cent in—  
 (A) 2010-11 (B) 2009-10  
 (C) 2010-12 (D) 2011-12  
**Ans : (A)**
269. As per RBI, bank deposits growth stood at..... in 2011-12.  
 (A) 12% (B) 13%  
 (C) 19.31% (D) 14.13%  
**Ans : (C)**
270. As per latest estimation of RBI the GDP growth for 2012-13 is—  
 (A) 5.0% (B) 5.5%  
 (C) 6.0% (D) 7.0%  
**Ans : (A)**
271. The person appointed as Dy. governor of RBI in place of Subir Gokaran is—  
 (A) Urjit Patil  
 (B) Raghuram Rajan  
 (C) Rakesh Mohan  
 (D) Usha Thorat  
**Ans : (A)**
272. As a matter of policy the percentage point gap between Repo rate and Marginal Standing Facility is—  
 (A) 2 Percentage points  
 (B) 1 Percentage points  
 (C) 1.5 percentage points  
 (D) Not fixed  
**Ans : (B)**

273. For a scheduled bank the paid up capital and collected funds of bank should not be less than—  
 (A) ₹ 5 lakh (B) ₹ 6 lakh  
 (C) ₹ 1 crore (D) ₹ 5 crore  
**Ans : (A)**
274. Which Act is fully applicable to all commercial banks ?  
 (A) Companies Act, 1956  
 (B) Partnership Act, 1932  
 (C) Banking Regulation Act, 1949  
 (D) Sale of Goods Act, 1930  
**Ans : (C)**
275. As on 31st March, 2010 how many RRBs were recapitalized with total funding support of ₹ 1795-97 crore by Government of India ?  
 (A) 96 (B) 98  
 (C) 27 (D) 15  
**Ans : (C)**
276. The share of long-term debt in India's total external debt at the end of September, 2012 stands at—  
 (A) 72% (B) 76.9%  
 (C) 80% (D) 82%  
**Ans : (B)**
277. Which is/are mutual fund ?  
 (A) HDFC Top 200  
 (B) HDFC Equity Fund  
 (C) IDFC Small and Mid Cap  
 (D) All of these  
**Ans : (D)**
278. The external debt to GDP ratio at the end of March 2012 in India Stands at—  
 (A) 16.6% (B) 19.7%  
 (C) 17.0% (D) 18.4%  
**Ans : (B)**
279. What is the corpus of RIDF-XIX ?  
 (A) ₹ 20,000 crore (B) ₹ 18000 crore  
 (C) ₹ 16000 crore (D) ₹ 14000 crore  
**Ans : (A)**
280. RIDF XVIII is related to.....year.  
 (A) 2010-11 (B) 2009-10  
 (C) 2012-13 (D) 2011-12  
**Ans : (C)**
281. Which is the Indian Share Price Index ?  
 (A) Dolex (B) Sensex  
 (C) Nifty Fifty (D) All of these  
**Ans : (B)**
282. NIKKEI is the Share Price Index of—  
 (A) India (B) USA  
 (C) Tokyo (D) Bangladesh  
**Ans : (C)**
283. NSE-50 is renamed as—  
 (A) SIMEX (B) Top 100  
 (C) S \$ PCNX Nifty (D) MID-100  
**Ans : (C)**
284. Debt Recovery Tribunals is situated at—  
 (A) Delhi (B) Agra  
 (C) Kota (D) Chandigarh  
**Ans : (A)**
285. What is CRAR for all Indian banks ?  
 (A) 3% (B) 9%  
 (C) 6% (D) 8%  
**Ans : (B)**
286. Who has replaced Harsh Mariwala as President FICCI in January 2012 ?  
 (A) Sunil Kanoria  
 (B) R.V. Kanoria  
 (C) Raj Kumar Dhoot  
 (D) Siddharth Birla  
**Ans : (B)**
287. RBI introduced a Banking Ombudsman Scheme in the country on—  
 (A) June 1, 2010 (B) June 1, 2009  
 (C) June 14, 1995 (D) June 1, 2011  
**Ans : (C)**
288. When Narasimhan Committee constituted by the Government of India ?  
 (A) August 14, 1991 (B) July 1, 2005  
 (C) July 1, 2009 (D) July 1, 2010  
**Ans : (A)**
289. Which committee is set up for financial reforms?  
 (A) Narasimhan Committee  
 (B) Khanna Committee  
 (C) K.R. Birla Committee  
 (D) None of these  
**Ans : (A)**

290. RBI constituted a committee under the Chairmanship of Sri M.N. Goiporia in—  
 (A) Sept. 1, 1992 (B) Sept. 1, 1990  
 (C) Sept. 1, 2009 (D) Sept. 1, 2010  
**Ans : (B)**
291. In case of NPA norms interest on advance should be more than—  
 (A) 170 days (B) 365 days  
 (C) 180 days (D) 95 days  
**Ans : (C)**
292. MIBOR and MIBID was launched by NSE on—  
 (A) June 15, 1998  
 (B) June 1, 2007  
 (C) June 1, 2009  
 (D) July 1, 2010  
**Ans : (A)**
293. Which is a reference rate of NSE ?  
 (A) YES (B) SARFAESI  
 (C) MIBID (D) MID DAX  
**Ans : (C)**
294. SEBI was constituted on—  
 (A) April 1, 1956 (B) April 1, 1979  
 (C) April 12, 1988 (D) April 1, 2007  
**Ans : (C)**
295. Mutual Fund controlled and regulated by—  
 (A) SEBI (B) RBI  
 (C) IRDA (D) SBI  
**Ans : (A)**
296. The paid up capital of National Housing Bank stood at (on June 30, 2009)—  
 (A) ₹ 400 crore (B) ₹ 450 crore  
 (C) ₹ 1300 crore (D) ₹ 1800 crore  
**Ans : (B)**
297. NABARD was established on—  
 (A) July 12, 1982 (B) July 1, 1990  
 (C) July 1, 2005 (D) July 1, 2009  
**Ans : (A)**
298. The paid up capital of NABARD stood at ..... on March 31, 2010.  
 (A) ₹ 12000 crore (B) ₹ 2000 crore  
 (C) ₹ 500 crore (D) ₹ 5000 crore  
**Ans : (B)**
299. Which of the following is a part of Liquidity Adjustment Facility (LAF).  
 (A) Repo Rate  
 (B) Reverse Repo Rate  
 (C) Cash Reserve Ratio  
 (D) All of the above  
**Ans : (C)**
300.  $L_1$  is used for—  
 (A) Liquidity aggregates  
 (B) Lower Rate  
 (C) Liability Rate  
 (D) All of these  
**Ans : (A)**
301. As on Aug. 11, 2012, the SLR stood at—  
 (A) 15% (B) 23%  
 (C) 20% (D) 25%  
**Ans : (B)**
302. The rate of interest payable on a bank deposit is determined by—  
 (A) Indian Banks' Association  
 (B) The bank concerned  
 (C) RBI  
 (D) Finance ministry  
**Ans : (B)**
303. What is NABARD ?  
 (A) Bank  
 (B) Irrigation Scheme  
 (C) Share Index  
 (D) Mutual Fund  
**Ans : (A)**

