

### RBI'S KEY POLICY RATES

#### What are the key policy rates used by RBI to influence interest rates?

The key policy or 'signalling' rates include the Bank Rate, the Repo Rate, the Reverse Repo Rate, the Cash Reserve Ratio (CRR) and the Statutory Liquidity Ratio (SLR). RBI increases its key policy rates when there is greater volume of money in the economy i.e. when too much money is chasing the same or lesser quantity of goods and services. Conversely, when there is a liquidity crunch or recession, RBI would lower its key policy rates to inject more money into the economic system.

#### What is Repo Rate?

Repo Rate, or Repurchase Rate, is the rate at which RBI lends to banks for short periods. This is done by RBI buying government bonds from banks with an agreement to sell them back at a fixed rate. If the RBI wants to make it more expensive for banks to borrow money, it increases the Repo Rate. Similarly, if it wants to make it cheaper for banks to borrow money, it reduces the Repo rate.

#### What is Reverse Repo Rate?

Reverse Repo Rate is the rate of interest at which the RBI borrows funds from other banks in the short term. Like the Repo, this is done by RBI selling government bonds to banks with the commitment to buy them back at a future date. The banks use the Reverse Repo facility to deposit their short-term excess funds with the RBI and earn interest on it. RBI can reduce liquidity in the banking system by increasing the rate at which it borrows from banks. Hiking the Repo and Reverse Repo Rate ends up reducing the liquidity and pushes up interest rates.

#### What is Cash Reserve ratio?

Cash reserve Ratio (CRR) is the amount of funds that banks have to park with RBI. If RBI decides to increase the Cash reserve Ratio, the available amount with banks would reduce. The bank increases CRR to impound surplus liquidity. CRR serves two purposes: One, it ensures that a portion of bank deposits are always available to meet withdrawal demands of the public, and secondly, it enables the RBI to control liquidity in the system, and thereby inflation.

#### What is SLR? (Statutory Liquidity Ratio)

Apart from keeping a portion of deposits with RBI as cash, banks are also required to maintain a minimum

percentage of deposits with them at the end of business-days, in the form of gold, cash, government bonds or other approved securities. This minimum percentage is called Statutory Liquidity Ratio. In times of high growth, an increase in SLR requirement reduces lendable resources or the credit-lending ability of banks and pushes up interest rates, which reduces the purchasing power of the public and inflation is controlled.

#### What is the Bank Rate?

Unlike other policy rates, the Bank Rate is purely a signalling rate and most interest rates are delinked from the Bank Rate. Also, the Bank Rate is the indicative rate at which RBI lends money to other banks (or financial institutions). The Bank Rate signals the central bank's long-term outlook on interest rates. If the Bank Rate moves up, long-term interest rates also tend to move up, and vice-versa.

#### ASBA (Applications Supported by Blocked Amount)

ASBA means "Application Supported by Blocked Amount". ASBA is an application containing an authorisation to block the application money in the bank account, for subscribing to an issue. If an investor is applying through ASBA, his application money shall be debited from the bank account only if his/her application is selected for allotment after the basis of allotment is finalized, or the issue is withdrawn / failed. ASBA is a supplementary process for applying in public issues floated by the companies. ASBA can be used for Initial and Follow-on Public Offers (IPO & FPO), Rights Issues, Debt Issues and Mutual Funds. Under ASBA, funds will continue to earn interest during the application processing period. Bank will mark a lien on the deposit account the investor to the extent of the application money. Lien will be removed immediately after finalization of the basis of allotment. If bid is successful, the shares allotted will be transferred to the applicant's Demat account.

An Investor can apply through ASBA, provided he/she:

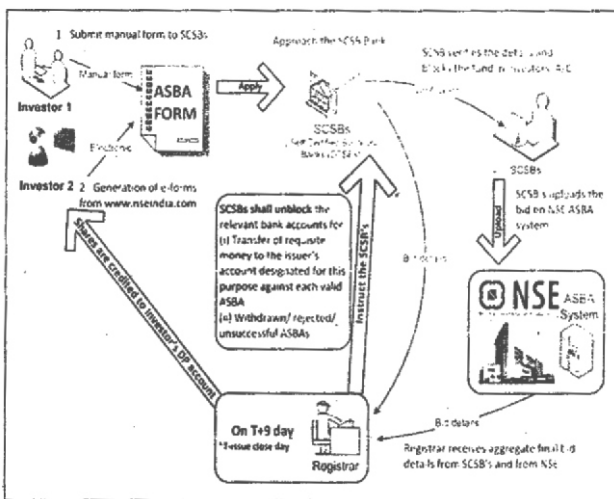
- ◆ is from any of the approved category eligible to apply in IPO as per SEBI guidelines.

- is maintaining a Savings Bank or Current Account with any bank.
- is having Demat account with any of the DP along with Permanent Account Number (PAN).” has sufficient clear credit balance in his/her Savings Bank or Current account for application money.

#### Important Points

- A Retail Individual Investor can also modify, revise or delete the bid within bidding period.
- All other categories cannot withdraw the application and can modify only upwardly.
- An Investor can make 5 applications from a single deposit account.

#### ASBA Procedure Explained by National Stock Exchange (NSE)



#### CASA

#### What is CASA Ratio?

CASA is basically the Current Account & Savings Account deposits. CASA ratio is the share of current and savings account deposits to the total deposits of the bank.

#### Why are banks keen on garnering a higher share of CASA?

Interest rate paid on CASA is much lower compared to other deposits like term deposits or recurring deposits. While banks do not pay any interest on current account, interest paid on savings account deposit varies from 4% to 6%. Banks therefore make maximum effort to increase the share of CASA on their books to reduce their overall cost of deposits. HDFC Bank has the highest share of CASA to total deposits at 52%, followed by the State Bank of India at 48% and ICICI Bank at 45%.

#### What does CASA mean for customers?

Recently, RBI told banks to pay interest on savings deposits on a daily basis rather than paying on the minimum balance maintained by them in six months. As a result, savings account customers earn better returns compared to what they earned earlier. Further, interest earned on savings account deposits does not attract TDS (tax deduction at source). Interest income above 10,000 a year attracts TDS of 10% in case of term deposits. However, there is no major benefit for current account deposits, which is mainly maintained by corporates and traders.

#### What are the disadvantages of high CASA?

These deposits can move out of banks' books anytime, leading to asset-liability mismatches. While in case of term deposits, banks are almost certain that the depositor may not withdraw money before the maturity of the deposit and may also renew the deposit on maturity. Further, to finance long-term projects, banks need to have long-term liabilities on their books to avoid mismatches. Banks cannot rely on CASA deposits to fund long-term loans.

## ABBREVIATIONS

AD = Authorized Dealer; ADB = Asian Development Bank ADR = American Depository Receipt; AFS = Annual Financial Statement; AFS = Available For Sale; ASSOCHAM = Associated Chambers of Commerce And Industry of India; ATM = Asynchronous Transfer Mode; ATM = Automated Teller Machine; ACU Asian Clearing Union ALM = Asset Liability Management; AMFI = Association of Mutual Funds in India; AML = Anti-Money Laundering; BC = Business Correspondent; BCBS = Basel Committee on Banking Supervision; BIS = Bank for International Settlements; BoP = Balance of Payments; BF = Business Facilitator; BFSI = Banking, Financial Services and Insurance ; BPLR = Benchmark Prime Lending Rate; BPSS = Board for Regulation and Supervision of Payment and Settlement Systems; BRBNMPL = Bharatiya Reserve Bank Note Mudran Private Limited ; BSE = Bombay Stock Exchange ; CAD = Capital Account Deficit; CAG = Controller and Auditor General of India ; CC = Cash Credit; CD = Certificate of Deposit; CD Ratio = Credit Deposit Ratio ; CII = Confederation of Indian Industries; CP = Commercial Paper ; CPI = Consumer Price Index; CRAR = Capital to Risk Weighted Asset Rati ; CRR = Cash Reserve Ratio; CSO = Central Statistical Organisation; CAB = College of Agricultural Banking; CAMELS = Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Systems and Control ; CBDT = Central Board of Direct Taxes ; CBLO = Collateralised Borrowing and Lending Obligation ; CBS = Core Banking Solutions; CCIL = Clearing Corporation of India Limited; CCR = Counterfeit Currency Report

## Quantitative Easing

The US seems ready for another round of quantitative easing to boost growth, employment generation and consumer spending. There is consensus among economists and policymakers in the world's largest economy that the Federal Reserve should target a higher level of inflation to spur growth.

### What is quantitative easing?

Central banks usually stimulate a slowing economy by cutting interest rates, which encourage people to spend by borrowing more or discouraging them to save. But with interest rates in the developed world already close to zero, that option is no longer available. In such situations, the central banks resort to pumping money directly into the economy, a process known as quantitative easing. It is done by buying bonds — usually government paper but can also be private bonds — from banks and financial institutions. The developed countries used quantitative easing to spur growth in the aftermath of the financial meltdown of 2008.

### What is the idea behind quantitative easing?

At any given point of time there is a fixed amount currency/money chasing products and services available in the economy. The idea essentially is to get more money into the system chasing the same amount of produce to

drive up their prices. In the case of quantitative easing, the bond-sellers will receive money that has not been in circulation, which will increase the money supply in the system. As the money in the economy increases, the demand for different products rises.

### How does it help?

The flood of cheap money causes asset prices to rise i.e. the price of shares, real estate etc. The notional high wealth, together with cheap and easy credit, encourages people to spend. Quantitative easing also helps devalue the currency, thereby encouraging exports further and increasing the level of activity in the economy. The final consequence is increased demand resulting in ramping up of production, which, in turn, creates more jobs in the economy.

### Why is it important in the current scenario?

Quantitative easing could potentially ward off deflationary expectations and kick-start an uncertain economy. But in today's globalised world, cheap money from developed economies may flow into emerging economies and fuel asset bubbles and inflation there. Brazil has been struggling to deal with the rising tide of inflows. India, too, is keeping an eye on increasing forex inflows.

## ABBREVIATIONS

FCCB = Foreign Currency Convertible Bond; FCNRA = Foreign Currency Non-resident Account; FCNRD = Foreign Currency Non-Repatriable Deposit; FDI = Foreign Direct Investment; FEMA = Foreign Exchange Management Act; FICCI = Federation of Indian Chambers of Commerce and Industry; FIMMDA = Fixed Income Money Market and Derivatives Association of India; FMC = Forward Markets Commission; FRA = Forward Rate Agreement; FRBM = Fiscal Responsibility and Budget Management Act; FATF = Financial Action Task Force; FBT = Fringe Benefit Tax; FCAs = Foreign Currency Assets; FCNR(B) = Foreign Currency Non-Resident (Banks); FEDAI = Foreign Exchange Dealers' Association of India; FIIs = Foreign Institutional Investors; FIPB = Foreign Investment Promotion Board; FITL = Funded Interest Term Loan; FIU-IND = Financial Intelligence Unit-India ; FLCCs = Financial Literacy and Credit Counselling

### What is Offshore Banking Unit?

Offshore Banking Unit (OBU) is the branch of an Indian bank located in a Special Economic Zone (SEZ), with a special set of rules aimed at facilitating exports from the region. As laws define it, it's a "deemed foreign branch" of the parent bank situated within India, and it undertakes international banking business involving foreign currency denominated assets and liabilities.

The concept comes from the practice prevalent in several global financial centres. Here an OBU can accept foreign currency for business but not domestic deposits from local residents. This was conceived to prevent competition between local and offshore banking sectors.

### What was the need for OBUs?

In addition to providing power, tax and other incentives to SEZs, policymakers felt a need to provide SEZ developers access to global money markets at international rates. So in 2002, RBI instituted OBUs, which would be virtually foreign branches of Indian banks. These would be exempt from CRR, SLR and few other regulatory requirements.

RBI regulations make it mandatory for OBUs to deal in foreign exchange, source their foreign currency funds externally, follow all prudential norms applicable to overseas branches and are entitled for IT exemptions. Thus in many respects, they are free from the monetary controls of the country.



### What price, freedom from regulations?

In the eight years that they have been operational, concerns have been raised that, funding by OBUs to SEZs would lead to increase in external debt of India. Also, some have suggested that OBUs as vehicles for extending dollar loans have no use as long as they are restricted to doing business only in the zones in which they are located.

This would create an unnecessary regulatory arbitrage like booking business because there is some arbitrage advantage on offer. Anyways, ground realities could not be more different. Hardly a handful of banks have set up their OBUs, so the argument looks very far-fetched. SEZ, itself as a concept has been struggling, given the issues that SEZ developers have faced over acquiring land from farmers.

### What is the future of OBUs?

Most international financial centres still house OBUs, so saying they are not required may be incorrect.

However, some analysts have said OBUs are losing relevance at a time of increasing globalisation.

They say OBUs will be of no use after the economy opens up fully and the rupee is fully convertible.

### Asset classes

#### What is asset classification?

In any banking system, loans or assets created by lenders are divided into several qualitative categories. In simple language, the categories reflect how good or bad an asset is in terms of the possibility of default in repayment of loan from a borrower. This practice is known as classification of assets.

#### How is asset classification important to bankers?

This practice helps banks know the strength of its credit portfolio. If there is a risk of non-payment of loans or defaults, banks would start focusing on their credit monitoring act and take corrective measures. According to classifications, banks make provisions to take care of the fallout of a default.

#### What are the broad classifications prescribed by the regulator, the Reserve Bank of India?

The RBI has classified assets into four broad categories. These are prescribed by the Bank for International Settlements, an inter-governmental body of central banks. However, each central bank is allowed to tweak the definition as per their loan market.

##### i. Standard Asset:

Asset where borrowers pay their interests on the loan as per the schedule is a standard asset.

##### ii. Sub-standard Asset:

A sub-standard asset is one which has remained an NPA for a period less than or equal to 12 months. An NPA or a non-performing asset is one where a borrower fails to pay the interest on the loan for three consecutive months.

##### iii. Doubtful Asset:

An asset would be classified as doubtful if it has remained in the sub-standard category for a period of 12 months.

##### iv. Loss Asset:

When banks see little possibility of recovering the loan, it becomes a loss asset for the bank. Banks or auditors consider this as a loss for the bank.

#### What are the provisioning requirements for these assets?

For loss assets, if kept in the book of banks, 100% of the outstanding has to be provided for. For doubtful assets, if the loan asset has remained in the 'doubtful' category for 1 year, then the provisional requirement is 20%. If it has stayed there for a period of 1-3 years, it requires a provisional coverage of 30%.

### Know Your Customer (KYC)

Money laundering by banks and insurance companies is more widespread than earlier thought, another expose by an online news website has revealed. This development is bound to force banks to undertake a fresh round of verification of the identity of almost all account holders, an exercise called 'Know your Customer'.

#### What is KYC?

Banks undertake this exercise to verify the identity of their customers. The KYC exercise aims to prevent banks from being used, intentionally or unintentionally by criminal elements, for money laundering.

#### Does KYC apply to all customers?

Yes. KYC is applicable to every individual who wants to have any business relationship with the bank. This means, any individual wanting to open an account (savings or current account and recurring or fixed deposit), get a bank draft, open a locker, receive any benefits on account of financial transactions, remittance or wire transfer, and apply for a loan.

#### Does it have any legal backing?

Yes. The KYC norm has been validated under Section 35A of the Banking Regulation Act, 1949, and Rule 7 of the Prevention of Money-Laundering Rules, 2005. Any violation of these norms could attract severe penalty under the BR Act.

#### What is needed for KYC checking?

KYC has two components: identity and address. While PAN and voter card, driving licence and any other identity document that satisfies the banks requirements serve as proof of identity, a copy of passport, electricity or phone bill or bank account statement are accepted as proof of address.

#### DO banks open accounts for those without an address proof?

Yes. But such individuals have to submit an identity document along with a utility bill of the relative with whom the prospective customer is living and a declaration from the relative that the said person is a relative.

### Can KYC norms be relaxed?

To ensure financial inclusion, a low-income group customer without identity and address proofs can open a bank account with an introduction from another account holder who has fulfilled the bank's KYC procedure. However, the balance in all his accounts taken together is not expected to exceed 50,000 and the total credit in all the accounts taken together is not expected to exceed 1 lakh. The introducer's account with the bank should be at least six months old and should show satisfactory transactions.

### Is KYC compliance a one-time exercise?

No. Banks can ask customers to re-submit fresh identification and address proof to update their records. They can also ask for additional documents if they have doubts about some transaction in order to prevent the account from being used for money laundering, terrorist or criminal activities.

### Debt Crisis

#### What is sovereign debt crisis?

Sovereign debt crisis means the sovereign government's borrowing from domestic and external markets is in excess of its capacity to repay, resulting in loan defaults requiring rescheduling of loans or bailout packages from other countries or multilateral institutions such as IMF.

#### How did the Greek crisis originate?

The crisis in Greece surfaced in 2007-2008, when it came to be known that Greece was not in a situation to

meet its repayment obligations to its external creditors. The budget deficit of Greece was in the range of 13.6% of its gross domestic product. The stock of debt was equivalent to 115% of the gross domestic product. The debt problem was further compounded by the fact that nearly three-fourths of the government debt was held by foreign institutions, particularly foreign banks. Not only was the high fiscal deficit a problem, it was also camouflaged by derivative hedging. Reportedly, investment banks misled investors into investing in government bonds of Greece by being secretive about the actual state of affairs. The rating agencies played accomplice and allegedly 'failed' to assess the correct fiscal position.

#### Who bailed out Greece?

Greece reached an agreement with IMF, the European Commission and the European Central Bank on a rigorous programme to stabilise its economy with the support of a \$145-billion financing package against which the Greek government was required to implement fiscal measures, structural policies and financial sector reforms. Some of the points of the reform package were — reducing the fiscal deficit to 3% by 2014, pensions and wages to be reduced for three years, government entitlement programmes had to be curtailed and social security benefits cut.

## ABBREVIATIONS

GDP = Gross Domestic Product; GDR = Global Depository Receipt; GFD = Gross Fiscal Deficit; GIC = General Insurance Corporation ; GPD = Gross Primary Deficit; G-Sec = Government Securities ; GCCs = General-purpose Credit Cards; GFCE = Government Financial Consumption Expenditure; GFSR = Global Financial Stability Report ; GIPSA = General Insurer's (Public Sector) Association of India ; GoI = Government of India ; GRF = Guarantee Redemption Fund ; GSDP = Gross State Domestic Product; GST = Goods and Services Tax; HDFC = Housing Development Finance Corporation; HFT = Held For Trading; HFCs = Housing Finance Companies; HTM = Held-to-Maturity; IBRD = International Bank for Reconstruction and Development; ICAR = Indian Council of Agricultural Research; IDB = India Development Bonds; IDBI = Industrial Development Bank of India; IFAD = International Fund for Agricultural Development; IFC = International Finance Corporation; IFCI = Industrial Finance Corporation of India; IFR = Investment Fluctuation Reserve Account ; IIP = Index of Industrial Production ; IMD = India Millennium Deposits; IMF = International Monetary Fund ; IRBI = Industrial Reconstruction Bank of India; ISDA = International Swaps and Derivative Association; ISO = International Standards Organization; ITRS = International Transaction Reporting System; ICT = Information and Communication Technology; IDR = Indian Depository Receipt; IDRBT = Institute for Development & Research in Banking Technology; IIFCL = India Infrastructure Finance Company Limited; IIP = Index of Industrial Production; ILO = International Labour Organisation; IPAs = Issuing and Paying Agents ; IPCC = Inter-Governmental Panel on Climate Change; IPO = Initial Public Offer; IRDA = Insurance Regulatory and Development Authority; IRFs = Interest Rate Futures; ISO = International Organisation for Standardisation; IT-BPO = Information Technology - Business Process Outsourcing

### All about Deficits

#### What is fiscal deficit?

Conceptually, we can think of the fiscal deficit as a measure of the extent to which a government is spending

beyond its means. In precise mathematical terms, fiscal deficit is the difference between the total expenditure of the government, and the sum of all its "revenue receipts"

as well as those “capital receipts”, which do not create any payment obligations for the future.

Revenue receipts constitute regular streams of revenue that do not have any future payment implications. For the government of India, for instance, these would include revenues raised through taxes, interest payments on the loans that the government has given to states or PSUs, dividends and profits from PSUs and government departments, external grants, telecom fees and so on.

Capital receipts, on the other hand, are typically in the nature of borrowings of various kinds, which would entail interest payments in the future. But there are some capital receipts, such as the money raised by a government selling its assets, or the money received by way of state governments or PSUs repaying loans they had taken, that do not involve any interest payments in the future. This is why they are taken together with revenue receipts in calculating the fiscal deficit.

#### Why is fiscal deficit so important?

Essentially, it amounts to measuring the extent to which borrowings of different kinds are being used to meet the government’s expenditure. This is important because it has obvious implications for the financial future of the government. To use a household analogy, if a family is constantly living on borrowed money, it would want to be sure that the levels of borrowings are not so high as to become unserviceable at some point in the future. In fact, it is because of this significance that many economists say even the money raised from sale of assets such as the divestment of government shares in PSUs, should not count in the non-debt receipts in calculating the fiscal deficit.

They point out that while divestment may not involve future interest payments, it does affect future revenue streams for the government — since its share of dividends would go down. Hence, they argue it is wrong to treat divestment proceeds as analogous to revenue receipts.

#### What is revenue deficit?

Revenue deficit is the difference between the government’s revenue receipts and its revenue expenditure. Revenue expenditure refers to normal recurring expenses on things like salaries, subsidies and, above all, interest payments. Again, many economists feel

that the revenue deficit is a more significant measure than the fiscal deficit.

The reasons are not difficult to understand. While the fiscal deficit tells us how much the government is borrowing to meet expenditure, it does not tell us how the borrowed money is being spent. It could be used to meet revenue expenditure or to invest in assets for the future. To go back to the household analogy, while we would clearly regard as imprudent (or in financial) trouble a family that is borrowing to meet its grocery bills, we might not feel concerned if it is borrowing to, say, build a house for itself so that it can save on rent in the future. Since the revenue deficit looks only at revenue expenditure and not total expenditure, it gives us a good measure of how much the government is borrowing to meet its day-to-day expenses. Obviously, a high revenue deficit indicates cause for concern.

#### What is primary deficit?

The primary deficit is the fiscal deficit minus interest payments and debt servicing. What it tells us is the extent to which the government’s borrowings are used to service old loans. A high primary deficit would indicate that the government is borrowing well beyond what it needs to pay the interest on existing loans. Unless there are no interest payments whatsoever (which is unlikely, if not impossible), the primary deficit would always be lower than the fiscal deficit.

#### How is fiscal deficit financed?

Market borrowings are the biggest source of funds for meeting the fiscal deficit. The government also takes a portion of the funds raised through small savings by issuing securities to the fund that manages small savings. A part of deficit is also met through external sources of funds. Provident fund accumulations of state government employees is also available for meeting the fiscal deficit.

#### FRBM Act

Enacted in 2003, the Fiscal Responsibility and Budget Management Act had proposed to eliminate revenue deficit by 2008-09. The Act mandated a 3% limit on fiscal deficit after 2008-09. The 2008 financial crisis and the economic slowdown that followed forced the government to abandon the path of fiscal consolidation.

## ABBREVIATIONS

JNNURM = Jawaharlal Nehru National Urban Renewal Mission; KCCs = Kisan Credit Cards; LAF = Liquidity Adjustment Facility; LAS = Loan & Advances by States; LBD = Land Development Bank; LBS = Locational Banking Statistics; LERMS = Liberalised Exchange Rate Management System; LB=Lowest daily outstanding Balance; LIBOR = London Inter-Bank Offer Rate; LOI = Letter of Intent; LPA= Long Period Average; MASI = Management Audit Systems Inspection; MAT= Minimum Alternate Tax; MCA= Ministry of Corporate Affairs; MBS= Mortgage Backed Securities; MF = Mutual Funds; MFDEF = Micro Finance Development and Equity Fund; MFDF = Micro Finance Development Fund; MFI = Micro Finance Institution; MICR = Magnetic Ink Character Recognition; MMA = Macro Management of Agriculture; MMBCS = Magnetic Media Based Clearing System; MMMFs = Money Market Mutual Funds;



MMS = Multi Modal Settlements; MODVAT = Modified Value Added Tax; MoU = Memorandum of Understanding; MPD = Monetary Policy Department; MPI = Macro-Prudential Indicators; MPLS = Multi Protocol Label Switching; MSE-CDP = Micro and Small Enterprises Cluster Development Programme; MSEs = Micro and Small Enterprises; MSMEs = Micro, Small and Medium Enterprises; MSOE = Minimum Standards of Operational Efficiency; MSP = Minimum Support Price; MSS = Market Stabilisation Scheme; MTM = Mark-to-Market; M1 = Narrow Money; M3 = Broad Money; MCA = Ministry of Company Affairs; MIS = Management Information System; MRM = Monitoring and Review Mechanism; NAB = New Arrangement to Borrow; NABARD = National Bank for Agriculture and Rural Development; NASSCOM = National Association of Software and Services Companies; NAV = Net Asset Value; NBFCs = Non-Banking Financial Companies; NDA = Net Domestic Asset; NDS = Negotiated Dealing Systems; NDTL = Net Demand and Time Liability; NECS = National Electronic Clearing System; NEFT = National Electronic Funds Transfer; NFS = National Financial Switch; NFA = Net Foreign Assets; NFSM = National Food Security Mission; NGO = Non-Government Organisation; NHB = National Housing Bank; NIBM = National Institute of Bank Management; NIC = National Informatics Centre; NIF = National Investment Fund; NIMSME = National Institute for Micro, Small and Medium Enterprises; NIPFP = National Institute of Public Finance and Policy; NOC = No Objection Certificate; NPAs = Non-Performing Assets; NPCI = National Payments Corporation of India; NPS = New Pension Scheme; NRAA = National Rain Fed Area Authority; NREGS = National Rural Employment Guarantee Scheme

### DTC and other taxes

**DIRECT TAXES:** It's the tax that individuals & companies pay directly to the govt.

**Corporation Tax:** It's the tax companies pay (30% at present) on their profits.

**Taxes On Income Other Than Corporation Tax:** It's income-tax paid by individuals or non-corporate assesseees. This ranges from 10% to 30%, depending on income.

**Securities Transaction Tax (STT):** Applicable if you're dealing in shares or mutual fund units. It was introduced in the 2004-05 budget, replacing the tax on profits earned from the sale of shares held for more than a year (known as long-term capital gains tax).

**Minimum Alternate Tax (MAT):** Indian companies pay 30% tax on profits as per the I-T Act. But tax holidays could lower the outgo. If a company's tax liability is less than 10% of its profits, it has to pay a MAT of 15% of book profits. This provision is expected to change once the direct taxes code (explained below) proposals are accepted. Under DTC, MAT will be levied on gross assets.

**INDIRECT TAXES:** It's essentially a tax on expenditure. Considered regressive, this tax does not distinguish between the rich and the poor and hence most governments prefer to raise their revenues through direct taxes.

**Customs:** Anything you bring from abroad comes at a price. By levying a tax on imports, the government achieves twin objectives: it raises revenues and protects local industries.

**Union Excise Duty:** Imposed on goods manufactured in the country.

**Service Tax:** You pay the govt. when you eat out or visit your hairdresser — it is a tax on services rendered. Levied on 119 activities.

**Value-Added Tax:** State governments levy this on goods at the point of sale, based on the difference between the value of the output and the value of inputs used to produce it. The aim here is to tax a firm only for the value it adds to the inputs, and not the entire input cost. Thus, VAT helps avoid a cascading of taxes.

**TAX REFORMS GOODS AND SERVICES TAX:** The proposed GST is expected to streamline the indirect tax regime. It contains all indirect taxes levied on goods, including central and state-level taxes. Billed as an improvement on the VAT system, a uniform GST is expected to create a seamless national market. It could also mean lower taxes.

**DIRECT TAXES CODE:** The I-T Act came into effect nearly half a century ago. To account for the new business and activities that have come since then, the government formulated the DTC. It proposes to simplify tax laws and include a new way to calculate taxes on income.

### Budget Process

The basic architecture of the budget:  
**ANNUAL FINANCIAL STATEMENT**

The ordinary man confuses the finance minister's budget speech for the annual budget. But as laid down in the constitution, the budget actually refers to the annual financial statement tabled in Parliament along with the 13-15 other documents. Divided into three parts — Consolidated Fund, Contingency Fund and Public Account — it has a statement of receipts and expenditure of each.

#### CONSOLIDATED FUND

This is the core of the government's finances. All revenues, money borrowed and receipts from loans it has given flow into this account. All government expenditure is made from this fund. Any expenditure from this fund requires the nod of Parliament.

#### CONTINGENCY FUND

All urgent or unforeseen expenditure is met from this 500-crore fund, which is at the disposal of the President. Any amount withdrawn from this fund is made good from the Consolidated Fund.

#### PUBLIC ACCOUNT

All money in this fund belongs to others, such as public provident fund. The government is merely working as a banker in respect of this fund.

#### REVENUE RECEIPT/EXPENDITURE

All receipts like taxes and expenditure like salaries, subsidies and interest payments that do not entail sale or creation of assets fall under the revenue account.

#### CAPITAL RECEIPT/EXPENDITURE

Capital account shows all receipts from liquidating (eg. selling shares in a public sector company) of assets and spending to create assets (lending to receive interest).

#### REVENUE VS CAPITAL

The budget has to distinguish all receipts/expenditure on revenue account from other expenditure. So all receipts in, say, the consolidated fund, are split into Revenue Budget (revenue account) and Capital Budget (capital account), which include non-revenue receipts and expenditure.

#### REVENUE/CAPITAL BUDGET

The government has to prepare a Revenue Budget (detailing revenue receipts and revenue expenditure) and a Capital Budget (capital receipts & capital expenditure).

#### Economic Survey

The first Economic Survey was reportedly presented for the financial year 1951-52 and since has been presented every year as a review of the economy by the government. Over the years, the Economic Survey has transformed from

a mere representation of facts to a more suggestive document giving out advice.

#### What Is the Economic Survey?

The Economic Survey is a yearly Report card of the economy put out by the Chief Economic Advisor. It is a comprehensive document that analyses important economic, financial and social developments over the year. Over the years, it has expanded to accommodate more sectors and include more of analytical content. From 362 pages in 2004-05, the survey has grown to a 459 page document in 2010-11 that included separate chapters on prices, financial intermediation, and service, reflecting their importance in the economic debate.

#### What is the significance of the Survey?

In terms of information, the Survey has little usefulness as most of the data presented is already out in the public domain. Its real significance is that it lays down the economic reforms agenda for the country and contains suggestions to the policymakers on the issues that dominate economic discourse. Tabled usually a day before the Union budget for the next fiscal is presented, it is expected that some of the suggestions in the Survey will find their way into the budget.

#### Has the survey been successful?

Though the Survey is tabled in Parliament by the Finance Minister, it largely reflects the views of the Chief Economic Advisor. The reforms agenda laid out in the Survey is the statement of what ought to be done without actually going into their political considerations. This is largely the reason the ambitious reforms agenda included in the Survey documents year after year does not usually reflect in the budget presented the next day. But it does lay down the ground for informed debate on various economic issues.

## ABBREVIATIONS

NAS= National Account Statistics; NBFC =Non-Banking Financial Companies; NEER= Nominal Effective Exchange Rate; NNML= Net Non-Monetary Liabilities; NPA= Non-Performing Assets; NPRB= Net Primary Revenue Balance; NR(E)RA = Non-Resident (External) Rupee Account; NR(NR)RA Non-Resident (Non-Repatriable) Rupee Account; NRE= Non-Resident External; NSC= National Statistical Commission, NSSF= National Small Savings Fund; OD = Over Draft; OECD Organisation for Economic Cooperation and Development; OLTAS= Online Tax Accounting System; OBE = Off-Balance Sheet Exposures; ODI = Offshore Derivative Instruments; OMS = Open Market Sales; OPEC = Organisation for Petroleum Exporting Countries; ORFS = Online Returns Filing System; OSMOS = Off-Site Monitoring and Surveillance; OTC= Over-the-Counter; OTS = One-Time Settlement; OMO= Open Market Operations; PACS = Primary Agriculture Credit Societies; PCARDB= Primary Cooperative Agriculture and Rural Development Bank; PD = Primary Deficit; PDO = Public Debt Office; PDs = Primary Dealers; PF = Provident Fund; PIO= Persons of Indian Origin; PRB = Primary Revenue Balance; PSE =Public Sector Enterprises; PUC= Paid Up Capital

#### Deposit Insurance

##### What is deposit insurance?

It is a limited level of protection provided by the government to depositors against bank failures. Every bank is mandatorily covered under the level of Deposit Guarantee and the Insurance Corporation of India (DGICI). It is particularly relevant in countries like India

where financial literacy is very low. At a macro-level, its objective is to contribute to the stability of the financial system.

##### Which entities are covered under deposit insurance in India?

All commercial banks, including the branches of foreign banks functioning in India, local area banks and



regional rural banks are covered under the deposit insurance scheme. Even co-operative banks are covered. The scheme, however, does not cover deposits with NBFCs and company fixed deposits.

What is the amount covered and how is the premium charged?

Under the provisions of the DICGC Act, the insurance cover deposits up to Rs 100,000 under the deposit insurance. The premium to be paid by insured banks are computed on the size of their deposits. Insured banks pay advance insurance premium to the Corporation semi-annually, within two months from the beginning of each financial half year, based on its deposits at the end of previous half year. The premium is currently pegged at Re 1 for every Rs. 1,000 of the deposits.

**What types of deposits are covered under the scheme?**

The Corporation insures all bank deposits, such as savings, fixed, current, recurring, etc., except deposits of foreign governments; deposits of central/state governments, deposits of state land development banks with the state co-operative banks, inter-bank deposits, deposits received outside India.

**How are the claims settled?**

In the event of winding up or liquidation of an insured bank, every depositor is entitled to payment of an amount equal to the deposits held by him at all the branches of that bank as on the date of cancellation of registration (i.e., the date of cancellation of licence or order for winding up or liquidation), subject to set-off his dues to the bank, if any. However, the payment to each depositor is subject to the limit of the insurance coverage fixed from time to time.

## ABBREVIATIONS

PAD = Public Accounts Department; PAN= Permanent Account Number; PDs = Primary Dealers; PDO = Public Debt Office; PDS = Public Distribution System; PE = Private Equity; PFRDA = Pension Fund Regulatory and Development Authority; PMEGP = Prime Minister Employment Generation Programme; PMLA = Prevention of Money Laundering Act; PMRY = Prime Minister's Rojgar Yojana; POL = Petroleum, Oil and Lubricants; PPP = Public Private Partnership; PSBs = Public Sector Banks; PSS Act = Payment & Settlement Systems Act; PSUs = Public Sector Undertakings; QMS = Quality Management System

### Cheque Truncation System

**What is cheque truncation?**

It is one of the major innovations in cheque clearing after the Magnetic Ink Character Recognition (MICR) cheques introduced in the 80s. Cheque truncation is a system between clearing and settlement of cheques based on electronic images. This form of clearing does not involve any physical exchange of instrument.

Bank customers would get their cheques realised faster as local cheques are cleared almost the same day as the cheque is presented to the clearing house, while intercity clearing happens the next day. Besides speedy clearing of cheques, banks also have additional advantage of reduced reconciliation and clearing frauds. It is also possible for banks to offer innovative products and services based on CTS.

**Why is it needed?**

Though MICR technology helped improve efficiency in cheque handling, clearing is not very speedy as cheques have to be physically transported all the way from the collecting branch of a bank to the drawee bank branch.

The CTS is more advanced and more secure. Many countries have sought to address this issue with cheque truncation, in which the movement of the physical instruments is curtailed at a point in the clearing cycle,

beyond which the process is completed, purely based only on the electronic data and images of the cheques.

**What has been the international experience in this regard?**

Denmark and Belgium are pioneers in CTS. They adopted complete cheque truncation system more than two decades ago. Sweden is the typical example for having achieved complete truncation where all the cheques can be presented and encashed at any branch; irrespective of the bank on which they are drawn. CTS also takes care of the needs of future electronic transactions.

**What are the salient features of CTS?**

The physical cheque is truncated within the presenting bank itself. Settlement is generated on the basis of current MICR code line data. These images will be archived electronically and be preserved for eight years. A centralised agency per clearing location will act as an image warehouse for the banks.

**Real-time gross settlement (RTGS)**

Real-time gross settlement (RTGS) is maintained by the Reserve Bank of India. RTGS system is a funds transfer mechanism where transfer of money takes place from one bank to another on a real time' and on 'gross' basis. This is the fastest possible money transfer system through the banking channel. Settlement in real time' means payment transaction is not subjected to any

waiting period. The transactions are settled as soon as they are processed. Gross settlement' means the transaction is settled on one to one basis without bunching with any other transaction. Considering that money transfer takes place in the books of the Reserve Bank of India, the payment is taken as final and irrevocable.

RTGS is a large value funds transfer system whereby financial intermediaries can settle interbank transfers for their own account as well as for their customers. The minimum value of transaction in RTGS system is Rs. 2,00,000. The system effects final settlement of interbank funds transfers on a continuous, transaction-by-transaction basis throughout the processing day. Customers can access the RTGS facility between 9 am to 4:30 pm on weekdays and 9 am to 1:30 pm on Saturdays.

### National Electronic Fund Transfer (NEFT)

National Electronic Fund Transfer (NEFT) system is a nation-wide system that facilitates individuals, firms and corporates to electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country. The Reserve Bank of India (RBI) maintains this payment network. NEFT system is a funds transfer mechanism where transfer of money takes place from one bank to another on a deferred net settlement basis. For being part of the NEFT funds transfer network, a bank branch has to be NEFT-enabled. Indian Financial System Code (IFSC) is required to perform a transaction using NEFT. IFSC code identifies a specific branch of a bank.

Important Points to Know about NEFT:

1. The National Electronic Funds Transfer enables electronic transfer of funds between two NEFT-enabled bank branches. It can also be used to transfer funds from or to NRE NRO accounts in India. Remittance is not allowed to a foreign country, except Nepal.
2. The transactions are bunched up and settled in batches at specified times. There are 12 settlements from 8 am to 7 pm on weekdays, and six from 8 am to 1 pm on Saturdays. If a transaction is initiated after a batch settlement time, it's deferred to the next batch.
3. There is no minimum or maximum limit on the amount that can be transferred under NEFT. Even those who do not have a bank account with a branch can deposit cash at the NEFT-enabled branches, but such remittances can be made up to a maximum of Rs. 50,000 per transaction.
4. The credit for the first 10 batches on weekdays (8 a.m. to 5 p.m.) and the first five batches on

Saturdays (8 am. to 12 noon) takes place on the same day. For the other batches, the funds may be credited on the next working day.

5. The inward transactions for NEFT are free, while the outward transactions are charged. This ranges from a maximum of Rs.2.50 for amounts up to Rs.10,000 to a maximum of Rs.25 for transfer amounts above Rs. 2 lakh.

### GDP deflator

#### What is a price deflator?

A deflator is used to convert data compiled over a period into prices prevailing at an earlier point in time.

For example, the current price of a television can be deflated to what it would cost say three years ago.

Essentially, a deflator removes the effect of inflation from data, making it comparable across periods.

#### What is the role of price deflator in GDP calculations?

Prices are always in a state of flux, but generally move upwards over time. Therefore, a change in prices can give the impression of an increase in the Gross Domestic Product (GDP — a measure of national income) even without an increase in the quantity of goods and services produced by an economy. The impact of prices has to be removed to arrive at a true measure of economic growth. A deflator is used to restate output estimates at current prices into what they would be if calculated with reference to prices in an earlier year. This will give an idea of the real growth in the economy, minus the price effect.

#### Why the GDP-deflator is considered a good measure of inflation?

The ratio between the GDP at current prices and GDP at constant prices gives an idea of the increase in prices of all goods and services with reference to the base year. In that sense it is a more comprehensive measure of inflation than price indices, which are based only on a limited basket of goods collected from select centres. However, the deflator comes with a lag, which limits its usefulness.

#### How is it used in India?

In India a combination of WPI and CPI is used as deflator. The usage is dependent on the particular estimate we are trying to deflate. There will be different deflators for private consumption and government consumption. There is a difference in the value of quarterly and year-end deflators. This is due to the fact that prices are not constant. At the year-end we have an overall measure of WPI/CPI, which is used appropriately. This is why year-end estimates of GDP are more reliable than quarterly estimates.

## ABBREVIATIONS

RD = Revenue Deficit; REER = Real Effective Exchange Rate; RIB = Resurgent India Bonds; RIDF = Rural Infrastructure Development Fund; RLA = Recoveries of Loans & Advances; RNBC = Residuary Non-Banking Companies; RoCs = Registrars of Companies; RPA = Rupee Payment Area; RPCD = Rural Planning and Credit Department; RWA = Risk Weighted Asset; R&D = Research & Development; RBIA = Risk Based Internal Audit; RBSC = Reserve Bank Staff College;

RCC = Regional Complaints Committee; RCS = Registrar of Co-operative Societies; RE = Revised Estimates; REGP = Rural Employment Generation Programme; RKVY = Rashtriya Krishi Vikas Yojana; ROA = Return on Assets; ROE = Return on Equity; RTGS = Real Time Gross Settlement; RTI = Right to Information; SCARDB = State Cooperative Agriculture and Rural Development Bank; SCB = State Cooperative Bank; SCB = Scheduled Commercial Bank; SDR = Special Drawing Right; SFC = State Financial Corporation; SGSY = Swarnajayanti Gram Swarojgar Yojana; SHGs = Self-Help Groups; SIDBI = Small Industries Development Bank of India; SJSRY = Swarna Jayanti Shahari Rojgar Yojana; SLR = Statutory Liquidity Ratio; SMG = Standing Monitoring Group; SSI = Small-Scale Industries.

## Base rate

### What is base rate?

It is the minimum lending rate that banks can charge their customers from July 1, 2010. So far, all lending rates were pegged to a bank's prime lending rate (PLR). Under the existing system, banks charge customers interest rate either above the PLR or below PLR. Thus PLR worked as an anchor rate. From July 1, the base rate will not only replace the PLR as the benchmark, but it will also be the new floor rate below which no bank can lend. India's largest bank, the State Bank of India, has indicated that it plans to peg its base rate in the range of 7.5-8%.

### What will happen to loans linked to PLR?

Outstanding loans that are linked to PLR will continue to exist alongside the new loans linked to the base rate. As the old loans get repaid or the contract comes up for renewal, the base rate will become the sole benchmark.

From July 1, on all new loans, banks will charge customers at base rate or above base rate, depending on the rating and relationship. As and when the loan contract comes for renewal, banks will link the interest rate to the base rate. Existing customers will also get a choice to migrate to base rate. Customers will not be charged any penalty if they wish to migrate from PLR to base rate before the contract is due for renewal.

### Why is base rate being introduced?

It is aimed at bringing more transparency in the lending market. As of now, the prime customer bargain rate is below PLR while average to risky customers are charged at PLR or above PLR. About 70% of the loan given by banks is at rates below PLR. Some banks have lent at 6% when their PLR is 13%. As a result, a customer who is able to bargain the most get the best rate. In case of base rate, no bank will be able to lend below base rate, making lending rates comparable.

### What will happen to home loan customers?

Home loans are long-term contracts and thus it does not come up for renewal like most other corporates loans. Therefore, banks may give all existing customers a choice to move to a base rate. There are instances of home loans where the interest rate is fixed for initial years and floating rate in following rates. Here, in subsequent years, interest rate is a few basis points below PLR when it moves to floating rate regime.

In such cases, the base rate will not implicitly replace PLR. If the loan document, for instance, says after three years home loan will be 300 bps below PLR, it would not mean that the loan would be 300 bps below base rate once the base rate regime comes into being. Because, in any way, no loan can be below the base rate.

## Indian Depository Receipts

### What is Indian Depository Receipt (IDR)?

An IDR is a receipt, declaring ownership of shares of a foreign company. These receipts can be listed in India and traded in rupees. Just like overseas investors in the US-listed American Depository Receipts (ADRs) of Infosys and Wipro get receipts against ownership of shares held by an Indian custodian, an IDR is proof of ownership of foreign company's shares. The IDRs are denominated in Indian currency and are issued by a domestic depository and the underlying equity shares are secured with a custodian. An Indian investor pays in Indian rupees for the IDR whereas a shareholder in the issuer's home country pays in home currency.

### What is the security of the underlying shares? Where will the receipts be deposited?

The underlying shares for IDRs will be deposited with an overseas custodian who will hold the shares on behalf of a domestic depository. The domestic depository will accordingly issue receipts to investors in India. Investors will get an entry in their demat accounts reflecting their IDR holding.

### How will IDRs be issued? Who can participate?

IDRs will be issued to Indian residents in the same way as domestic shares are issued. The issuer company will make a public offer in India, and residents can bid the same way as they do for Indian shares. Investors eligible to participate in an IDR issue are institutional investors, including FIIs — but excluding insurance companies and venture capital funds — retail investors and non-Institutional Investors. NRIs can also participate in the Issue. Commercial banks may participate subject to approval from the RBI.

### What are the benefits that Indian investors can look forward to?

Indian individual investors have restrictions on holding shares in foreign companies, but IDR gives Indian residents a chance to invest in a listed foreign entity. No resident individual can hold more than \$200,000 worth of foreign securities, including shares, as



per foreign exchange regulations. However, this will not be applicable for IDR. Besides, these additional key requisites such as demat account outside India to hold foreign securities, KYC with foreign broker, foreign bank account to hold funds are too cumbersome for most investors. These troubles are completely avoided in holding IDRs.

#### Will Indian investors get equal rights as shareholders?

Indian investors have equivalent rights as shareholders. They can vote on EGM resolutions through the overseas custodian. Whatever benefits accrue to the shares, by way of dividend, rights, splits or bonuses will be passed on to the DR holders also, to the extent permissible under Indian law.

#### Can IDRs be converted?

IDR holders will have to wait for a year after issue before they can demand that their IDRs be converted into the underlying shares. However this conversion is subject to certain conditions:

- IDR Holders can convert IDRs into underlying equity shares only with the prior approval of the RBI.
- Upon such exchange, individual persons resident in India are allowed to hold the underlying shares only for the purpose of sale within a period of 30 days from the date of conversion of the IDRs into underlying shares
- Current regulations do not provide for exchange of equity shares into IDRs after the initial issuance i.e. reverse fungibility is not allowed

## ABBREVIATIONS

SAARC = South Asian Association for Regional Co-operation; SARFAESI = Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest; SCB = Scheduled Commercial Bank; SDLs = State Development Loans; SDR = Special Drawing Rights; SEBI = Securities and Exchange Board of India; SEZs = Special Economic Zones; SGL = Subsidiary General Ledger; SIFI = Systemically Important Financial Intermediaries; SIPS = Systemically Important Payment System; SITP = Scheme for Integrated Textile Parks; SIVs = Structured Investment Vehicles; SLAF = Second Liquidity Adjustment Facility; SLA(IC) = Sundry Liabilities Account (Interest Capitalisation); SLB = Securities Lending and Borrowing; SLBC = State Level Bankers' Committee; SLR = Statutory Liquidity Ratio; SMEs = Small and Medium Enterprises; SMO = Special Market Operations; TBs = Treasury Bills; TFTS = Trade for Trade Settlement; TIN = Tax Information Network; UNDP = United Nations Development Programme; UNDP = United Nations Development Programme; UNIDO = United Nations Industrial Development Organisation; UTs = Union Territories; WADR = Weighted Average Discount Rate; WEO = World Economic Outlook; WMA = Ways and Means Advances; WPI = Wholesale Price Index; WSS = Weekly Statistical Supplement; WTO = World Trade Organisation; WPI = Wholesale Price Index; YTM = Yield to Maturity

### Double-Dip Recession

#### What's a double-dip recession?

A double-dip recession refers to a short-lived recovery of an economy from a recession, before it slips back into a recession. In economic terms, when the GDP of an economy goes into the negative, after a brief period of showing positive growth, the economy is said to be faced with a double-dip recession.

According to economists, double-dip recessions may also be referred to as W-shaped recession where the two dips in the 'W' represent the double-dip recession, and the quick incline in the middle is the intermediate recovery.

#### What are the indicators of a double-dip recession?

Return to negative GDP growth after a partial economic recovery is a sign of the economy entering into a double-dip recession.

The equity securities exchanges show bearish sentiments, when markets sense a double-dip recession lurking around the corner.

The per capita income growth will vary between low to negative, and this over a sustained period of time, when the economy is spiralling towards a recession again.

Lower consumer spending would force producers to lower their selling prices and thus cut down on its production costs, which will lead to higher rate of unemployment in the economy.

#### When was the last major double dip recession?

Between 1980-82, the US went into one of the double-dip recessions. The economy was in a recession in the second and third quarters of 1980. It then recovered (by GDP standards) and fell back into recession in the fourth quarter of 1981 and the first quarter of 1982.

### Nomination

#### What does nomination mean?

Nomination is the process of appointing a person to take care of your assets in the event of your death. You can appoint a nominee for your bank account, fixed deposit, demat account, or even your house. A nominee could be a family member or a friend or any other person whom you trust. However, since it involves financial matters, you need to choose a nominee with care as the person needs to be reliable enough to take care of your assets in the event of your death. So typically, when you open a savings the account or fixed deposit with a bank, they will ask you to fill a form where you need to mention the nominee's name.

### What is the role of the nominee?

Though a nominee is an important person, he or she has no rights over the money or assets unless that is specified under the will or the nominee happens to inherit the money. So as such a nominee is a mere custodian of the assets. He is a contact point for the investments. So in the event of a person's death, a bank could get in touch with the nominee for further instructions to act on the account. At the time of claiming the savings, the nominee will have to give a proof of his identity to the relevant authority.

### How can a nominee be appointed?

Only individuals holding accounts either singly or jointly can make nomination. Non-individuals including society, trust, body corporate, karta of Hindu Undivided Family, holder of power of attorney cannot nominate. The nominee appointed has to be an individual only. Only one person can be appointed as a nominee. It is not compulsory to appoint a nominee for each investment of yours. However, it is in your interest that you appoint a nominee for your investment so that in the event of your death, there is little difficulty in transferring your assets. So when you make an investment in a fixed deposit, there is a column where you can mention the name of the nominee. Similarly in the case of a mutual fund investment, there is a column where you can appoint a nominee. You can appoint only one person as a nominee. In case you do not appoint a nominee while making an investment, you can also do the same at a later date, by filling the relevant application form and giving it to the bank.

### Can a minor be made a nominee?

Yes, a minor can be a nominee. In such case, the guardian will sign on behalf of the nominee and in addition to the name and photograph of the nominee, the name, address and the photograph of the guardian must be submitted.

### Are joint holders of accounts allowed to nominate?

Nomination for joint holders is permitted, however, in the event of death of any of the holders the benefits will be transmitted to the surviving holder's name.

In the case of death of all holders, the benefits will be transmitted to the nominee account.

### Profitability of Banks

#### How is a bank profit and loss statement different from a manufacturing company's profit and loss account (P&L)?

As the name suggests, a manufacturing company manufactures a product. The cost involved in the process of manufacturing is the cost of goods. Other incidental costs like salaries, electricity and rent are clubbed under selling, general and administrative expenses. Upon the sale of the goods, net sales are recorded in the accounts.

Unlike a manufacturing company, a bank does not manufacture anything. It's an intermediary between a lender and a borrower. Therefore, it accepts deposits and lends advances. Hence, the two most important elements of a bank's P&L are interest expense on deposits and interest earned on advances. In a manufacturing company's P&L, other income is a trivial entry including one-off items like profit/loss on sale of assets. However, in a bank's P&L, other income includes income from distribution of financial products, income from investment banking related activities, treasury gains and other fee incomes. While a manufacturing company makes a provision for bad customers, a bank makes provision for bad borrowers.

What are the factors that contribute to the bottom line of a bank?

As a bank's business depends upon interest rate at which it borrows and then it lends to borrowers, general level of interest in an economy plays a huge part in a bank's performance. In a rising interest rate scenario, a bank often has to borrow at higher rate and is unable to shift the entire incremental cost of borrowing to its customers. So the percentage increase in interest expense is more than that in interest earned. And the difference between them, which is known as Net Interest Income (NII) in banking parlance gets compressed. On the other hand, in a falling interest rate scenario, a bank normally improves its spread leading to high growth in NII. In a rising interest rate scenario, the market value of bank's investments fall, as price of investment is inversely proportional to interest rate. So a bank has to book losses on investment. In Indian context, banks have made huge strides in increasing the share of non-fund based revenue, which includes revenue from distribution of insurance and mutual funds, revenue from investment bank related activities like debt syndication and etc. Such non-fund based revenue comes under other income, which contributes an important share to a bank's bottom line today.

#### What are the key items that determine the efficiency of a bank?

Be it a bank or any other company, its efficiency is measured by how well it utilises its assets. So in a bank's case Return On Assets (ROA) is very important measure to separate the wheat from the chaff. The return from assets should not come at the cost of comprising the asset quality. And therefore, what percentage of loan-book are non-performing assets (NPA) is another most important criterion. NPA is often expressed as a percentage of advances. Another important criterion to measure a bank's efficiency is Net Interest Margin (NIM), which is a measure of spread between the interest rate at which a bank's lend and borrows.

In Indian context, a 3% NIM is considered as a benchmark level. Among large banks, only a handful including HDFC Bank, Punjab National Bank & Axis

Bank has been able to maintain that level of NIM. Banks improve their NIM by controlling their cost of funds, which in turn is done by improving the share of low cost current account and saving account (CASA) deposits in total deposits.

### What are the other factors that display strengths or weaknesses of a bank?

A low NPA indicates high asset quality and vice versa. Apart from it, Capital Adequacy Ratio (CAR) shows whether the bank has sufficient capital to grow in short to medium term, Since banking is a capital-intensive business, the regulator requires banks to maintain a minimum percentage of their assets as capital. As per Reserve Bank of India (RBI) regulation, Indian banks have to maintain a minimum CAR of 9%. Most of the Indian banks meet this regulatory requirement. A capital adequacy ratio of higher than 9% indicates that the bank has sufficient capital to grow for some time without bothering to raise more funds. So a high CAR provides a kind of cushion to the bankers.

### Non-tax sources of income for the government

#### Non-tax Revenues

Any loan given to state governments, public institutions and PSUs earn interests and this forms the most important item under this head. The government also receives dividends and profits received from PSUs. It also earns income for the various services it provides.

#### Capital Receipts

Receipts in the capital account of the Consolidated Fund are divided into three broad heads — public debt, recoveries of loans and advances, and miscellaneous receipts.

#### Public Debt

Since everything the government does is on behalf of the people, its borrowings eventually are the burden of the people. In budget parlance, the difference between borrowings (public debt receipts) and repayments (public debt disbursements) during the year is the net accretion to the public debt. Public debt can be split into two heads, internal debt (money borrowed within the country) and external debt. The internal debt comprises Treasury Bills, market stabilisation scheme, ways and means advances, and securities against small savings.

#### Treasury Bills (T-Bills)

These are bonds (debt securities) with maturity of less than a year. These are issued to meet short-term mismatches in receipts and expenditure. Bonds of longer maturities are called dated securities.

#### Market Stabilisation Scheme (MSS)

The scheme was launched in April 2004 to strengthen RBI's ability to conduct exchange rate and monetary management. These securities issued under MSS are not to meet the government's expenditure but to provide the RBI

with a stock of securities with which it can intervene in the market to manage liquidity.

#### Ways & Means Advances (WMA)

RBI is the banker for both the central and state governments. Therefore, it provides funds to manage mismatches in the governments' receipts and payments in the form of WMAs. Now, RBI wants the government to issue short-term securities to meet temporary needs.

#### Securities Against Small Savings

The government meets a small part of its loan needs by appropriating small savings collection by issuing securities to the funds that manage such schemes.

#### Business Correspondents

What is a 'business correspondent' model?

In 2006, the Reserve Bank of India allowed banks to use non-bank intermediaries as business correspondents, or business facilitators, to extend banking and other financial services to areas where the banks did not have a brick and mortar branch present. The objective behind it was to aid the process of financial inclusion and consequently take banking to the remotest areas of the country and make them bankable.

What do these correspondents do?

The business correspondent is nothing but a bank-in-person, who is authorised to collect deposits and extend credit on behalf of the bank of small-ticket sizes. He also recovers principal interest of small value deposits, sale of micro insurance, mutual fund products, pension products, receipt and delivery of small value remittances/other payment instruments.

Who is eligible to be a banking correspondent?

RBI has allowed a host of entities to act as business correspondents (BCs) of banks. These include NGOs/MFIs set up under Societies/Trust Acts; societies registered under Mutually-Aided Co-operative Societies Acts, or the Co-operative Societies Acts of States: Section 25 companies, which are not-for-profit companies: companies in which NBFCs, banks, telecom companies and other corporate entities or their holding companies do not have equity holdings in excess of 10%; post offices and retired bank employees, ex-servicemen and retired government employees.

### How is a business facilitator different from a business correspondent?

Very often the term 'business correspondents' is used interchangeably with the term 'business facilitators' (BFs). But RBI makes a clear distinction between the two. BF's are allowed to undertake only facilitation services like identification of borrowers, collection and preliminary processing of loan applications, including verification of primary information, creating awareness about savings and other products, processing and submission of applications to banks and promoting and nurturing SHGs



and follow-up of recovery and debt counselling. However, facilitation of these services does not include conduct of banking business by BF's, which is the exclusive function of business correspondents.

### EEFC accounts

#### What is an EEFC Account?

Exchange Earners' Foreign Currency (EEFC) account is foreign currency-denominated account maintained with banks dealing with foreign exchanges. The Reserve Bank of India introduced this scheme in 1992 to enable exporters and professionals to retain their foreign exchange receipts in banks without converting it into the local currency. Any person residing in India who receives inward remittances in foreign currency or a company with foreign currency earnings can open EEFC account but they don't earn any interest from the deposits and it is a non-interest bearing scheme.

#### What is the minimum balance for EEFC?

This is typically a zero-balance account like normal current accounts. In other words, this means no account holder needs to maintain an average or minimum balance in the EEFC account.

#### How does EEFC help exporters or individuals earn foreign currency receipts?

As the account is maintained in foreign currency, no depositors are protected from exchange rate fluctuations.

#### Is there any prescribed limit of deposits in EEFC?

There is no such limit. One can credit his or her entire foreign exchange earnings into this account, subject to some permissible credits.

#### Can one take a foreign currency loan and put it in EEFC?

Remittances received on account of foreign currency loan or investment received from abroad can't be deposited in EEFC.

#### What are the permissible credits in this account?

- Inward remittances received by an individual
- Payments received by a 100% export-oriented unit, export processing zone, software technology park and electronic hardware technology park
- Payments received in foreign exchange by a unit in domestic tariff area for supply of goods to a unit in SEZ
- Payment received by an exporter for an account maintained with an authorised dealer for the purpose of counter trade, which is an adjustment of value of goods imported against value of goods exported

- Advance remittance received by an exporter towards export of goods or services

#### Can one withdraw in rupees from EEFC account?

There is no such restriction on withdrawal in rupees of funds held in an EEFC account. However, the amount withdrawn in rupees can't be converted into foreign currency again and re-credited to the account.

#### Can one make a payment directly from EEFC account?

One can make a direct payment from EEFC outside India as per the provisions laid down in FEMA regulations. Fully export-oriented units can also pay in foreign exchange for purchasing goods as per the country's foreign trade policy. A person residing in India can use the account for paying airfare or hotel expenditure.

### Reserve Bank 'oversight' functioning

#### What is the 'oversight' function of RBI?

The Bank for International Settlements defines oversight as a central bank function, whereby the objectives of safety and efficiency are promoted by monitoring existing and planned systems, assessing them against these objectives and, where necessary, inducing change".

The three key ways in which oversight activity is carried out are through (i) monitoring existing and planned systems; (ii) assessment and (iii) inducing change. In India, the Payment and Settlement Systems Act, 2007, and the Payment and Settlement Systems Regulations, 2008, provide the necessary statutory backing to the Reserve Bank of India for undertaking the oversight function. The central bank manages the various settlements system, including cash, through currency chest and clears cheques, besides various electronic clearing services.

#### What is Electronic Clearing Service?

It was among the early steps initiated towards moving to a paperless settlement system by the Reserve Bank of India. The Bank introduced the ECS (Credit) scheme during the 1990s to handle payment requirements like salary, interest, dividend payments of corporates and other institutions.

The ECS (Debit) Scheme was introduced by RBI to provide a faster method of effecting periodic and repetitive collections of utility companies. ECS (Debit) facilitates consumers/subscribers of utility companies to make routine and repetitive payments by 'mandating' bank branches to debit their accounts and pass on the money to the companies.

#### What are the various settlement systems & agencies?

National Electronic Funds Transfer (NEFT) System: In November 2005, a more secure system was introduced

for facilitating one-to-one funds transfer requirements of individuals/corporates. Available across a longer time window, the NEFT system provides for batch settlements at hourly intervals, thus enabling a near real-time transfer of funds.

**Real-Time Gross Settlement (RTGS):** It is a funds transfer system where transfer of money takes place from one bank to another on a “real time” and on a “gross” basis. Settlement in “real time” means payment transaction is not subjected to any waiting period.

“Gross settlement” means the transaction is settled on one-to-one basis without bunching or netting with any other transaction. Once processed, payments are final and irrevocable. This was introduced in 2004 and settles all inter-bank payments and customer transactions above Rs. 2 lakh.

**Clearing Corporation of India (CCIL):** The Corporation, set up in April 2001, plays the Central Counter Party (CCP) in government securities, the US dollar and the rupee forex exchange (both spot and forward segments) and Collateralised Borrowing and Lending Obligation (CBLO) markets.

CCIL plays the role of a central counterparty whereby, the contract between a buyer and a seller gets replaced by two new contracts — between CCIL and each of the two parties. This process is known as ‘Novation’. Through novation, the counterparty credit risk between the buyer and seller is eliminated with CCIL subsuming all counterparty and credit risks.

#### **What does the National Payments Corporation of India do?**

The Reserve Bank set up the National Payments Corporation of India (NPCI), which became functional in 2009, to act as an umbrella organisation for operating various Retail Payment Systems (RPS) in India.

NPCI has taken over National Financial Switch (NFS) from the Institute for Development and Research in Banking Technology (IDRBT). The National Financial Switch (NFS) is an inter-bank network managed by Euronet India.

#### **Self-help groups**

##### **What is a self-help group (SHG)?**

SHG primarily comprises members with homogenous social and economic backgrounds. It is a voluntarily formed group consisting of women, rural labourers, small farmers and micro-enterprises. The concept is akin to the concept of democracy. SHGs are formed by the members, for the members and of the members. The number of members could be as less as five and could even go up to 20. They save and contribute to a common fund which is used to lend to the members. Since they know each other, members do not seek collateral from each other.

##### **What are the goals of an SHG?**

An SHG is seen as an instrument for achieving a variety of goals, including empowering women. Data from Nabard, which pioneered the concept, shows that 90% of members in the SHG are women and most of them do not have any assets. It also helps in developing leadership abilities among the poor, increasing school enrolments, improving nutrition and in birth control. An SHG is generally started by non-profit organisations, such as an NGO with broad anti-poverty agendas. It is also a popular channel of micro-lending by commercial banks, particularly government-run banks.

##### **What are the advantages of financing through an SHG?**

A poor individual benefits enormously being part of an SHG. Raising finance through SHGs reduces transaction costs for both lenders and borrowers. Lenders have to handle only a single SHG account instead of a large number of small-sized individual accounts, borrowers as part of an SHG cut down expenses on travel to the branch to get the loan sanctioned.

##### **What are the different ways in which banks fund SHGs?**

Banks deal directly with individual SHGs. They provide financial assistance to each SHG for lending to individual members. Alternatively, banks provide loans to SHGs with recommendation from NGOs. Here the SHGs are formed by NGOs or government agencies, which raise funds from banks. In this, NGOs would organise the poor into SHGs, undertake training, help in arranging inputs and marketing and assist in maintenance of accounts.

#### **Priority-sector lending**

##### **What is priority-sector lending?**

Banks were assigned a special role in the economic development of the country, besides ensuring the growth of the financial sector. The banking regulator, the Reserve Bank of India, has hence prescribed that a portion of bank lending should be for developmental activities, which it calls the priority sector

##### **Are there minimum limits?**

The limits are prescribed according to the ownership pattern of banks. While for local banks, both the public and private sectors have to lend 40 % of their net bank credit, or NBC, to the priority sector as defined by RBI, foreign banks have to lend 32% of their NBC to the priority sector.

##### **What is net bank credit?**

The net bank credit should tally with the figure reported in the fortnightly return submitted under Section 42 (2) of the Reserve Bank of India Act, 1934. However, outstanding deposits under the FCNR (B) and NRNR schemes are excluded from net bank credit for computation of priority sector lending target/subtargets.

##### **Are there specific targets within the priority sector?**

Domestic banks have to lend 18 % of NBC to agriculture and 10 % of the NBC has to be to the weaker section. However, foreign banks have to lend 10 % of NBC to the small-scale industries and 12 % of their NBC as export credit. However, for the balance, there are a vast number of sectors that banks can lend as priority sector. The Reserve Bank has a detailed note of what constitutes a priority sector, which also includes housing loans, education loans and loans to MFIs, among others.

#### What has been the experience so far?

It has been observed that while banks often tend to meet the overall priority sector targets, they sometimes tend to miss the sub-targets. This is particularly true in case of domestic banks failing to meet their sub-targets for agricultural advances. One of the reasons banks often site for not lending to this sector is that recovery is often difficult.

Is there any penal action in case of non-achievement of priority sector lending target by a bank?

Domestic banks having a shortfall in lending to priority sector - agriculture are allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established in NABARD. In case of foreign banks operating in India, which fail to achieve the priority sector lending target or sub-targets, an amount equivalent to the shortfall is required to be deposited with SIDBI for one year.

#### Islamic-finance

##### What is Islamic finance?

Islamic finance refers to a financial system that is consistent with the principles of Sharia, the sacred law of Islam. It is different from regular banking in that it prohibits earning of interest (or nba) through the business of lending. It also prohibits direct or indirect association with businesses involving alcohol, pork products, firearms and tobacco. It also does not allow speculation, betting and gambling.

##### How does it work?

Islamic finance takes the form of Islamic banking and Islamic insurance, also known as Takaful.

Islamic banking is done in five ways:

1. Mudarabah, a profit-sharing agreement
2. Wadiah, a safe keeping arrangement
3. Musharakah, or a joint venture for a specific business
4. Murabahah, cost plus arrangement where goods are sold with a pre-determined margin of profit
5. Ijarah, a leasing arrangement

Takaful is a form of mutual insurance based on partnership and collective sharing of risk by a group of individuals.

##### How has Islamic banking progressed in recent years?

Islamic banking is most prevalent in Malaysia. It is spreading rapidly in West Asia, where the population is predominantly Muslim. New global financial centres such as Singapore, Hong Kong, Geneva, Zurich and London have made changes in regulations to accommodate the Islamic finance industry, which is nearly a trillion dollar in size now.

Indian regulations do not allow Islamic banking but the government is considering allowing it.

##### What restricts the growth of Islamic finance?

Most banks conducting Islamic operations have a panel of Muslim scholars called Sharia committee or Sharia board, which determines whether a product or practice complies with Islamic provisions. Also, the accounting is done differently for which there is an official standard-setting body known as the accounting and auditing organization for Islamic financial institutions. The strict code makes Islamic banking a very niche product.

#### GAAR

What is GAAR and what does it mean when it is invoked?

These rules target any transaction or business arrangement that is entered into with the objective of avoiding tax. More and more countries are adopting these rules to check aggressive tax planning.

When GAAR is invoked, it would mean that particular transaction or arrangement would be impermissible and denied the tax benefit it has claimed.

Clarity on when GAAR will be invoked — The rules will be invoked when the main purpose of an arrangement is to obtain a tax benefit.

#### Current Account Deficit Funding

The current account deficit (CAD) in a country's balance of payments measures the gap between import and export of goods, services and transfers.

This deficit is not necessarily a bad thing. Developing countries may run a CAD in the short term to increase local productivity and exports in the future. But in the long run, a current account deficit can sap economic vitality.

##### How is CAD funded?

A deficit in the current account is funded by various capital inflows, including portfolio investments, external commercial borrowings, foreign direct investments and NRI deposits. Inadequate resources to finance CAD may put pressure on the local currency.

##### What is the ideal way to fund it?

The best way to fund the current account deficit is through non-debt creating long-term inflows such as foreign direct investments. Volatile inflows like portfolio investments, sometimes referred to as hot money, could



threaten the stability of the external sector balance sheet.

### White Label ATMs

#### What is a white-label ATM?

Most automated teller machines (ATMs), or machines that dispense cash, are owned by banks. But ones that are owned and operated by non-banking companies are called white-label ATMs (WLAs). They function just the same way as any other bank-run ATM,

#### Why did the RBI permit them now?

So far, banks have deployed almost 87,000 ATMs across India. Although they are free to put up ATMs anywhere, there is still a huge scope for setting up more ATMs in non-urban and non-metro cities.

So, the RBI has allowed non-banking companies to deploy white-label ATMs to expand their reach in rural India. However, non-banking companies entering this market will have to maintain a certain ATM ratio between rural and urban India. The RBI is yet to prescribe the ratio.

#### How does the customer benefit?

As the ATM network expands, more and more people will have easy access to cash as any customer with an ATM card can access white-label ATMs. However, the RBI norm allowing five free ATM transactions will not be applicable at these ATMs.

While the non-banking company won't be allowed to charge a customer directly for the transaction, the costs are expected to be displayed upfront on the screen. It is likely that the bank may recover the transaction charge from the customer separately.

#### Note on "Brown Label ATMs"

Brown label ATMs are those Automated Teller Machines where hardware and the lease of the ATM machine is owned by a service provider, but cash management and connectivity to banking networks is provided by a sponsor bank whose brand name logo is used on the ATM.

### Unified Financial Regulatory Agency

The government mandated the Financial Sector Legislative Reforms Commission, or FSLRC, to rewrite laws governing the Indian financial sector, many of them being archaic to provide financial sector architecture of the future.

One of the key recommendations is the formation of a new Unified Financial Regulatory Agency, or UFRA.

#### What is the rationale for the Unified Financial Regulatory Agency?

The need for a unified agency was felt in the context of jurisdictional tussle witnessed among various regulators who police a range of financial products.

The FSLRC has recommended that the Securities and Exchange Board of India (SEBI), the Forward

Markets Commission (FMC), the Insurance Regulatory and Development Authority (IRDA) and the Pension

Fund Regulatory and Development Authority (PFRDA) should be merged into a new unified agency UFRA.

#### What is the role of UFRA?

The agency will implement the consumer protection and micro-prudential laws for all financial firms other than banking and payments.

It will also take over the work of organised financial trading from RBI in areas connected to the bond-currency-derivatives nexus, and from FMC for commodity futures, thus bringing under one umbrella all organised financial trading, including equities, govt bonds, currencies, commodity futures and corporate bonds UFRA's proposed functions, powers.

The general functions of UFRA will include making regulations, issuing guidance to financial service providers and supervising their conduct to ensure compliance with law, and taking appropriate enforcement actions to deal with violations.

The regulator will need to put in place appropriate arrangements to seek relevant information from financial service providers, impose record-keeping requirements, conduct investigations, inspect premises and hold meetings with financial service providers. If the regulator has reasonable grounds to suspect a violation of law, it may initiate appropriate actions.

#### Why is UFRA Critical for the Indian financial markets?

There have been regulatory overlaps leading to confusion and turf wars at the cost of market development and consumer interest.

The UFRA, the commission reckons, will yield benefits in terms of economies of scope and scale in the financial system besides reducing the identification of the regulatory agency with one sector, promoting efficiency by providing a common platform for organised financial trading in instruments, including equities, dividends, currencies and commodity futures, also the unification of regulation and supervision of financial firms such as mutual fund houses, insurance - companies, and a diverse array of firms which are not banks or payment providers, are expected to yield consistent treatment in consumer protection and micro-prudential regulation across all of them.

#### WHAT IS A BAD LOAN?

An account is termed as a bad loan or NPA when a borrower fails to pay his bank monthly-equated installment. According to banking rules, a loan is classified as an NPA when the EMI, principal or interest component, is not paid within 90 days from the due date. When an asset ceases to generate any income, it's termed as a bad loan. There are classifications of loans — standard, sub-standard, doubtful and loss assets. In order to ensure that banks are not affected due to defaults, regulator RBI has mandated them to make provisions or set aside money when an account turns bad.

**WHAT'S A STANDARD NC?**

If a borrower pays his dues regularly, it is classified as a standard account. The RBI has asked banks to make provisions also for standard loans. Provision on all types of standard loan is 0.40% of the loan amount.

**WHAT IS A SUBSTANDARD ASSET?**

An asset is sub-standard when it remains as a bad loan for a period less than or equal to 12 months. In such loans, the net worth of the borrower or the market value of the security charged is not enough to ensure entire recovery of the dues. The provision to be set aside for sub-standard loan is 15% of the overdue amount.

**WHAT IS A DOUBTFUL ASSET CATEGORY?**

When an asset remains in the sub-standard category for 12 months it is classified as doubtful asset.

Recovery of the full value of the overdue is highly questionable and mostly improbable.

**WHAT IS A LOSS ASSET?**

A loss asset is when a bank acknowledges that there is little or no value in retaining the account on its book and ideally, such loans should be written off. The RBI has mandated banks to provide 100% for the outstanding dues.

**IS IT POSSIBLE TO UPGRADE AN NC FROM AN NPA TO STANDARD CATEGORY?**

- ♦ When a borrower pays arrears of interest and principal, the account can be upgraded from an NPA category to a standard loan category. Often banks restructure a loan account by giving borrowers more time to repay dues and at times interest rate is lowered.

**Are all loans where payment remains overdue classified as NPA?**

Banks are required to classify non-performing assets further into the following three categories based on the period for which the asset has remained non performing and the realisability of the dues. The three categories are -- Substandard Assets, Doubtful Assets and Loss Assets. If an account remains NPA for a period of 12 months it is classified under Substandard, if it remains Substandard for 12 months it is classified as Doubtful. A Loss Asset is one where loss has been identified by the internal or external auditors.

**Can an account be termed as NPA if the loan is given through a consortium?**

Yes, an account can be classified as NPA even if there are multiple lenders. The classification is based on the record of recovery of the individual member banks and other aspects having a bearing on the recoverability of the advances. The banks participating in the consortium should, therefore, arrange to get their share of recovery transferred from the lead bank in the consortium or get consent from the lead bank for the transfer of their share of recovery, to ensure proper asset classification in their respective books.

**Do banks have to keep aside extra funds for NPAs?**

Banks have to keep aside extra funds, called provisioning in banking parlance, for standard assets as well. As per the norms, banks have to make a general provision of 0.40% for all loans and advances except that given towards agriculture and small and medium enterprise (SME) sector. In case of NPAs, provisioning needs to be done as per the NPA category. For substandard loans, a general provisioning of 10% on the total outstanding amount is made if the loan is secured, for unsecured loans the total provisioning that needs to be done is 20% on the outstanding balance.

**How do banks recover their NPAs?**

Under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, the banks can take legal recourse to recover their dues. If a borrower makes any default in repayment and his account is classified as NPA, then the secured creditor has to issue notice to the borrower giving him 60 days to pay his dues. If the dues are still not paid, the bank can take possession of the assets and can also give it on lease or sell it.

**Can bank sell their NPAs?**

A bank can sell NPA from its books to asset reconstruction companies such as ARCIL only if it has remained NPA for at least two years. Such sale can take place only on cash basis. The purchasing bank has to keep the accounts in its books at least for a period of 15 months before it is sold to other banks. The purchased NPA may be classified as 'standard' in the books of the purchasing bank for a period of 90 days from the date of purchase.

**What is core inflation?**

It refers to changes in the price of a select basket of commodities, which excludes items with volatile prices such as food and fuel.

**Why do central banks follow core inflation more closely than headline inflation?**

To manage the rate of price rise, central banks need to know the underlying demand pressures in the economy, as heavy demand tends to push prices up.

Core inflation provides this measure. It gives an indication whether manufacturers are able to pass on any rise in input costs without suffering a drop in demand. Thus, core inflation helps central banks predict headline inflation.

**Does core inflation influence monetary policy?**

High core inflation indicates demand pressures in the economy that can trigger rapid price rise. A central bank can then lift interest rates to dampen demand and lower inflation. On the other hand, if core inflation is low, the central bank can cut rates to spur demand.

If a central bank focuses only on headline inflation, which could be rising because of high food prices, then its monetary signals will fail to yield the desired benefits because demand for food is not much influenced by interest rates. In such a situation, monetary policy could hit elsewhere, for instance, investments.

**How is core inflation measured in India?**

India got a nationwide measure of retail inflation only last year. Given the lack of historical data, the wholesale price index is still the most widely watched measure of prices.

It includes three broad categories of items - primary articles (which include food), fuel and manufactured goods. While some economists consider inflation in manufactured goods as a measure of core inflation, other slice it further to consider only the non-food manufactured goods.

### Exchange Traded Funds (ETFs)

An ETF is a basket of stocks that reflects the composition of an index, like S&P, CNX Nifty, BSE Sensex or the banking index. An ETF's trading value is based on the net asset value of the underlying stocks that it represents. It is similar to a mutual fund that you can buy and sell in real-time at a price that changes during the trading session. ETFs are essentially index funds that are listed and traded on exchanges like stocks. They enable investors to gain broad exposure to entire stock markets in different countries and specific sectors with relative ease, on a real-time basis and at a lower cost than many other forms of investing.

#### What are the types of ETFs?

The two popular ETFs in India are index ETFs and commodity ETFs. Most ETFs in India are index funds that hold securities and attempt to replicate the performance of a stock market index. Nifty Bees, Junior Bees, Gold Bees, Bank Bees and Hang Sang Bees are some of the ETFs traded in India. Among the commodity ETFs, gold ETFs are actively traded in India.

#### What are the advantages and disadvantages of using ETFs?

There are several benefits in investing in ETFs. They can be easily bought and sold like stocks during trading hours using your demat account with no additional paperwork. They have lower expense ratio and the minimum investment is of one unit. However, unlike mutual funds that do not need a demat account, for buying and selling ETFs you need a trading account. Also since ETFs, like stocks, are bought through a broker, every time you trade you also end up paying brokerage for your transaction. However, ETFs allow investors to take the benefit of intra-day movements in the market, which is not possible with open-ended funds.

Take the example of a gold ETF. Buying physical gold and storing it involve tedious processes. You will have to pay a mark-up to the jeweller and then spend some more get a bank locker. On the other hand, buying, selling and storing gold in electronic form is more convenient and price-effective. As ETFs are listed on the exchanges, distribution and other operational expenses are significantly lower.

#### How are ETFs used?

Asset allocation: For individuals it could be difficult to manage asset allocation given the cost involved. ETFs provide investors with exposure to broad segments of the equity markets. They enable investors to build customised

investment portfolios in line with their risk taking ability and time horizon.

Ride the market rally: Many times, investors need time to make investment decisions, like buying a particular stock, but do not want to miss out on the opportunity in the stock markets. At such times they can park their funds in ETFs. Because ETFs are liquid, investors can participate in the market rally while deciding where to invest the funds for the longer-term, thus avoiding potential opportunity costs.

Hedging Risks: ETF's can be used as hedging vehicle because they can be borrowed and sold short. The smaller denominations in which ETFs trade relative to most derivative contracts provide a more accurate risk exposure match, particularly for small investment portfolios.

#### What is GDP?

GDP, or gross domestic product, is the value of all goods and services produced in the economy over a period of time, normally a year. The measure excludes intermediate goods, or the goods and services that go into the production of other goods. This is to prevent double counting as value of intermediate goods is already included in the final goods or service. It is a gross measure in that value of capital goods that goes into replacement is not netted out. It is a 'domestic measure as it does not include income from abroad.

#### What is the significance of GDP?

The absolute GDP and its growth are important indicators of the health of an economy. While absolute GDP gives an idea of the size and the relative importance of a country in the global system, its growth gives an indication of its future progress. The measure, however, suffers from a number of shortcomings. The creator of the GDP, Simon Kuznets, had pointed out the flaws while presenting it to the US Congress. "The welfare of a nation can scarcely be inferred from a measurement of national income," he had said.

#### What are the key shortcomings of the measure?

GDP measures only the overall income generation in the economy. It does not tell us to whom the income accrues and where it is spent. A poor distribution can mask islands of underdevelopment. For instance, agriculture has an 18% share in India's GDP, but the sector supports more than 60% of the people, implying that per person share of the national income is very low for a vast majority. It also misses out on goods and services which are not traded — such as household work, natural resources and leisure. It is also a quantitative measure that makes no distinction for the quality of national income. For instance, environmentally harmful mining could boost national income but at a huge cost to the society at large.

#### What other measures make it more meaningful?

A per capita measure of GDP, or the absolute level of GDP divided by the population of a country, pitches the number in relation to the people. This number gives us a sense of what everybody would be earning if the income were distributed equally. Of course, in real situation the income will be unequally distributed. India is among the biggest economies, but low per capita GDP rightly pitches



it among the poorer nations. Measures such as Human Development Index give a qualitative dimension to GDP.

### What is Liquidity?

Liquidity simply means the amount of money floating in the system that is available to all participants in the financial markets, which includes individuals, corporate entities and the government.

### What affects liquidity?

Liquidity is influenced by demand and supply of money in the system. The central bank, the Reserve Bank of India, can increase or decrease the liquidity in the financial markets. There are three ways the liquidity gets affected. First, the borrowings of the government — the biggest borrower in India — to fund the deficit that arises when its income falls short of expenses.

Second will be the increased borrowings by the corporate sector to fund capital expenditures and short-term credit needs. A third reason could be a reduction of availability of the rupee by the central bank by buying rupee and selling a foreign currency such as the US dollar. This is primarily done to maintain the value of rupee. The central bank prefers to withdraw excess liquidity from the financial market when asset prices near a bubble situation.

### What are the variables affected by liquidity?

Commodities that are not available easily tend to become costly. Money is no exception to this. If the central bank prefers to reduce liquidity from the financial system, the same is reflected by a hardening of interest rates. It is especially visible at the short end of the yield curve. Put simply, the loans become costlier. At the other end, borrowers will have to pay more to raise money.

If there is ample liquidity in the financial system, investors and speculators find it easy to leverage. This ensures that the asset prices rise. Hence periods of low interest rates, with ample liquidity in the financial system, create a good environment for price rise across asset classes, such as equities, commodities and real estate.

But if the liquidity is reduced, the speculators find it difficult to hold on to their positions due to higher interest burden or non-availability of money. This results in a fall in asset prices.

### What is ECS?

Electronic Clearing Service (ECS) is a mechanism of electronic funds transfer for transactions that entail an outgo of specified amounts at regular intervals. It is used by corporates to make various payments to their employees or investors; banks for accepting EMIs (equated monthly instalments) and utilities to collect payments for various bills.

Out of the two variants of the facility, that is, ECS Credit and ECS Debit, it is the latter that primarily concerns an individual user — termed beneficiary in this context. Individuals intending to make payments to these utilities or discharge their EMIs have to sign up with these entities to participate. From the individual's point of view, ECS mandate is in the nature of issuing standing instructions to his/her bank for making payments on a pre-decided date. You can also use the facility to make your insurance premium and EMI payments as well as mutual

fund investments through systematic investment plan (SIP) route.

### How does an individual avail of this service?

To avail of this service, you have to give the organisation — for instance, the telephone utility you pay bills to every month or the fund house in whose scheme you invest SIP — a mandate that represents your consent to avail of the facility and authorisation to your bank to honour the payment when due. It contains details such as your name, bank account number, branch, etc, along with the date on which your account is to be debited. The mandate forms can be obtained either from the entities' websites or their designated centres.

### What is CIBIL?

CIBIL is the country's credit information bureau owned by banks and other lending institutions. It collects commercial and consumer credit-related data and collates such data to create and distribute credit Reports to members. Accessing to such data is crucial for lenders to assess the credit worthiness of a borrower. CIBIL gets information from its members only and supplements it with public domain information to create a comprehensive snapshot of an entity's financial track record. The RTI Act, 2005 is not applicable to CIBIL and it can't provide Credit Information Report to credit providers in other countries

### What is a Credit Information Report?

A Credit Information Report (CIR) is a factual record of a borrower's credit payment history compiled from information received from different lenders. Reports can only be accessed by members who have provided all their data to CIBIL only to take valid credit decisions.

The CIR includes —

- Basic borrower information such as name, address, identification numbers, passport ID, voters ID, date of birth etc.
- Records of loans availed by the borrowers
- Past payment history of the borrowers and the amount overdue
- Number of inquiries made on the borrower by different members
- Suit filed status

The CIR does not contain income / revenue details, amount(s) deposited with the bank, details of borrowers' assets, value of asset(s) mortgaged, details of borrower's assets, etc.

### When is a credit facility classified as 'default'?

CIBIL does not classify any accounts as default accounts. It merely reflects this information after the member has classified it as such. It does not provide any opinion, indication or comment pertaining to whether credit should be granted.

### Foreign Institutional Investor (FII)

Foreign Institutional Investor (FII) means "an institution established or incorporated outside India which proposes to make investment in India in securities, real property and other investment assets". In India Foreign

Institutional Investor (FII) refers to outside companies investing in the Indian Financial Markets.

India opened its stock market to Foreign Institutional Investors (FII) in September 1992. Since 1993, India received portfolio investment from foreigners in the form of Foreign Institutional Investment (FII) in equities.

In order to trade in Indian equity market, all Foreign Institutional Investors (FII) must register with the Securities and Exchange Board of India (SEBI) which is the regulator for the securities market in India.

Persons who propose to invest their proprietary funds or on behalf of "broad based" funds or of foreign corporates and individuals and belong to any of the under given categories can be registered for FII.

- ◆ Pension Funds
- ◆ Mutual Funds
- ◆ Investment Trust
- ◆ Insurance or reinsurance companies
- ◆ Endowment Funds
- ◆ University Funds
- ◆ Asset Management Companies
- ◆ Nominee Companies
- ◆ Institutional Portfolio Managers
- ◆ Trustees
- ◆ Power of Attorney Holders
- ◆ Bank

#### What is an Initial Public Offering (IPO)?

A maiden public issue of shares by a company is termed as an Initial Public Offering (IPO). It is often treated as a milestone in a company's lifecycle and usually marks the transition from a small closely-held company to a listed entity. Most IPOs are done by smaller, younger companies which need capital to expand their business. However, often they are also done by large privately-owned companies looking to become publicly-traded. The new investors who come in the company by way of owning shares, through the IPO become members of the family of existing shareholders.

#### Why do companies go for an IPO? What are its benefits?

Companies float an IPO to raise capital. Listed companies get access to cheaper capital. Since they are more compliant and transparent, and are subjected to scrutiny by various authorities, they can get access to lower interest rates when they issue debt. A listed company can issue more stock and raise fresh capital faster than an unlisted company. They can also offer their own stock to buy out a company. Hence, mergers and acquisitions are easier for listed companies since they can issue stock as part of the deal. A listed company can offer ESOPs to employees, which is an attractive retention tool. There is also a considerable amount of prestige that follows a successful listing.

#### How can an IPO be structured?

An IPO can be done either through a fresh issue of shares or through an offer for sale of existing shares to investors. If fresh shares are issued, the company's fresh

capital is injected into the business and its equity base increases. The stake of existing investors in the company decreases, to that extent. When existing shareholders of the company sell equity shares that they own, then it is called an offer for sale. In this case, there is no infusion of money in the company. The existing shareholders sell their stake usually for a profit.

How long does it take for a company to list post-IPO?

In a recent directive, SEBI has ordered companies to get their issue listed within 12 days, from the date of closure of the IPO. Earlier, it took companies 22 days to list the IPO.

#### How is an IPO priced?

IPOs are priced by companies in conjunction with merchant bankers. Essentially, there are two ways of pricing an IPO — the fixed-price route and the book-building option. In a fixed-price mechanism, the price at which the shares are issued to the public is disclosed, before the issue opens for subscription. In the book-building process,

the company announces a price band within which investors have to bid for the shares. The lower end of the price range is called the floor and the upper end is called the cap. After the bidding process is complete, the cut-off price is arrived at based on the demand of securities. Retail investors have the option of bidding at a cut-off price.

What are participatory notes?

Participatory notes (commonly known as P-notes) are instruments used by foreign funds and investors who are not registered with the Securities and Exchange Board of India (SEBI) but are interested in taking exposure in Indian securities. Participatory notes are generally issued overseas by the associates of India-based foreign brokerages and domestic institutional brokerages. They are, in fact, offshore derivative instruments issued by foreign institutional investors and their sub-accounts against underlying Indian securities. Participatory notes are issued where the underlying assets are securities listed on the Indian bourses.

Foreign institutional investors who do not wish to register with the SEBI but would like to take exposure in Indian securities also use participatory notes. Brokers buy or sell securities on behalf of their clients on their proprietary account and issue such notes in favour of such foreign investors.

What is the Negotiated Dealing System?

NDS is an RBI-operated electronic trading system that does away with the physical exchange of forms between its trading members in facilitation of exchanges of government securities and other money market instruments. The platform also hosts the new government issues. The platform was introduced as a part of RBI's long-term plan for developing the government securities market. The system has helped in achieving paperless settlement of secondary market transactions and in the process has brought about transactional efficiency and transparency.

The system was introduced in February 2002. Brokers are not eligible for membership in NDS.

The objectives of NDS include: Starting an automated electronic Reporting and settlement process, a facilitating electronic auctions and providing a platform for trading in government securities on a negotiated

basis as well as through a quote-driven mechanism.

What type of trades is settled through NDS?

NDS provides an interface to the securities settlement system. All outright and Repo transactions in Treasury Bills and government-dated securities (Central and state governments) are settled through NDS, though corporate bonds are not traded on the NDS.

What is NDS-OM (Negotiated Dealing System-Order matching?)

The problem largely with NDS was that it was not user friendly. Thus, the working group on screen-based trading in government securities, chaired by Dr. RH Patil, suggested the improvised NDS-OM system, which did away with the inherent drawbacks of NDS.

The broad features of the NDS-OM system are as follows: The use of NDS-OM trading module is voluntary and will be available in addition to the existing telephone-based trading mechanism on NDS. During the first phase, the NDS-OM started with serving the trading requirements of all banks, primary dealers and financial institutions regulated by RBI that hold current NDS membership. The system is purely order-driven with all orders being matched, based on strict price/time priority.

The system is an anonymous order matching system, wherein the identity of parties is not revealed before or at the time of trade. The Clearing Corporation of India (CCIL) is the central counterparty to each trade done on the system. The system allows straight-through processing (STP), 'and trades executed will flow straight to CCIL in a ready-for-settlement stage.

The system provides functionalities for order management (placing, modifying or cancellation of orders), trade-related queries, activity log, market information and analytics. The system started with supporting dealing in all Central government and state government securities for T+1 settlement. The system is set to be further upgraded later to facilitate trading in discounted instruments like Treasury Bills.

What are SLR investments?

As part of prudential guidelines, central banks require lenders to maintain a portion of their deposits in liquid assets. These liquid assets can be cash, gold or government securities. The ratio of prescribed liquid investments to deposits is termed as statutory liquidity ratio. In India, banks invest in bonds issued by the government and notified by the Reserve Bank of India as qualifying for SLR to meet the prescribed ratio. Currently, the prescribed statutory liquidity ratio for banks is 25% of their deposits. SLR is occasionally used as monetary policy tool and the stipulation is made by authorities, keeping in mind the monetary policy objectives.

What are non-SLR investments?

Besides giving loans to businesses and individuals, RBI has also allowed banks to invest in various capital market instruments such as stocks and bonds issued by public and private sector companies and commercial papers. In addition, banks are also allowed to invest in various mutual fund schemes. Unlike SLR investments, there is no compulsion on banks to invest in these instruments. Investments are entirely guided by commercial considerations and many such investments are in accordance with the prescribed guidelines.

How are non-SLR investments and loans linked?

RBI treats both loans extended by commercial banks and the non-SLR investments as a resource flow to the commercial sector. Hence, it includes both while making credit projections it is comfortable with to achieve the targeted economic growth at the time of the monetary policy formulation during the beginning of the fiscal year.

Is there any differential treatment for the two types of investments?

Since SLR investments in bonds are issued by the government or its bodies, these enjoy a sovereign protection, and hence, are perceived to be risk-free. However, in case of non-SLR investments, the central bank attaches risk weights, depending on the industry and the state of the perceived risk on that sector as a prudential measure.

What are teaser rates?

Teaser loan rates are special home loan rates that are called so, as the banks attract customers by offering them lower rates of interest in the initial years and then, in the longer run, the rates are shifted from fixed to floating rates or the market-adjusted rates.

In the months that followed the collapse of Lehman Brothers, the Indian Banks' Association, nudged by the government formulated a scheme where interest rates for loans up to 5 lakh and loans up to 20 lakh were available at discounted rates of 8.5% and 9.25%, respectively, for the first five years. This was a limited period scheme, which was part of the stimulus measures announced by the government.

Around this time, SBI came out with its own teaser loan called the Easy Home Loan. This scheme offered loans at 8% in the first year and then 8.5% in the next two years. From the third year, the borrower could go for a fixed rate or a floating rate, which s/he would have to make it clear while buying the loan. With the scheme gaining popularity, other lenders such as ICICI Bank and HDFC were forced to offer similar schemes.

Why have teaser loans received a bad name?

Teaser home loans have received a bad name because of the sup-prime crisis in the US. In America, many lenders encouraged borrowers to take on home loans they could not afford by offering them teaser rates for the initial years. As long as home prices rose, many borrowers were able to take second loans on their property and meet their obligations. But when home prices stabilised, many borrowers were not in a position to repay and banks found it difficult to realise their loans.

What are the banks' arguments?



Bankers point out that there is big difference between the lending activity in the US that led to the sub-prime crises compared to what is happening in India. Firstly, the concept of a secondary loan when property value rises is not there in India. Secondly, unlike in US, in India, teaser rates do not lead to 'negative amortisation' — a phenomenon where the outstanding amount increases because borrowing costs are back-ended. Third, in India, for the purpose of loan eligibility, lenders look at the average cost of the loan. Fourth, India faces a housing shortage of 19 million homes, which means that the demand is unlikely to fall. Finally, the systemic risk is lower because in India, the average loan-to-value ratio is below 80%, which means that lenders have a good chance of recovering their loans in a default.

Why is it a cause of concern for RBI?

RBI's concern over teaser rates has to be seen in conjunction with its concern over the sudden rise in real estate prices, which have jumped 60% in less than two years in some centres. RBI fears that teaser rates, coupled with the wealth effect, might facilitate individuals to make expensive bets on property. If interest rates rise sharply after two years, many borrowers might find it difficult to afford to pay their instalments and if there is a simultaneous correction in real estate prices, it could also lead to a rise in defaults. To reduce these risks, RBI raised the standard provision on teaser loans from 0.40% to 2% on the same grounds.

What is arbitrage?

Arbitrage is an investment strategy aimed at capturing the price differential between two or more markets to earn a risk-free profit. To execute an arbitrage deal, one has to simultaneously enter into deals in two markets where the price differential exists.

For example, one can buy shares of Company ABC in cash market at Rs 100 a piece and at the same time sell a future contract of an equal number of shares at Rs 105. This helps to catch the price differential of Rs 5 per share. By the end of the expiry of the contract, prices in cash and futures market converge, offering a risk-free profit.

Conversely, one may sell in cash market and buy in futures, if the price in the cash market is higher than the futures market, provided there is an efficient security lending arrangement.

Can money be made in this manner?

There are many who identify arbitrage opportunities across asset classes and markets. These are called arbitrageurs. Continuous tracking of markets and availability of good amount of cash are must to carry out the role of an arbitrageur to make a decent size of money.

Narrow spreads also limit the rate of return. This makes life difficult for an individual with limited resources.

How do retail investors participate?

Mutual funds come to the rescue of those who intend to take the arbitrage route but lack the expertise. The schemes here aim to make risk-free profits, by capturing the price differentials across markets arising out of the inefficiencies of the markets.

You can invest in such funds with a minimum of Rs 5,000. The ideal time horizon of an investment ranges between one and two years. The expected rate of return can be slightly above that of one offered by bank fixed deposits of a similar tenure.

Why G-Secs?

Provident funds, by their very nature, need to invest in risk free securities that also provide them a reasonable return. Government securities, also called the gilt edged securities or G-Secs, are not only free from default risk but also provide reasonable returns and, therefore, offer the most suitable investment opportunity to provident funds.

What are G-Secs?

The Government securities comprise dated securities issued by the Government of India and state governments as also, treasury bills issued by the Government of India. Reserve Bank of India manages and services these securities through its public debt offices located in various places as an agent of the Government.

Treasury Bills

Types

Treasury bills (T-bills) offer short-term investment opportunities, generally up to one year. They are thus useful in managing short-term liquidity. At present, the Government of India issues three types of treasury bills through auctions, namely, 91-day, 182-day and 364-day. There are no treasury bills issued by State Governments.

Amount

Treasury bills are available for a minimum amount of Rs.25,000 and in multiples of Rs. 25,000. Treasury bills are issued at a discount and are redeemed at par. Treasury bills are also issued under the Market Stabilization Scheme (MSS).

Auctions

While 91-day T-bills are auctioned every week on Wednesdays, 182-day and 364-day T-bills are auctioned every alternate week on Wednesdays. The Reserve Bank of India issues a quarterly calendar of T-bill auctions which is available at the Banks' website. It also announces the exact dates of auction, the amount to be auctioned and payment dates by issuing press releases prior to every auction.

Payment

Payment by allottees at the auction is required to be made by debit to their custodian's current account.

Participation

Provident funds can participate in all T-bill auctions either as competitive bidders or as non-competitive bidders. Participation as non-competitive bidders would mean that provident funds need not quote the price at which they desire to buy these bills. The Reserve Bank allots bids to the non-competitive bidders at the weighted average price of the competitive bids accepted in the auction. Allocations to non-competitive bidders are in addition to the amount notified for sale. In other words, provident funds do not face any uncertainty in purchasing the desired amount of T-bills from the auctions.

Where to purchase from?

T-bills auctions are held on the Negotiated Dealing System (NDS) and the members electronically submit their bids on the system. Non-competitive bids are routed through the respective custodians or any bank or PD which is an NDS member.

#### Dated Securities

Government paper with tenor beyond one year is known as dated security. At present, there are Central Government dated securities with a tenor up to 30 years in the market.

#### Auction/Sale

Dated securities are sold through auctions. Fixed coupon securities are sometimes also sold on tap that is kept open for a few days. Of late, the issuance of Central/state Government dated securities are being done through auctions.

#### Announcement

A half yearly calendar is issued in case of Central Government dated securities, indicating the amounts, the period within which the auction will be held and the tenor of the security, which is made available on Reserve Bank's website. The Government of India and the Reserve Bank also issue a press release to announce the sale, a few days (normally a week) before the auction. The press release is widely Reported in the print media and wire agencies. The government of India also issues an advertisement in the leading financial newspapers. The announcement of auctions/sales and their results are published on the Reserve Bank website.

#### Amount

Subscriptions can be for a minimum amount of Rs.10,000 and in multiples of Rs.10,000.

#### Where are the sales held?

Auctions are conducted electronically on PDO-NDS system. The bids are submitted by the members on PDO-NDS system both on their own behalf as well as on behalf of their clients. Provident funds can submit their bids competitive/non-competitive to their respective custodian or to any bank/PD who is an NDS member.

#### Payment

The payment by successful bidders is made on the issue date, as specified in the auction notification, usually the working day following the auction day.

#### State Government Securities

These are securities issued by the state governments and are also known as State Development Loans (SDLs). The issues are also managed and serviced by the Reserve Bank of India.

The tenor of state government securities is normally ten years. State government securities are available for a minimum amount of Rs.10,000 and in multiples of Rs.10,000. These are available at a fixed coupon rate. The auctions for State Government securities are held electronically on PDO-NDS module.

#### SERVICE TAX VOLUNTARY COMPLIANCE ENCOURAGEMENT SCHEME

A one-time amnesty for those who have collected service tax but not deposited the same with the

government. Those service tax providers that have not filed service tax return since October 2007 can

disclose true liability and get an interest or penalty waive off.

#### COMMODITIES TRANSACTION TAX (CTT)

This is on the lines of securities transaction tax levied on sale and purchase of shares on stock exchanges. The tax will be levied on non-agricultural commodities futures at 0.01 per cent of the trade value, the same rate as that on equity futures.

#### INVESTMENT ALLOWANCE

A tax break given to companies for high value investment in plant and machineries, over and above depreciation benefits enjoyed by them. A company investing Rs. 100 crore or more in plant and machinery during the April 2013 to March 2015 will be entitled to deduct an investment allowance of 15 per cent of the investment. This is expected to see enormous spill-over benefits to small and medium enterprises.

#### INFLATION-INDEXED BONDS

The government hopes this will help increase financial savings instead of buying gold. In the recent years the rate of return on debt investments has often been below inflation, which effectively means that inflation was eroding savings. Inflation indexed bonds provide will provide returns that are always in excess of inflation, ensuring that price rise does not erode the value of savings. Basel norms

The Basel Committee on Banking Supervision (BCBS) provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. Currently there are 27 member nations in the committee. Basel guidelines refer to broad supervisory standards formulated by this group of central banks, called the Basel Committee on Banking Supervision (BCBS).

#### What are Basel norms?

Basel is a set of standards and practices developed for global banks to ensure that they maintain adequate capital to withstand periods of economic strain. It is a comprehensive set of reform measures designed to improve the regulation, disclosures and risk management within the banking sector.

#### Basel I

In 1988, BCBS introduced capital measurement system called Basel capital accord, also called as Basel 1. It focused almost entirely on credit risk. It defined capital and structure of risk weights for banks. The minimum capital requirement was fixed at 8% of risk weighted assets (RWA). RWA means assets with different risk profiles. For example, an asset backed by collateral would carry lesser risks as compared to personal loans, which have no collateral. India adopted Basel 1 guidelines in 1999.

#### Basel II

In 2004, Basel II guidelines were published by BCBS, which were considered to be the refined and reformed

versions of Basel I accord. The guidelines were based on three parameters. Banks should maintain a minimum capital adequacy requirement of 8% of risk assets, banks were needed to develop and use better risk management techniques in monitoring and managing all the three types of risks that is credit and increased disclosure requirements. Banks need to mandatorily disclose their risk exposure, etc. to the central bank.

### Basel III

In 2010, Basel III guidelines were released. These guidelines were introduced in response to the financial crisis of 2008. A need was felt to further strengthen the system as banks in the developed economies were under-capitalized, over-leveraged and had a greater reliance on short-term funding. Also the quantity and quality of capital under Basel II were deemed insufficient to contain any further risk. Basel III norms aim at making most banking activities such as their trading book activities more capital-intensive. The guidelines aim to promote a more resilient banking system by focusing on four vital banking parameters viz, capital, leverage, funding and liquidity.

RuPay is the Indian domestic card payment network set up by National Payments Corporation of India

(NPCI) at the behest of banks in India. The RuPay project had been conceived by Indian Banks Association

(IBA) and had the approval of Reserve Bank of India (RBI).

National Payments Corporation of India (NPCI) has a plan to provide a full range of card payment services including the RuPay ATM, RuPayMicroATM, Debit, Prepaid and Credit Cards which will be accepted in India and abroad, across various channels like POS, Internet, IVR and mobile etc.

The initial focus of NPCI would be to approach those banks who have not been issuing any payment card at all more specifically — Regional Rural Banks (RRBs) and urban co-operative banks

All Public Sector Undertakings (PSU) banks set to join RuPay system by the end of year 2012. RuPaybased debit cards can be used by the consumers on the Internet from September, 2012.

The government of India had launched India's first domestic payment card network, RuPay, to compete with Visa Inc. and MasterCard Inc.

### Objectives of RuPay:

The Main Objective of the RuPay payment network project is to reduce the overall transaction cost and develop products appropriate for financial inclusion.

Reduce overall transaction cost for the banks in India by introducing competition to international card schemes.

Develop products appropriate for the country particularly for financial inclusion.

Provide card payment service option to many banks who are currently not eligible for card issuance under the eligibility criteria of international card schemes.

Build environment whereby payment information of the country remains within the country

Shift Personal Consumption Expenditure (PCE) from cash to electronic payments in a growing economy with a population of 1.2 billion

### Important Points to Remember:

RuPay is the Indian domestic card payment network.

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NPCI has plan to provide full range of credit service like RuPay ATM, RuPay Micro ATM, Debit, Prepaid and Credit Cards which will be accepted across various channel POS, Internet, IVR, Mobile etc.

All state-owned banks are expected to join the RuPay system by the end of this year.

RuPay-based debit cards can be used by the consumers on the Internet from September, 2012.

**SOME RECENT INNOVATIONS** Unified Payments Interface (UPI) Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience. With the above context in mind, NPCI conducted a pilot launch with 21 member banks. The pilot launch was on 11th April 2016 by Dr. Raghuram G Rajan, Governor, RBI at Mumbai. Banks have started to upload their UPI enabled Apps on Google Play store from 25th August, 2016 onwards. How is it unique? ? Immediate money transfer through mobile device round the clock 24\*7 and 365 days. ? Single mobile application for accessing different bank accounts ? Single Click 2 Factor Authentication – Aligned with the Regulatory guidelines, yet provides for a very strong feature of seamless single click payment. ? Virtual address of the customer for Pull & Push provides for incremental security with the customer not required to enter the details such as Card no, Account number; IFSC etc. ? Bill Sharing with friends ? Best answer to Cash on Delivery hassle, running to an ATM or rendering exact amount. ? Merchant Payment with Single Application or In-App Payments ? Scheduling PUSH and PULL Payments for various purposes ? Utility Bill Payments, Over the Counter Payments, Barcode (Scan and Pay) based payments. ? Donations, Collections, Disbursements Scalable ? Raising Complaint from Mobile App directly 1. Participants in UPI ? Payer PSP ? Payee PSP ? Remitter Bank ? Beneficiary Bank ? NPCI ? Bank Account holders ? Merchants 2. UPI - Benefits to the Ecosystem participants Benefits for banks: 1. Single click Two Factor authentication 2. Universal Application for transaction 3. Leveraging existing infrastructure 4. Safer, Secured and Innovative 5. Payment basis Single/ Unique Identifier 6. Enable seamless



merchant transactions Benefits for end Customers: 7. Round the clock availability 8. Single Application for accessing different bank accounts 9. Use of Virtual ID is more secure, no credential sharing

10. Single click authentication 11. Raise Complaint from Mobile App directly Benefits for Merchants: ? Seamless fund collection from customers - single identifiers ? No risk of storing customer's virtual address like in Cards ? Tap customers not having credit/debit cards ? Suitable for e-Com & m-Com transaction ? Resolves the COD collection problem ? Single click 2FA facility to the customer - seamless Pull ? In-App Payments (IAP) 3. Registration in UPI enabled application Steps for Registration: ? User downloads the UPI application from the App Store / Banks website ? User creates his/ her profile by entering details like name, virtual id (payment address), password etc. ? User goes to "Add/Link/Manage Bank Account" option and links the bank and account number with the virtual id Generating M – PIN: ? User selects the bank account from which he/she wants to initiate the transaction ? User clicks one of the option- a. Mobile Banking Registration/Generate MPIN b. Change M-PIN In the case of 3(a) – 5. User receives OTP from the Issuer bank on his/her registered mobile number 6. User now enters last 6 digits of Debit card number and expiry date 7. User enters OTP and enters his preferred numeric MPIN (MPIN that he would like to set) and clicks on Submit 8. After clicking submit, customer gets notification (successful or decline) In case of 2(b) – 9. User enters his old MPIN and preferred new MPIN (MPIN that he would like to set) and clicks on Submit 10. After clicking submit, customer gets notification (successful or failure) Performing a UPI Transaction: A. PUSH – sending money using virtual address 11. User logs in to UPI application 12. After successful login, user selects the option of Send Money / Payment 13. User enters beneficiary's / Payee virtual id, amount and selects account to be debited 14. User gets confirmation screen to review the payment details and clicks on Confirm 15. User now enters MPIN 16. User gets successful or failure message PULL – Requesting money: 17. User logs in to his bank's UPI application 18. After successful login, user selects the option of collect money (request for payment) 19. User enters remitters / payers virtual id, amount and account to be credited 20. User gets confirmation screen to review the payment details and clicks on confirm 21. The payer will get the notification on his mobile for request money 22. Payer now clicks on the notification and opens his banks UPI app where he reviews payment request 23. Payer then decides to click on accept or decline 24. In case of accept payment, payer will enter MPIN to authorize the transaction 25. Transaction complete, payer gets successful or decline transaction notification 26. Payee / requester gets notification and SMS from bank for credit of his bank account

### AADHAAR PAYMENTS BRIDGE

#### AADHAAR PAYMENTS BRIDGE

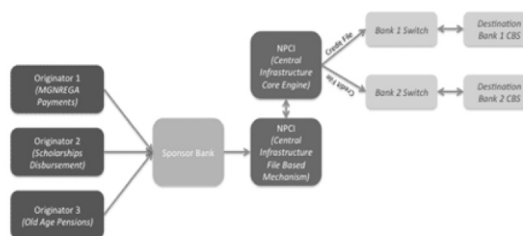
APB is a repository of Aadhaar number of residents and their primary bank account number used for receiving all social security and entitlement payments from various

government agencies. It requires using Aadhaar number as the primary key for all entitlement payments. This would weed out all fakes and ghosts from the system and ensure that the benefits reach the intended beneficiaries. This benefit has an even greater ramification as more and more social security programs are moving from in-kind to in-cash subsidies.

### APB PROCESS STEPS

The key steps in posting payments via APB are:

- ◆ Service delivery agency that needs to make payments to its beneficiaries (such as MGNREGA wages, scholarships disbursement, old age pension etc.) provides APB File containing details of Aadhaar number, welfare scheme reference number and the amount to be paid to its bank (called sponsor bank).
- ◆ Sponsor bank adds bank IIN (Institute Identification Number provided by NPCI to participant banks) to the APB file and uploads onto NPCI server.
- ◆ NPCI processes uploaded files, prepares beneficiary bank files and generates settlement file
- ◆ Settlement file is posted to bank accounts with RBI.
- ◆ Destination banks can download the incoming files for credit processing after the settlement file has been processed.



### AADHAAR ENABLED PAYMENT SYSTEM

In order to further speed track Financial Inclusion in the country, Two Working Group were constituted by RBI on Micro ATM standards and Central Infrastructure & Connectivity for Aadhaar based financial inclusion transactions with members representing RBI, Unique Identification Authority of India, NPCI, Institute for Development and Research in Banking Technology and some special invitees representing banks and research institutions.

The working group on Micro ATM standards & Central Infrastructure & Connectivity has submitted its report to RBI. As a part of the working group it was proposed to conduct a Lab level Proof of concept (PoC), integrating the authentication & encryption standards of UIDAI, to test the efficacy of Micro ATM standards and transactions using Aadhaar before they are put to actual use. The PoC was successfully demonstrated at various venues. AEPS is a bank led model which allows online interoperable financial inclusion transaction at PoS (Micro ATM) through the Business correspondent of any bank using the Aadhaar authentication.

The four Aadhaar enabled basic types of banking transactions are as follows:-

- ◆ Balance Enquiry
- ◆ Cash Withdrawal
- ◆ Cash Deposit
- ◆ Aadhaar to Aadhaar Funds Transfer
- ◆ The only inputs required for a customer to do a transaction under this scenario are:
- ◆ IIN (Identifying the Bank to which the customer is associated)
- ◆ Aadhaar Number
- ◆ Fingerprint captured during their enrollment

1. To empower a bank customer to use Aadhaar as his/her identity to access his/ her respective Aadhaar enabled bank account and perform basic banking transactions like balance enquiry, Cash deposit, cash withdrawal, remittances that are intrabank or interbank in nature, through a Business Correspondent.
2. To sub-serve the goal of Government of India (GoI) and Reserve Bank of India (RBI) in furthering Financial Inclusion.
3. To sub-serve the goal of RBI in electronification of retail payments.
4. To enable banks to route the Aadhaar initiated interbank transactions through a central switching and clearing agency.
5. To facilitate disbursements of Government entitlements like NREGA, Social Security pension, Handicapped Old Age Pension etc. of any Central or State Government bodies, using Aadhaar and authentication thereof as supported by UIDAI.
6. To facilitate inter-operability across banks in a safe and secured manner.
7. To build the foundation for a full range of Aadhaar enabled Banking services.

#### Services Offered

1. Balance Enquiry
2. Cash Withdrawal
3. Cash Deposit
4. Aadhaar to Aadhaar Fund Transfer
5. Gateway Authentication Services



**BHIM APP**

Since the launch of UPI app, there has been numerous UPI based Apps, ICICI Bank's iMobile and Yes Bank's Phonepe were the pioneer. Gradually, other banks also launched their UPI app. Finally, SBI Pay and Baroda MPay were launched. These two were simpler than others.

But, the BHIM has beaten all of them. It is the simplest and easiest UPI App. However, to make UPI app simple and easy, it was necessary to forego some features of UPI. It is a basic UPI app for all.

#### Basic Features of BHIM

Like any other android app, The BHIM gives an easy method of payment and fund transfer. It has the following basic features of a UPI app.

- ◆ You can transfer fund to any bank account.
- ◆ You don't need to register the payee beforehand.
- ◆ BHIM transfers money immediately.
- ◆ Transfer money anytime, even on holidays or night.
- ◆ You don't need to know the bank account number of the payee.
- ◆ There is no need of 'internet banking activated' to use BHIM app.

#### Special Features of BHIM

Besides the regular features of a UPI app, the BHIM has some unique features.

- ◆ Through the BHIM app, you can transfer money to a person only using his mobile number. It makes the money transfer very easy. I have seen the same feature in PhonePe app.
- ◆ You can also transfer fund to a virtual payment address and bank account number
- ◆ Besides UPI PIN, you would be able to authenticate the fund transfer using your fingerprints.
- ◆ This app would also work on feature phone without internet.
- ◆ There is 'Scan and Pay' facility. It makes the payment transfer fast, specially at a shop.
- ◆ You can also check bank balance of the account. It is not limited to the parent bank of the app.
- ◆ There is a extensive FAQ about the app. It makes BHIM app very helpful to novice users.
- ◆ The BHIM app gives you a link to directly call the respective bank if there is an issue. In fact, it has saved the customer care number of all the banks.
- ◆ You can easily download and share your QR code. This code can be used to pay to you.

#### New Features of BHIM

In its second update BHIM has included some cool features.

- ◆ Now BHIM app is available on 9 different languages. You can choose one.
- ◆ You can also use the Aadhaar number to transfer money through this app. However the Aadhaar of the beneficiary should be linked to a bank account.
- ◆ You can block a person who sends the span 'Collect request'
- ◆ You can also report any issue through this app.

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In its second update BHIM has included these features.

- ◆ Now BHIM app is available on 9 different languages. You can choose one.
- ◆ You can also use the Aadhaar number to transfer money through this app. However the Aadhaar of the beneficiary should be linked to a bank account.
- ◆ You can block a person who sends the span 'Collect request'
- ◆ You can also report any issue through this app.

#### How to Use BHIM

1. Install and Set Passcode To use the BHIM App, you have to download and install it. When you open this app first time, it would ask you to choose the language. Currently you have the option of English and Hindi. It would also tell you some basic features of this app.
2. BHIM permission In the next step, the App would ask your permission to send and view SMS from

your Phone. It is necessary to verify your phone number. It may also ask to choose the SIM if you have two SIM in your phone. You should choose the number which is linked to the desired bank account.

3. BHIM passcode PIN Now you have to set the Passcode/PIN to open this app. It would be a 4 digit PIN. Without entering this PIN, you would not be able to open this app in future. Confirm the PIN again by entering it. Now you would reach to the dashboard of the BHIM.
4. Add Bank Account Your first step in the BHIM dashboard should be the bank account linking. You need to link bank account to transfer fund from that account or get money to the account. Note, you can link only one account at a time in the BHIM app. Other UPI apps give you the facility to link multiple bank account. To link bank account, you have to the choose the bank name from the given list. You would see your bank account/s of that bank. Select the account. It links the bank account to the BHIM app. Anytime, you can change your bank account by going through the same procedure. Set UPI PIN UPI PIN is required for the final authentication, when you pay money to any bank account. The UPI PIN is the same PIN which is called as MPIN in other UPI apps. To set the UPI PIN, click on the Bank account. You would see the linked bank account. Below the bank account, you would also see about the status of your UPI PIN in green fonts. If you have previously set the UPI PIN, there would be a message about this.
5. Set UPI PIN There would be links to RESET UPI PIN and Change UPI PIN. If you choose the RESET UPI PIN, you need debit card details to authenticate. You would also get an OTP SMS for authentication. Changing UPI PIN is relatively easy. You have to only enter the existing PIN and new PIN twice. That's it.
6. Send Money Now you can send and receive money through the BHIM app. To send money, you have to click on the send money link. In the next step you have to enter the mobile number of payee. You can also enter the virtual payment address of the payee. You would not get any other option to pay. Other apps such as Baroda MPay give the liberty to pay money to bank account or Adhaar number as well. Enter the amount and remarks to send money. Finally, enter the UPI PIN. It is the same PIN which is used as MPIN with other apps. Once, you enter the UPI PIN, the money gets transferred to the bank account of the payee. You would instantly get notification about that.



7. Send Money Using Aadhaar BHIM gives you facility to send money using the Aadhaar number. It is very easy you just require the Aadhaar number of the payee. Enter the Aadhaar number just like the VPA. It is enough to transfer the money. However you must note that the beneficiary must his/her Aadhaar with any bank account. As you know that the money would go into the bank account. Today most of the people has linked their account with the Aadhaar.
8. Collect Money To collect money Click on 'Request' on dashboard. Again you have to enter the mobile number or VPA of the person from whom you want the money. Enter the amount and remarks and submit. As you submit the request, the payer would get a notification in his smartphone. By following the notification, the person can accept or reject the payment. You can also generate the QR code to request payment. To generate QR code you have to only enter amount and remarks. The payer would scan this QR code and accept the payment.

#### Limitations of BHIM

There are certain limitations of BHIM. These can be a disadvantage for some people but because of these limitations BHIM app is very simple.

- ◆ You can add only one bank account at a time.
- ◆ You can have only two Virtual payment address. The first would be default containing your mobile number while you can set the second VPA.

#### Improvements Required

- ◆ It should give the flexibility to enlist multiple bank account.
- ◆ The app should fetch the mobile number from the contacts of the phone. The Phone app uses this feature. However, once you save a number for Future use, It would appear in the BHIM app itself.
- ◆ There should be a feature to capture QR code which is shared with you. You can't scan such QR code.

#### Banks Available on BHIM app

Customers of these banks can use the BHIM app. There are 35 banks. Allahabad Bank Andhra Bank Axis Bank Bank of Baroda Bank of India Bank of Maharashtra Canara Bank Catholic Syrian Bank Central Bank of India DCB Bank Dena Bank Federal Bank HDFC Bank ICICI Bank IDBI Bank IDFC Bank Indian Bank Indian Overseas Bank IndusInd Bank Karnataka Bank Karur Vysya Bank Kotak Mahindra Bank Oriental Bank of Commerce Punjab National Bank RBL Bank South Indian Bank Standard Chartered Bank State Bank of India Syndicate Bank TJSB UCO Bank Union Bank of India United Bank of India Vijaya Bank Yes Bank Ltd

#### IDFC AADHAAR PAY

Aadhaar Payment App is a new Android smartphone application being launched by the IDFC Bank in association with the government to encourage the use of

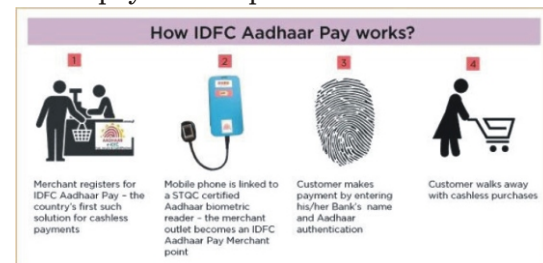
digital payments. IDFC Aadhaar Pay smartphone payment app would also eliminate the fee currently being charged by the private card companies such as "MasterCard" and "Visa". The Android application has been launched on 26th December, the day after first draw from Lucky Draw Yojana held.

IDFC Aadhaar Payment App will play a big role in making India a cashless economy, however it will take years, probably decades when one can say that India is a cashless economy. However, Cashless doesn't mean "Without Cash", rather it means "Less Cash", as per the statement by Mr. Arun Jaitley.

#### How Aadhaar Payment App will Work?

Merchants would be required to download the Aadhaar Pay payment app on their android smartphone connected to a biometric reader. The biometric reader is currently available for just Rs. 2000. If a customer wants to make payment, then he/she just need to enter his Aadhaar Number in the app and select the bank from which the payment is to be made and use the biometric scan as the password for the transaction.

Upon entering the Aadhaar Number, the app would automatically fetch the bank accounts linked with your Aadhaar number, then the customer can make the selection of bank for payment as per his/her choice.



#### IDFC Aadhaar Pay App - How it Works

Customers would not require any app or password to pay to merchants against any purchase. However, the bank account holders whose Aadhaar number is linked with their bank account would be eligible to make payments through Aadhaar Pay Payment app.

According to Unique Identification Authority of India, almost 40 Crore Aadhaar numbers already stands linked with the bank accounts while the rest are targeted to be linked by March 2017.

#### Aadhaar Pay - Aadhaar Payment App

Aadhaar Pay payment app has been developed by the IDFC Bank along with UIDAI and National Payments Corporation of India. The app would be launched on the national level on Sunday, 25th December. The app has been developed to tap a wider set of people. The bank account holders with Aadhaar Seeded does not require to have any debit or credit card or even a mobile phone.

#### How to Use IDFC Aadhaar Pay App

Merchants would just need to download the Aadhaar app and connect their smartphones to the biometric scan machine to accept the payments from customers. The merchants would also be required to connect their bank accounts and register themselves on the app.

The application can be downloaded from the link given below.

### Download Aadhar Pay – Aadhar Payment App

The Aadhar Pay app can be download only by the link sent to the merchant's mobile number after e-KYC verification of merchant's account number. To get the app, the merchants are required to visit the nearest branch of IDFC bank.

### Why Aadhar Payment App

The IDFC Aadhar Pay App for merchants would help eliminate the long waiting period and hassle of getting a new POS (Point of Sale) machine. At present there are only 15 lakh POS machines deployed by the banks across the country. SBO alone has deployed over 3 lakh terminals followed by HDFC Bank and ICICI Bank.

IDFC Aadhaar Pay app is made available on a merchant's smartphone. Customers can pay the merchant by selecting the Bank's name and filling only one field on the merchant's phone – the Aadhaar number. The customer's fingerprint is the password used to authenticate the transaction. It is the simplest way to pay.

Customers need not use debit or credit cards, download mobile applications or even carry a mobile to make cashless transactions. The solution eliminates the hassles of remembering passwords, account numbers, or setting up of virtual payment addresses and using USSD codes to transfer money.

The acceptability of digital payments has also been very poor among the merchants in the country. One of the biggest reasons behind this is India being a cash dominated country and 2%-3% charges taken by the card companies such as Visa and MasterCard.

The lack of connectivity has also made it difficult for the merchants in the country to adopt digital payment systems. There are about 5 Crore merchants in the country at present and only 15 lakh POS machines for a population of more than 125 crore.

Not only for the merchants, the Aadhar Payment would also be helpful for customers to get rid of their stacks of plastic money, confusing sets of passwords and their digital payment accounts passwords being stolen. Also, the customers need not to download a digital payment wallet or even a smartphone.

The consumer app is also one of the parts of Aadhar Pay app to make quick digital payment.

## CURRENCY ISSUES

### Currency Management

### What is the role of the Reserve Bank in currency management?

The Reserve Bank manages currency in India. The Government, on the advice of the Reserve Bank, decides on the various denominations. The Reserve Bank also co-ordinates with the Government in the designing of bank notes, including the security features. The Reserve Bank estimates the quantity of notes that are likely to be needed denomination-wise and places the indent with the various presses through the Government of India. The notes received from the presses are issued and a reserve stock

maintained. Notes received from banks and currency chests are examined. Notes fit for circulation are reissued and the others (soiled and mutilated) are destroyed so as to maintain the quality of notes in circulation. The Reserve Bank derives its role in currency management on the basis of the Reserve Bank of India Act, 1934.

### What is the role of Government of India?

The responsibility for coinage vests with Government of India on the basis of the Coinage Act, 1906 as amended from time to time. The designing and minting of coins in various denominations is also attended to by the Government of India.

### Who decides on the volume and value of bank notes to be printed and on what basis?

The Reserve Bank decides upon the volume and value of bank notes to be printed. The quantum of bank notes that needs to be printed broadly depends on the annual increase in bank notes required for circulation purposes, replacement of soiled notes and reserve requirements.

### Who decides on the quantity of coins to be minted?

The Government of India decides upon the quantity of coins to be minted.

### How does the Reserve Bank estimate the demand for bank notes?

The Reserve Bank estimates the demand for bank notes on the basis of the growth rate of the economy, the replacement demand and reserve requirements by using statistical models.

### How does the Reserve Bank reach the currency to people?

The Reserve Bank manages the currency operations through its offices located at Ahmedabad, Bangalore, Bhopal, Bhubaneswar, Belapur(Navi Mumbai), Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Lucknow, Mumbai (Fort), Nagpur, New Delhi, Patna and Thiruvananthapuram. These offices receive fresh notes from the note presses. Similarly, the Reserve Bank offices located at Kolkata, Hyderabad, Mumbai and New Delhi initially receive the coins from the mints. These offices then send them to the other offices of the Reserve Bank. The notes and rupee coins are stocked at the currency chests and small coins at the small coin depots. The bank branches receive the bank notes and coins from the currency chests and small coin depots for further distribution among the public.

### What is a currency chest?

To facilitate the distribution of notes and rupee coins, the Reserve Bank has authorised selected branches of banks to establish currency chests. These are actually storehouses where bank notes and rupee coins are stocked on behalf of the Reserve Bank. At present, there are over 4422 currency chests. The currency chest branches are expected to distribute notes and rupee coins to other bank branches in their area of operation

### What is a small coin depot?

Some bank branches are also authorised to establish small coin depots to stock small coins. There are 3784 small

coin depots spread throughout the country. The small coin depots also distribute small coins to other bank branches in their area of operation.

#### What happens when the notes and coins return from circulation?

Notes and coins returned from circulation are deposited at the offices of the Reserve Bank. The Reserve Bank then separates the notes that are fit for reissue and those which are not fit for reissue. The notes which are fit for reissue are sent back in circulation and those which are unfit for reissue are destroyed after processing shredded. The same is the case with coins. The coins withdrawn are sent to the Mints for melting.

#### From where can the general public obtain bank notes and coins?

Bank notes and coins can be obtained at any of the offices of the Reserve Bank and at all branches of banks maintaining currency chests and small coin depots.

#### Current Issues

#### Why are the coins and bank notes in short supply?

This is not entirely correct. It is true that till recently the demand for currency was more than their supply. The primary reason for this is that the Indian society is still predominantly cash-driven. However, at present there are no supply constraints so far as bank notes are concerned. As regards coins, Government of India are taking various steps, including importing rupee coins. The impression of coins being in short supply is also enhanced probably due to people's preference for notes. Is there a way to reduce dependence on cash? Yes, once instruments such as, cheques, credit and debit cards, electronic funds transfer gain popularity, the demand for currency is expected to go down. Meanwhile, are some steps being taken to increase the supply of bank notes and coins? Yes, several steps have been taken to augment the supply of bank notes and coins. Some of these are:

- ♦ The existing note printing presses and the mints owned by the Government are being modernised. ? Two new currency printing presses with the state-of-the-art technology have been set up under the aegis of the Bharatiya Reserve Bank Note Mudran Ltd., a wholly owned subsidiary of the Reserve Bank.
- ♦ To bridge the demand-supply gap, the Government had, as a one-time measure, even imported bank notes.
- ♦ The production capacity of the four India Government Ministers are being augmented.
- ♦ Government of India has also been importing rupee coins to supplement the supply of coins from the four mints. Till date 2 billion rupee coins have been imported. Why are Re1, Rs.2 and Rs.5 notes not being printed
- ♦ Volume-wise, the share of such small denomination notes in the total notes in circulation was as high as 57 per cent but constituted only 7 per cent in terms of

value. The average life of these notes was found to be around a year. The cost of printing and servicing these notes was, thus, not commensurate with their life. Printing of these notes was, therefore, discontinued. These denominations were, therefore, coined. However, it has been decided that notes in the denomination of Rs.5 be re-introduced so as to meet the gap between the demand and supply of coins in this denomination. Soiled and Mutilated Notes

#### What are soiled and mutilated notes

- ♦ Soiled notes are notes, which have become dirty and limp due to excessive use. Mutilated notes are notes, which are torn, disfigured, burnt, washed, eaten by white ants, etc. A double numbered note cut into two pieces but on which both the numbers are intact is now being treated as soiled note.

Can such notes be exchanged for value?

Yes. Soiled notes can be tendered at all bank branches for and exchange obtained.

How much value would one get in exchange of soiled or mutilated notes?

Full value is payable against soiled notes. Payment of exchange value of mutilated notes is governed by the Reserve Bank of India (Note Refund) Rules, 1975. These Rules have been framed under Section 28 of the Reserve Bank of India Act, 1934. The public can get value for these notes as laid down in the Rules, after adjudication. Currently, provisions exist for paying either full, half or no value as far as notes in the denomination for Rs.10 and above are concerned; as regards Re.1, Rs.2 & Rs.5, a tenderer can get either full or no value depending upon the condition of the note.

What types of notes are not eligible for payment under the Note Refund Rules?

The following notes are not payable under the Note Refund Rules.

A note which is

- ♦ less than half the area of the full note
- ♦ devoid of the major portion of the number, i.e., the prefix and three digits or four digits of the number in notes up to and inclusive of Rs.5; in respect of notes of Rs.10 and above, where this inadequacy is present at both the numbering panels.
- ♦ cancelled by any office of the Reserve Bank or against which the value has already been paid
- ♦ found to be forged
- ♦ deliberately cut, mutilated or tampered
- ♦ carrying extrinsic words or visible representation intended to convey or capable of conveying any message of a political character.

What if a note is found to be non-payable?

Non-payable notes are retained by the receiving banks and sent to the Reserve Bank where they are destroyed.



### COMMITTEES ON VARIOUS SECTORS OF INDIAN ECONOMY

1. A C SHAH—NON BANKING FINANCIAL COMPANY
2. BIMAN JALAN—MARKET INFRASTRUCTURE INSTRUMENTS
3. MALEGAM—FUNCTIONING OF MICRO FINANCE
4. BIRLA—CORPORATE GOVERNANCE
5. KIRITH PARIKH—RATIONALISATION OF PETROLEUM PRODUCTS
6. SR HASHIM—URBAN POVERTY
7. ABHIJIT SEN—WHOLESALE PRICE INDEX
8. C RANGARAJAN—SERVICES PRICES INDEX AND FINANCIAL INSTITUTION
9. ABID HUSSAIN—DEVELOPMENT OF CAPITAL MARKETS
10. DAMADORAN—CUSTOMER SERVICE IN BANKS
11. KHANDELWAL—HUMAN RESOURCE IN COMMERCIAL BANKS
12. PATIL—CORPORATE DEBT
13. V K SHARMA—CREDIT TO MARGINAL FARMERS
14. SARANGI—NON PERFORMING ASSETS
15. KHANNA—REGIONAL RURAL BANKS
16. DANTAWALA—LEAD BANK SCHEME
17. GADGIL—FINANCIAL INCLUSION
18. THORAT—DEREGULATION OF SMALL SAVING DEPOSIT RATES
19. DEEPAK MOHANTY—MONETARY SYSTEM IN INDIA
20. RAGHURAM RAJAN—FINANCIAL SECTOR REFORMS
21. NARESH CHANDRA—CIVIL AVIATION
22. RAKESH MOHAN—RAILWAYS
23. KAKODKAR—RAIL SAFETY
24. PITRODA—RAIL MODERNISATION

### FLAGSHIP PROGRAMMES OF GOVERNMENT OF INDIA

1. SSA—SARVA SHIKSHA ABHIYAN—2001
2. NRHM—NATIONAL RURAL HEALTH MISSION—2005
3. ICDS—INTEGRATED CHILD DEVELOPMENT SCHEME—1975
4. MDM—MID DAY MEAL—1995
5. NRDWP—NATIONAL RURAL DRINKING WATER PROGRAMME—2009
6. TSP—TOTAL SANITATION PROGRAMME
7. NSAP—NATIONAL SOCIAL ASSISTANCE PROGRAMME
8. MGNREGA—MAHATMA GANDHI RURAL EMPLOYMENT GUARANTEE ACT—2006
9. IAY—INDIRA AWAS YOJANA—1999

10. RGGVY—RAJIV GANDHI VIDYUTIKARAN YOJANA—2005
11. NNURM—JAWAHARLAL NEHRU NATIONAL URBAN RENEWAL MISSION—2005
12. BNY—BHARAT NIRMAN YOJANA

### EDUCATION ORIENTED PROGRAMMES

1. NPEGEL—NATIONAL PROGRAMME FOR EDUCATION OF GIRLS AT ELEMENTARY LEVEL — 2003
2. KGBVS—KASTURBA GANDHI BALIKA VIDYALAYAS—2004
3. IEDSS—INCLUSIVE EDUCATION FOR THE DISABLED AT SECONDARY STAGE—2009–2010
4. RMSA—SUCCESS RASHTRIYA MADHYAMIK SHIKSHA ABHIYAN OR SCHEME FOR UNIVERSALISATION OF ACCESS FOR SECONDARY EDUCATION—2009
5. SAAKSHAR BHARAT—2009

### EMPLOYMENT, POVERTY, RURAL & URBAN DEVELOPMENT PROGRAMMES

1. EGSM—EMPLOYMENT GUARANTEE SCHEME OF MAHARASHTRA—1972
2. TRYSEM—TRAINING RURAL YOUTH FOR SELF EMPLOYMENT—1979
3. IRDP—INTEGRATED RURAL DEVELOPMENT PROGRAMME—1980
4. NREP—NATIONAL RURAL EMPLOYMENT PROGRAMME—1980
5. RLEGP—RURAL LANDLESS EMPLOYMENT GUARANTEE PROGRAMME—1983
6. JRY—JAWAHAR ROZGAR YOJANA—1989
7. NRY—NEHRU ROZGAR YOJANA—1989
8. SUWE—SCHEME OF URBAN WAGE EMPLOYMENT—1990
9. EAS—EMPLOYMENT ASSURANCE SCHEME—1990
10. SJSRY—SWARNA JAYANTHI SHAHARI ROZGAR YOJANA—1997
11. SJGSY—SWARNA JAYANTHI GRAM SWAROZGAR YOJANA—1999
12. JPNRGY—JAI PRAKASH NARAYAN ROZGAR GUARANTEE YOJANA—2002–2003
13. PMGY—PRADHAN MANTRI GRAMODAYA YOJANA—2000
14. SGRY—SAMPOORNA GRAMEEN ROZGAR YOJANA 2001
15. FWP—FOOD FOR WORK PROGRAMME—2001
16. PMEGP—PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME—2008

### HEALTH ORIENTED PROGRAMMES

1. NRHM—NATIONAL RURAL HEALTH MISSION—2005
2. JSY—JANANI SURAKSHA YOJANA—2005
3. PMSSY—PRADHAN MANTRY SWASTHYA SURAKSHA YOJANA—2010

#### RURAL EMPLOYMENT PROGRAMMES

1. CDP—COMMUNITY DEVELOPMENT PROGRAMME—1952
2. NPRD—NATIONAL FUND FOR RURAL DEVELOPMENT—1984
3. CAPART—COUNCIL FOR ADVANCEMENT OF PEOPLE'S ACTIONS AND RURAL TECHNOLOGY—1986
4. DRDA—DISTRICT RURAL DEVELOPMENT AGENCY—1993
5. PMGSY—PRADHAN MANTRI GRAM SADAK YOJANA—2000
6. TWENTY POINT PROGRAMME—1975
7. DPAP—DROUGHT PRONE AREAS PROGRAMME—1973–1974
8. ANNAPURNA SCHEME—2000
9. TSC—TOTAL SANITATION CAMPAIGN—1999
10. NGP—NIRMAL GRAM PURASKAR—2003
11. DDP—DESERT DEVELOPMENT PROGRAMME—1977–1978
12. IWDP—INTEGRATED WASTELAND DEVELOPMENT PROGRAMME—1989–1990
13. VMY—VALMIKI AMBEDKAR AWAS YOJANA—2001
14. MPLADP—MEMBER OF PARLIAMENT LOCAL AREA DEVELOPMENT PROGRAMME—1993
15. AHIP—AFFORDABLE HOUSING IN PARTNERSHIP (PART OF JNNURM)—2009
16. RAY—RAJIV AWAS YOJANA—2010

#### WOMEN EMPOWERMENT PROGRAMMES

1. STEPW—SUPPORT TO TRAINING AND EMPLOYMENT PROGRAMME FOR WOMEN—2003-2004
2. RGSEAG—RAJIV GANDHI SCHEME FOR EMPOWERMENT OF ADOLESCENT GIRLS—2010
3. RASHITRIYA MAHILA KOSH—NATIONAL CREDIT FUND FOR WOMEN—1993

4. IGMSY—INDIRA GANDHI MATRITVA SAHYOG YOJANA—2001
5. SWAYAM SIDDHA—1995
6. SWADHAR
7. STEP—SUPPORT TO TRAINING AND EMPLOYMENT PROGRAMME FOR WOMEN—1986
8. DWCRA—DEVELOPMENT OF WOMEN AND CHILDREN IN RURAL AREAS—1982
9. DHAN LAXMI—2008
10. UJJWALA—2007
11. GBS—GENDER BUDGETING SCHEME—2004
12. NMEW—NATIONAL MISSION FOR EMPOWERMENT OF WOMEN—2010

#### MAJOR AGRICULTURAL REVOLUTIONS

1. BLACK REVOLUTION—PETROLEUM PRODUCTION
2. BLUE REVOLUTION—FISH PRODUCTION
3. BROWN REVOLUTION—LEATHER/NON CONVENTIONAL (INDIA)/COCOA PRODUCTION
4. GOLDEN FIBRE REVOLUTION—JUTE PRODUCTION
5. GREEN REVOLUTION—FOODGRAIN/CEREALS, WHEAT ETC
6. GREY REVOLUTION—FERTILISER REVOLUTION
7. PINK REVOLUTION—ONION PRODUCTION/ PHARMACEUTICAL/PRAWN PRODUCTION
8. RAINBOW REVOLUTION—HOLISTIC DEVELOPMENT OF AGRICULTURE SECTOR
9. RED REVOLUTION—MEAT AND TOMATO PRODUCTION
10. ROUND REVOLUTION—POTATO REVOLUTION
11. SILVER FIBRE REVOLUTION—COTTON REVOLUTION
12. SILVER REVOLUTION—EGG/POULTRY PRODUCTION
13. WHITE REVOLUTION—MILK/DAIRY PRODUCTION
14. YELLOW REVOLUTION—OIL SEEDS PRODUCTION
15. EVERGREEN REVOLUTION—INCREASE IN PRODUCTIVITY AND PROSPERITY WITHOUT ECOLOGICAL HARM

## BANKING QUESTIONS

1. **Very often we read about financial inclusion in newspapers these days. Financial Inclusion means**
  - (a) Providing loans to all eligible persons
  - (b) Creating a mechanism of providing financial help to business people of society whenever they are in need of the same
  - (c) Providing banking services to all those who are staying in remote and interior areas of the country
  - (d) To ensure that each and every person pays tax on his/her income regulatory and honestly
  - (e) None of these
2. **Which of the following banks is a nationalized bank?**

- (a) ICICI Bank (b) Yes Bank  
(c) Saraswat Co-op. Bank  
(d) Reserve Bank of India (e) Bank of India
- 3. Which of the following types of accounts are known as “Demat Accounts”?**  
(a) Accounts which are Zero Balance Accounts  
(b) Accounts which are opened to facilities repayment of a loan taken from the bank. No other business can be conducted from there  
(c) Accounts in which shares of various companies are traded in electronic form  
(d) Accounts which are operated through Internet banking facility  
(e) None of these
- 4. Which of the following is definitely a major indication of the state of the economy of a country?**  
(a) Rate of GDP growth (b) Rate of inflation  
(c) Number of Banks in a country  
(d) Stock of food grains in a country  
(e) None of these
- 5. Which of the following taxes levied by the Govt. of India is withdrawn now?**  
(a) Income Tax (b) VAT  
(c) Corporate Tax  
(d) Banking Cash Transaction Tax  
(e) None of these
- 6. If you visit the branch of a bank you will normally not see a department/section/counter name as**  
(a) Cash (b) Credit  
(c) Customer care (d) Housekeeping  
(e) Retail Banking
- 7. ‘MICR’ technology used for clearance of cheques by banks refers to**  
(a) Magnetic Ink Character Recognition  
(b) Magnetic Intelligence Character Recognition  
(c) Magnetic Information Cases Recognition  
(d) Magnetic Insurance Cases Recognition  
(e) None of these
- 8. Which of the following pacts/agreements will allow Afghanistan to sell its goods in India without paying any tax?**  
(a) SAFTA (b) Free Market Agreement  
(c) Most Favoured Nation Pact  
(d) Agreement for direct foreign investment  
(e) Agreement to help least developed countries
- 9. “Buy Now-Pay Now” is commonly used for**  
(a) Visa Card (b) Vault Cards  
(c) Credit Cards (d) E-purse  
(e) Debit Cards
- 10. Which of the following is not the function of Reserve Bank of India (RBI)?**  
(a) Provide credit facility to the general public  
(b) Keep Govt. money in various accounts heads  
(c) Keep Foreign Exchange reserve of the country in safe custody  
(d) Frame Monetary and Credit policy  
(e) All are RBI’s functions
- 11. Which of the following organizations has the privilege of issuing Bank Notes (Currency) in India?**  
(a) All Nationalized Banks  
(b) State Bank of India  
(c) Reserve Bank of India  
(d) New Note Printing Press in India  
(e) None of these
- 12. In banking world when a loan given by a bank to an individual or organization is not returned by the borrower wishfully or otherwise, it is known as**  
(A) Standard Asset (B) Non-Performing Asset  
(C) Over Draft  
(a) Only (A) (b) Only (B)  
(c) Only (C) (d) Both (A) and (B) only  
(e) None of these
- 13. Which of the following is NOT a function of a commercial Bank of India?**  
(a) Accepting deposits from public  
(b) Lending money to public  
(c) Keeping valuables in safe custody  
(d) Transferring money from one place to the other  
(e) Selling National Saving Certificates
- 14. Which of the following is a Banking Term?**  
(a) Blue Book (b) Embargo  
(c) Real Time Gross Settlement  
(d) Writ  
(e) Blockade
- 15. The Target Group for Credit Cards is**  
(a) All card holders  
(b) All existing borrowers  
(c) Individuals with taxable income  
(d) All of these  
(e) None of these
- 16. Bank assurance means**  
(a) Assurance given by banks to loans  
(b) Assurance to bank with one banks  
(c) Assurance to repay loans  
(d) Assurance to give good service  
(e) Selling insurance products through banks
- 17. ATM means**  
(a) Any Time Marketing  
(b) Any Time Money



- (c) Any Time Machine  
(d) Automated Teller Machine  
(e) Automatic Teller Money
- 18. Which of the following is the currency of South Korea?**  
(a) Yen (b) Kyat (c) Won (d) Rupee  
(e) Ringit
- 19. Which of the following central taxes has now been withdrawn?**  
(a) Value Added Tax  
(b) Commodity Transaction Tax  
(c) Gift Tax  
(d) Corporate Tax  
(e) All of these
- 20. The ownership of public sector banks rests**  
(a) Wholly with the Government of India  
(b) Jointly with the Government of India and State Bank of India  
(c) Wholly with the shareholders for public  
(d) Jointly with the Government of India and Reserve Bank of India  
(e) Jointly with the government of India and the shareholders from the public)
- 21. As per the instruction given by the RBI, now all banks are required to provide which of the following in all its branches mandatorily?**  
(a) Note Sorting Machines  
(b) Special Counters for Senior Citizens  
(c) Special Counters for Women Customers  
(d) Service Sector  
(e) All of these
- 22. Which of the following Organisations is NOT associated with the financial/banking sector in India?**  
(a) NABARD (b) BSE  
(c) ISRO (d) ECGC  
(e) SEBI
- 23. Which of the following terms is NOT used in the field of Banking and Finance?**  
(a) Overdraft (b) Base line  
(c) RTGS (d) GBC  
(e) Retail
- 24. Saving Accounts can be opened by**  
(a) All individuals fulfilling KYC norms  
(b) All individuals earning more than Rs.100,000 per annum  
(c) All individuals above the age of 18  
(d) All salaried persons only  
(e) All students below the age of 18
- 25. Current Accounts can be freely opened by \_\_\_\_\_ (Find the incorrect answer)**  
(a) All NRIs  
(b) All businessmen  
(c) Government departments  
(d) Firms and Companies  
(e) HUFs
- 26. Depreciation of an asset occurs due to**  
(a) Fire in the unit (b) Theft  
(c) Labour trouble (d) Wear and Tear  
(e) None of these
- 27. The target group for education Loans is**  
(a) All parents (b) All professors  
(c) All Research Scholars (d) All Tutorial Colleges  
(e) All college Students
- 28. If you wish to purchase some US Dollars for your travel abroad, you should approach**  
(a) The Ministry of Finance  
(b) The US Embassy  
(c) Any Bank Branch authorised to do such activity  
(d) The Reserve Bank of India only  
(e) External Affairs Ministry
- 29. Which of the following is NOT the name of a multinational bank?**  
(a) BNP Paribas  
(b) British Bank of Middle East  
(c) Standard Chartered Bank  
(d) HSBC  
(e) Cathay Pacific
- 30. In order to avoid crowding of customers wanting to withdraw cash in the branches, banks have provided mint delivery channels. Which of the following is one of the most popular channels of getting instant hard cash?**  
(a) Core Banking Solution  
(b) Pay Orders  
(c) Demand Drafts  
(d) Automated Teller Machines  
(e) None of these
- 31. When someone wants to open a new savings bank account, the bank asks him/her to bring various documents. Which of the following is one of these documents?**  
(a) Certificate of medical fitness  
(b) Degree Certificate  
(c) Proof of Residence and Identity  
(d) Address of two persons who can give guarantee  
(e) None of these
- 32. As well as know, when we deposit a cheque issued in our name in the bank, the bank always checks if the cheque has been crossed or not why is the done?**  
(a) It ensures that the money is deposited only in the account of the person in whose name the cheque has been drawn

- (b) It is a process by which the person who has issued the cheque comes to know whether the cheque is encashed or not
- (c) The bank insists on it only when the party wants the payment immediately and that too in cash only
- (d) This is the instruction of RBI that all the cheques of the amount of Rs. 10,000 should be accepted only if they are crossed
- (e) None of these
- 33. Which of the following terms is NOT associated with banking operations?**
- (a) Repo Rate (b) Prime Lending Rate  
(c) Equator (d) Corporate Finance  
(e) Cash Reserve Ratio
- 34. A student has got admission to a foreign university. From where can he/she get the foreign currency?**
- (a) From the bank of that country only  
(b) From the Ministry of Foreign Affairs  
(c) From office of the Consulate General of that country  
(d) From an authorized foreign exchange dealer  
(e) From any big five star hotel as many foreign come to stay there
- 35. Which of the following is NOT the name of a bank having branches in India?**
- (a) State Bank of India  
(b) Naively Lignite Corporation  
(c) Barclays  
(d) HSBC  
(e) Punjab National Bank
- 36. Which of the following is a private sector bank based in India?**
- (a) Yes Bank (b) Lloyds Banking Group  
(c) Lehman Brothers (d) Royal Bank  
(e) None of these
- 37. Which of the following is the major function of an ATM installed by banks?**
- (a) To distribute cash by way of withdrawal from one's account  
(b) To transfer money from one place to another place  
(c) To detect fake currency notes  
(d) To arrange currency notes in serial order and count them  
(e) All of these
- 38. Banks do not provide which of the following services?**
- (a) Issuing Bank Drafts  
(b) Depositing money  
(c) Sale of post cards and postal stamps  
(d) Lockers for valuable items/documents  
(e) Loan to individuals
- 39. The loan disbursed by a bank to an individual for purchasing a house is called**
- (a) Plan Finance (b) Business Loan  
(c) Credit Loan (d) Retail Loan  
(e) Top up Loan
- 40. Which of the following is an example of cashless buying?**
- (A) ATM withdrawal  
(B) Credit Card  
(C) Debit Card  
(a) Only (A) (b) Only (B)  
(c) Only (A) and (B) (d) Only (B) and (C)  
(e) All (A), (B) and (C)
- 41. Which of the following terms is not used in banking and finance?**
- (a) Capital gain (b) Plan finance  
(c) Market risk (d) Apartheid  
(e) Mutual fund
- 42. Banks are required to take permission from which of the following before opening a new branch?**
- (a) Reserve Bank of India  
(b) Securities and Exchange Board of India  
(c) Indian Banks Association  
(d) Planning Commission of India  
(e) None of these
- 43. Bank rate is decide by which of the following?**
- (a) RBI (b) Govt. of India  
(c) SEBI (d) IBA  
(e) NABARD
- 44. FDI refers to**
- (a) Fixed deposit Interest  
(b) Fixed Deposit Investment  
(c) Foreign Direct Investment  
(d) Future derivative Investment  
(e) None of these
- 45. Which of the following terms is used in Banking?**
- (a) Epicenter (b) Pascal's Law  
(c) Currency (d) Centre of Gravity  
(e) Latitude
- 46. Teaser Rates are related to which of the following types of loans?**
- (a) Home Loans (b) Personal Loans  
(c) Auto Loans  
(d) Reverse Mortgage Loans  
(e) Crop Loans
- 47. Which of the following document is/are considered as officially valid document to satisfy KYC forms for opening a Bank account?**
- (A) Passport  
(B) PAN

- (C) Aadhar number issued by unique Identification Authority of India  
 (a) Only (A) (b) Only (B)  
 (c) Only (A) and (B) (d) All (A), (B) and (C)  
 (e) Only (B) and (C)
- 48. Which of the following is NOT a Govt. sponsored organisation?**  
 (a) Small Industries Development Bank of India  
 (b) NABARD  
 (c) National Housing Bank  
 (d) ICICI Bank  
 (e) All are Govt. sponsored
- 49. Which of the following is the apex institution that handles refinance for agriculture and rural development in India?**  
 (a) RBI (b) SIDBI (c) NABARD (d) SEBI  
 (e) None of these
- 50. Govt. of India has provided a sum of Rs. 6000 crores to recapitalise some banks. Which of the following types of banks will get this fund?**  
 (a) Co-operative Banks (b) Small Banks  
 (c) Public Sector Banks (d) Regional Rural Banks  
 (e) None of these
- 51. Which of the following organisations/agencies works solely to monitor and arrange flow of agriculture credit in India?**  
 (a) NABARD (b) SIDBI  
 (c) RBI (d) SEBI  
 (e) None of these
- 52. The currency notes of which of the following denominations are not printed in India?**  
 (a) Rs. 5 (b) Rs. 10 (c) Rs. 50 (d) Rs. 2500  
 (e) Rs. 1000
- 53. Which of the following is not the name of a bank functioning in India?**  
 (a) Central Bank of India  
 (b) UCO Bank  
 (c) Aegon Religare  
 (d) Dena Bank  
 (e) ICICI Bank
- 54. When banks accept a fixed sum of money from an individual for a definite term and pay on maturity with interest, the deposit is known as**  
 (a) Term deposit (b) Demand deposit  
 (c) Bond (d) Mortgage  
 (e) Advance
- 55. Which of the following terms is NOT used in Banking/Finance-related matters?**  
 (a) Discount Rate (b) Letter of Credit  
 (c) Cheque Clearing (d) General Ledger  
 (e) Law of Motion
- 56. Which of the following is a leading electronic-payment technology firm? (The logo of the firm can be seen printed on credit cards, ATM centres, etc.)**  
 (a) Visa (b) Max (c) BSE (d) Sensex  
 (e) SWAP
- 57. What is the full form of 'CRR' as used in banking sector?**  
 (a) Crucial Reserve Rate  
 (b) Cash Reserve Ratio  
 (c) Compulsory Return Rate  
 (d) Credit and Reserve Ratio  
 (e) None of these
- 58. What is the full form of LAF, as used in banking world very frequently?**  
 (a) Liquid Advances Finance  
 (b) Liquidity Adjustment Facility  
 (c) Legal Adjournment Formality  
 (d) Local Advance Finance  
 (e) Late Arrival of Finance
- 59. Whenever somebody needs foreign currency against Indian Rupee, banks give equivalent amount of desired currency based on prevalent**  
 (a) bank rate (b) currency rate  
 (c) policy rate (d) exchange rate  
 (e) base rate
- 60. Many Regional Rural Banks are given license to open branches in tier 2 and smaller cities. These licenses are given by**  
 (a) Cabinet Committee on economic affairs  
 (b) Reserve Bank of India  
 (c) NABARD  
 (d) Indian Banks Association  
 (e) None of these
- 61. Which of the following organizations/agencies is not associated with the world of Banking and Finance?**  
 (a) SEBI (b) AMFI (c) RBI (d) ECGC  
 (e) SPCA
- 62. Banks recover term loan from the parties in EMIs. What does the letter E' represent in the term?**  
 (a) Easy (b) Effective (c) Equated (d) Essential  
 (e) Economical
- 63. What is the full form of PLO, an agency of the United Nations?**  
 (a) International Labour Organization  
 (b) International Legal Organization  
 (c) Indian Labour Organization  
 (d) Indian Lawyer's Organization  
 (e) Information and Legal Organization
- 64. Which of the following is not a Scheduled Commercial Bank?**  
 (a) IDBI Bank (b) Axis Bank



- (c) HDFC Bank (d) NABARD  
(e) Kotak Mahindra Bank
- 65. The financial results of banks and other organizations normally are expressed in quarter. What does Q-1 mean?**  
(a) Results of January-March  
(b) Performance during April-June  
(c) Profits during July-September  
(d) The period when the profits are highest  
(e) All of these
- 66. Which of the following certainly is an effort in the direction of Financial Inclusion?**  
(a) Internet Banking (b) Anywhere Banking  
(c) No-frills Accounts  
(d) Foreign Currency Accounts  
(e) All of these
- 67. Which of the following Acts has specially been launched to facilitate banks in recovery of bad loans?**  
(a) RBI Act (b) Banking Regulation Act  
(c) Companies Act (d) Income Tax Act  
(e) SARFAESI Act
- 68. The financial assistance or loans of Rs.10,000 by a bank to a very small borrower will be called**  
(a) Business finance (b) Govt. finance  
(c) Micro finance (d) Small finance  
(e) KYC finance
- 69. How many banks were nationalized in July 1969 when the first nationalization took place?**  
(a) 5 (b) 8 (c) 10 (d) 14  
(e) None of these
- 70. Which of the following is called the Bankers' Bank in India?**  
(a) State Bank of India (b) Central Bank of India  
(c) NABARD (d) Reserve Bank of India  
(e) None of these
- 71. Who amongst the following cannot work as a Business Correspondent as given in the scheme launched by the banks?**  
(a) Kirana Store (b) Post Office  
(c) Self-Help Group (d) A Bank Officer  
(e) Co-operative Society
- 72. Some banks are financing big projects like construction of roads/bridges etc. Financing such projects means banks are helping exactly in**  
(a) Infrastructural development  
(b) Project management  
(c) Developing core sector industry  
(d) Financial inclusion  
(e) All of these
- 73. As we know, a lot of new concepts are being used in the field of banking these days. Which of the following is NOT one such concept/product directly associated with banks?**  
(a) E-payment (b) SMS Alert  
(c) ATM/Debit Card (d) Demat Account  
(e) Number Portability
- 74. Which of the following is NOT a Nationalized Bank?**  
(a) Union Bank of India (b) Central Bank of India  
(c) Yes Bank (d) Syndicate Bank  
(e) Indian Bank
- 75. Who amongst the following cannot open an account in any bank in India?**  
(a) One who is not earning regularly  
(b) A housewife  
(c) A student of 10th Standard  
(d) A farmer who owns a small piece of land  
(e) An individual who is well-to-do but his source of income is not known
- 76. Who among the following cannot open 'No Frill Account' in a bank?**  
(a) Agriculture labourer (b) Student  
(c) A small firm selling white goods  
(d) Farmer  
(e) A labourer in unorganized sector
- 77. Which of the following assets can be mortgaged?**  
(a) Stock (b) Book Debts  
(c) National Savings Certificates  
(d) Shares (e) Land and Building
- 78. The headquarters of the World Bank is located in**  
(a) London (b) Paris  
(c) New York (d) Tokyo  
(e) Washington DC
- 79. What is the full form of 'NBFC' as used in the financial sector?**  
(a) New Banking Finance Corporation  
(b) Non-Banking Finance Company  
(c) New Business Formation Company  
(d) Net Banking and Finance Cooperative  
(e) None of these
- 80. Which of the following terms is NOT used in the field of Banking/Finance?**  
(a) Goods and Services  
(b) Refund  
(c) Tax Deducted of Source  
(d) Fundamental duties of a citizen  
(e) Relief to exporters
- 81. What does the letter 'V' denote in the term 'VAT' as used in banking?**  
(a) Valuable (b) Various

- (c) Vendor (d) Very  
(e) Value
- 82. Which of the following is called the World Bank?**  
(a) International Monetary Fund  
(b) Asian Development Bank  
(c) World Trade Organisation  
(d) International Reconstruction and Development Bank  
(e) None of these
- 83. We frequently read about 'MFI' in newspapers. What is the full form of this term, which is used in financial sector?**  
(a) Micro Finance Institutions  
(b) Micro Functional Issues  
(c) Mutual Funds in India  
(d) Monetary Forum of India  
(e) Monetary and Financial Institutes
- 84. A bank branch receives a counterfeit note of Rs. 100 from the customer, which the customer wants back. Which of the following action should be taken by the Bank?**  
(a) Will return to customer  
(b) Will impound and not return  
(c) Will ask for exchange of note  
(d) Will replace with genuine note  
(e) Will check all the notes in possession with the customer which are not being deposited also
- 85. Which of the following is not a mode of foreign capital inflow in India?**  
(a) FDI (b) NRI deposits  
(c) FII (d) No frills accounts  
(e) None of these
- 86. Which of the following banks was not nationalized in 1969?**  
(a) Punjab National Bank  
(b) Bank of India  
(c) State Bank of India  
(d) Bank of Baroda  
(e) Bank of Maharashtra
- 87. In our country, a cheque remains valid for payment for \_\_\_\_ from the date of issue.**  
(a) 3 months (b) 6 months  
(c) 9 months (d) 12 months  
(e) 18 months
- 88. The Government of India, has acquired RBI's stake in one of the major banks of India. Which of the following is the bank?**  
(a) AXIS Bank (b) IDBI Bank  
(c) ICICI Bank (d) State Bank of India  
(e) None of these
- 89. Credit Cards are known as**  
(a) Hard money (b) Easy money  
(c) Soft money (d) Plastic money  
(e) Real money
- 90. Which of the following instruments cannot be transferred from one person to another by Endorsement?**  
(a) Fixed Deposit Receipt  
(b) Cheque (c) Bill of Exchange  
(d) Promissory Note  
(e) None of these
- 91. 'Crossing' applies to which of the following instruments?**  
(a) Cheques (b) Bills  
(c) Promissory Notes (d) Hundies  
(e) Fixed Deposit Receipt
- 92. Which of the following is a Development Bank?**  
(a) HDFC Bank  
(b) National Housing Bank  
(c) Central Bank of India  
(d) Saraswat Co. Op. Bank  
(e) HSBC Bank
- 93. Among the banks on our country, which of the following is not a foreign bank?**  
(a) HSBC  
(b) Standard Chartered Bank  
(c) BNP Paribas  
(d) Citi Bank NA  
(e) ING Vysya Bank
- 94. Which of the following is a foreign bank having offices/branches in India?**  
(a) Yes Bank (b) HDFC Bank  
(c) IDBI Bank (d) Karnataka Bank  
(e) Standard Chartered Bank
- 95. What are teaser loans?**  
(a) Fixed rate of interest charged by banks  
(b) Floating rate of interest charged by banks  
(c) Rate of interest in the initial period is very less and increases steeply in later years  
(d) Rate of interest in the later years goes down substantially  
(e) None of these
- 96. Which of the following aptly describes the business of insurance?**  
(a) Insurance is about collective bearing of risk  
(b) Insurance pay to one person from money collected from another person  
(c) Insurance is about disaster management  
(d) Insurance is about paying for others mistakes  
(e) None of these
- 97. Bank in India are regulated under**  
(a) Companies Act, 1956  
(b) Banking Regulation Act, 1949  
(c) Reserve Bank of India, 1934

- (d) Special Powers conferred on the RBI  
(e) None of these
- 98. A saving bank account opened with a commercial bank with zero or very minimal balance is known as**
- (a) Savings Banks Ordinary Account  
(b) Student Savings Banks Account  
(c) Basic Savings Bank Deposit Account (BSBDA)  
(d) Current Account  
(e) Call Deposit
- 99. 'Base Rate' in banks is**
- (a) The rate of interest payable on demand deposits  
(b) The rate of interest payable of fixed deposits  
(c) The rate of interest charged by the RBI on long-term borrowing of public sector banks  
(d) The minimum lending rate decided by the RBI which shall be adopted by all public sector banks  
(e) The minimum interest rate fixed by individual banks below which they cannot lend funds, except cases like govts-sponsored schemes
- 100. A savings bank deposit account is one where**
- (a) The deposits are made only once in a year  
(b) Amounts are deposited and are withdrawn as per the requirement of the customers  
(c) Periodical fixed amounts are deposited month wise and withdrawals are allowed after a fixed period  
(d) The deposits are made once in every month  
(e) None of these
- 101. Mobile banking requires**
- (a) Account with a bank with mobile phone linked to interbank mobile payment service  
(b) Account with mobile post office  
(c) Account with bank along with mobile phone linked to interstate mobile payment service  
(d) account with banks and mobile phone linked to interstate mobile payment service  
(e) Account with banks along with mobile phone linked to inter-district mobile payment service
- 102. In a bank, which of the following are the usual types of accounts?**
- (a) Savings accounts, Electricity accounts and Insurance premium accounts  
(b) Fixed deposits, Post office savings bank accounts and Current deposit accounts  
(c) Current accounts, Savings banks accounts and Term deposit accounts  
(d) Loan accounts, Savings bank accounts and Term deposit accounts  
(e) Current bill accounts and Term deposit accounts
- 103. When a bank dishonors a cheque it is called**
- (a) Settlement of the cheque  
(b) Withdrawing of the cheque  
(c) Nullifying of the cheque  
(d) Truncating of the cheque  
(e) Return of the unpaid cheque
- 104. Which of the following banks has recently been merged with the State Bank of India?**
- (a) State Bank of Hyderabad  
(b) State Bank of Indore  
(c) State Bank of Mysore  
(d) State Bank of Travancore  
(e) None of these
- 105. Crossing of cheques makes them**
- (a) Invalid document  
(b) Ineligible to endorse to a person other than the payee  
(c) Remain the same in all respect; it is only a practice  
(d) Eligible for payment irrespective of sufficient balance in the account  
(e) Ineligible to get cash across the bank counter
- 106. NEFT and RTGS in banking terminology speak of**
- (a) Various deposit products  
(b) Various loan products  
(c) Electronic payment products within a bank  
(d) Electronic fund transfer from bank to bank  
(e) Cheque truncation process
- 107. The ownership of public sector banks rests**
- (a) Wholly with the Government of India  
(b) Jointly with the government of India and State Bank of India  
(c) Wholly with the shareholders from public  
(d) Jointly with the Governments of India and Reserve bank of India  
(e) Jointly with Government of India and the shareholders from the public
- 108. Non-Performing Assets are the assets which have stopped giving**
- (a) Losses to a bank  
(b) Capital to a bank  
(c) Income to a bank  
(d) Income and expenses to a bank  
(e) Expenses to a bank
- 109. Which of the following banks in India has maximum number of branches and ATMs in India?**
- (a) IDBI Bank  
(b) Bank of India  
(c) Punjab National Bank  
(d) ICICI Bank  
(e) State Bank of India
- 110. EFT stands for**
- (a) Effective Funds Transfer  
(b) Efficient Funds Transfer  
(c) Easy Funds Transfer  
(d) Electronic Funds Transfer  
(e) Electric Finds Transfer



**111. If a cheque is postdated, the bank on which it is drawn**

- (a) Will not honour the cheque before the date of the cheque
- (b) As to honour the cheque before the date of the cheque
- (c) Has the option to honour the cheque before the date of the cheque or not
- (d) Has to refer to RBI to honour the cheque before the date of the cheque
- (e) Has to refer to the court to honour the cheque before the date of the cheque

**112. The maximum amount of the total revenue earned by the Government of India comes from**

- (a) Income Tax
- (b) Customs Duty
- (c) Excise Tax
- (d) Value Added Tax
- (e) Corporate Tax

**113. Which bank is the banker to the Central Government?**

- (a) Central Bank of India
- (b) Reserve Bank of India
- (c) Punjab National Bank
- (d) State Bank of India
- (e) All of these

**114. In India the interest rate on savings bank accounts in all nationalised commercial banks is fixed by**

- (a) Union Ministry of Finance
- (b) Union Finance Commission
- (c) Indian Banks Association
- (d) Reserve Bank of India
- (e) Individual banks

**115. NPA in banking terminology denotes**

- (a) New Para-banking Assets
- (b) Net Profitable Assets
- (c) Net Performing Assets
- (d) Non-Performing Assets
- (e) New Pension Act

**116. When a customer draws a cheque on a bank**

- (a) It is a mandate on that bank to pay
- (b) It is a mandate on the Government of India to pay
- (c) It is a mandate on the State Government to pay
- (d) It is on the RBI to pay
- (e) It is a mandate on the Finance Ministry to pay

**117. A nationalized bank is also called by which of the following names**

- (a) Private Sector Bank
- (b) Self Help Group
- (c) Cooperative Bank
- (d) Grameen Bank
- (e) Public Sector Bank

**118. Nomination for a deposit account in the bank means**

- (a) Mandate given by the close relative/s of the depositor to settle the death claim in case of death of the depositor
- (b) Mandate decided by the bank to settle the death claim of its depositor
- (c) Mandate of the depositor in favour of one or more persons to claim the amount on death of the depositor
- (d) Mandate of the depositor in favour of a close relative who can claim the amount on death of the depositor
- (e) Court order instructing the banks to settle the death claim of its depositor

**119. In which of the following accounts is operation by cheques permitted?**

- (a) Savings bank accounts and fixed deposit accounts
- (b) Current accounts and fixed deposit accounts
- (c) Savings bank accounts and floating loan accounts
- (d) Savings bank accounts and cash accounts
- (e) Savings bank accounts and current accounts

**120. Bank cannot do which of the following businesses?**

- (a) Accepting demand and time deposits from public
- (b) Accepting items for keeping in safe custody
- (c) Selling gold coins
- (d) Buying commodities for trading
- (e) Accepting foreign currency for selling to money changers

**121. Bulls and Bears are terms used in**

- (a) Bullion Markets
- (b) Vegetable Markets
- (c) Stock Exchange
- (d) Commodity Markets
- (e) None of these

**122. Which of the following is a private bank in India?**

- (a) Union Bank of India
- (b) Syndicate Bank
- (c) IDBI Bank
- (d) UCO Bank
- (e) HDFC Bank

**123. A traveller's cheque is**

- (a) A supplementary credit card
- (b) A cheque issued by a bank or financial institution which functions as capital
- (c) A certificate issued by a bank or financial institution in lieu of cash
- (d) A cheque issued by a bank or financial institution which functions as a bond
- (e) A prepaid instrument issued by a bank or finance institution which can be substitute of cash

**124. A mortgage is a security created on**

- (a) Movable property for a loan given by a bank
- (b) Immovable property for a deposit received by a bank
- (c) A confirmation of immovable property given by a bank

- (d) Movable property for a deposit given by a bank  
(e) Immovable property for a loan given by a bank
- 125. For using safe deposit locker facilities, bank customers pay**
- (a) Commission on locker (b) Interest on locker  
(c) Rent on locker (d) Exchange on locker  
(e) Safe custody charges
- 126. If a crossed cheque is presented for payment**
- (a) Cash can be paid across the counter to the presenter  
(b) Cash can be paid across the counter to the account holder only  
(c) It can be paid only through a banker  
(d) It cannot be paid at all  
(e) It can be paid across the counter in another bank
- 127. Bank branches which can undertake foreign exchange business directly are known as in foreign exchange**
- (a) Authorized dealers (b) Foreign dealers  
(c) Overseas branches (d) Approved dealers  
(e) Exchange branches
- 128. Loans of very small amounts given to low income groups is called**
- (a) Cash credit (b) Micro credit  
(c) Simple overdraft (d) No frills loans  
(e) Rural credit
- 129. When a banker talks about CDR, what is he talking about?**
- (a) Corporate Debt Restructuring  
(b) Corporate Debt Rollover  
(c) Company Debt Rollover  
(d) Corporate Deposit Restructuring  
(e) Company Deposit Restructuring
- 130. Expand the term ALM as used in Banking/Finance sector.**
- (a) Asset Liability Management  
(b) Asset Liability Maturity  
(c) Asset Liability Mismatch  
(d) Asset Liability Manpower  
(e) Asset Liability Maintenance
- 131. What is the maximum period for which domestic term deposits are normally accepted by banks in our country?**
- (a) 3 years (b) 5 years (c) 7 years (d) 10 years  
(e) 12 years
- 132. The banking Ombudsman**
- (a) Is in charge of bank loans for buses  
(b) Fixes the rates of interest for loans  
(c) Resolves complaints of customers  
(d) Issues licenses for new bank branches  
(e) Is the head of all nationalized banks
- 133. Which of the following is not classified as a commercial bank?**
- (a) Public sector bank (b) Foreign bank  
(c) Private sector bank (d) Regional rural bank  
(e) Urban cooperative bank
- 134. Which of the following is not the name of a Banking Organization?**
- (a) HDFC (b) IDBI (c) YES (d) SEBI  
(e) ICICI
- 135. Which of the following is not a primary function of a Bank?**
- (a) Granting Loans  
(b) Collecting Cheques/Drafts of customers  
(c) Facilitating import of goods  
(d) Issuing Bank drafts  
(e) Selling Golds/Silver Coins
- 136. Which of the following represents correct meaning of REPO RATE?**
- (a) Rate on which RBI sells Government Securities to Banks  
(b) Rate for borrowing rupees by banks from RBI  
(c) Rate offered by banks to their prime customers  
(d) Rate applicable for grant of priority sector loans  
(e) None of these
- 137. Savings bank accounts are opened by**
- (a) Trading entities, manufacturing entities and individuals for saving purposes  
(b) Traders and manufactures for business purposes  
(c) Individuals for savings purposes  
(d) Limited companies and partnerships for savings purposes  
(e) Cooperative banks for savings
- 138. A customer drawing a cheque on a banks has a right to**
- (a) Take back the cheque from the bank after it is paid  
(b) Take back the cheque from the banks after it is paid with the permission of RBI  
(c) Stop payment of the cheque before it is paid  
(d) Stop payment of the cheque after it is paid  
(e) Stop payment of the cheque before it is issued
- 139. Which of the following is NOT a function of a commercial bank?**
- (a) Providing project finance  
(b) Settlement of payments on behalf of the customers  
(c) Deciding policy rates like CRR, SLR and Repo Rates  
(d) Issuing credit/debit/ATM cards  
(e) Providing services such as locker facilities, remittances
- 140. Which of the following is a measure taken by the Reserve Bank of India to control inflation in our country?**

- (a) Increasing the CRR (b) Increasing the SLR  
(c) Contraction of supply of currency  
(d) Raising Repo/Reverse Repo Rate  
(e) Decreasing the SLR
- 141. What types of loan is granted by banks for purchase of white goods?**  
(a) Consumption loan (b) Mortgage loan  
(c) Consumer durables loan  
(d) Home loan  
(e) None of these
- 142. What is a stale cheque?**  
(a) A cheque issued without drawer's signature  
(b) A cheque with only signature of the drawer  
(c) A cheque which has completed 3 months from its date of issue  
(d) A six months post-dated cheque  
(e) Any one of these
- 143. Ram has been nominated in the saving account of Sita. Ram requests the bank authorities to allow him to operate sita's account as she is unwell. What will the bank do?**  
(a) Bank will allow Ram to operate the account as he is the nominee  
(b) As nomination will come into effect only after death of the depositor, bank will not allow  
(c) As Ram is the husband of Sita in addition to being the nominee, the Bank should allow  
(d) Out of pity for Sita and on account of long term relationship, the Bank may allow  
(e) Bank can take a promissory note from Ram and allow him to operate the account
- 144. Credit risks to the bank is high in which of the following cards?**  
(a) Debit cards (b) Credit cards  
(c) ATM cards (d) All of these  
(e) None of these
- 145. Which of the following is NOT a source of funds of a commercial bank?**  
(a) Capital (b) Borrowings from RBI  
(c) Call money borrowings  
(d) Deposits  
(e) Cash reserves with RBI
- 146. Which of the following is a Credit Card Association?**  
(a) India Card (b) Master Card  
(c) SBI Card (d) Citi Bank Cards  
(e) BOB Card
- 147. Which of the following is not an electronic banking delivery channel?**  
(a) Mobile Vans (b) Mobile Phone Banking  
(c) Internet Banking (d) Tele Banking  
(e) ATM
- 148. Crossing on a cheque can be cancelled by the \_\_\_\_\_ of the cheque under his full signature.**  
(a) Payee (b) Drawee  
(c) Endorser (d) Holder  
(e) Drawer
- 149. Which of the following categories of advance accounts is not an NPA?**  
(a) Standard account (b) Substandard account  
(c) Doubtful account (d) Loss accounts  
(e) All of these
- 150. Foreign investments in India are normally known as**  
(a) CII (b) FDI (c) SFI (d) SME  
(e) MDI
- 151. ASBA scheme is related to the purchase of**  
(a) IPO (b) CP (c) CD (d) TCs  
(e) None of these
- 152. Smart Card is**  
(a) Special Purpose Cards  
(b) Microprocessor Cards  
(c) Processing unit contains memory for storing data  
(d) Processing unit for software handling  
(e) None of these
- 153. Which of the following policies/agreements/accords is closely associated with the reform in Banking Industry?**  
(a) Doha Accord (b) Basel Accord  
(c) Look East Policy (d) Geneva Framework  
(e) All of these
- 154. Which of the following programmes the Govt. of India has launched to develop comprehensive rural infrastructure in the country?**  
(a) Bharat Nirman (b) Indira Awas Yojana  
(c) Watershed Development Programme  
(d) Self Help Groups  
(e) None of these
- 155. Which of the following schemes launched by the Govt. of India has proved successful to attract school children to come to school and get educated?**  
(a) Rashtriya Saksharta Mission  
(b) Food for Work Scheme  
(c) Mid-day Meal Scheme  
(d) Pulse Polio Abhiyan  
(e) None of these
- 156. Which of the following organizations is known as a regulator associated with the financial activities in India?**  
(a) ISRO (b) WHO  
(c) UNESCO (d) SEWA  
(e) SEBI
- 157. The most powerful tool used by the Reserve Bank of India to control inflation is to**



- (a) Raise interest rates (b) Reduce interest rates  
(c) Raise currency supply  
(d) Reduce currency supply  
(e) Raise interest rates and reduce currency supply
- 158. Which of the following agencies is associated with the business of Insurance sector as a regulator?**  
(a) NPCI (b) IRDA (c) SEBI (d) AMFI  
(e) None of these
- 159. Banking sector falls under which of the following sectors?**  
(a) Agriculture Sector (b) Service Sector  
(c) Manufacturing Sector (d) Industrial Sector  
(e) Small Scale Sector
- 160. Which one of the following is not an authorized means of banking transaction for the people in India?**  
(a) Online (b) Mobile  
(c) Phone (d) Visiting individually  
(e) Video conferencing
- 161. The hundred rupee currency note in India bears the signature of**  
(a) Finance Minister of India  
(b) President of India  
(c) Prime Minister of India  
(d) General Manager of Note Printing Press  
(e) Governor of the Reserve Bank of India
- 162. Which of the following is NOT a part of India's money Market?**  
(a) Bill Market (b) Call Money Market  
(c) Banks (d) Mutual Funds  
(e) Indian Gold Council
- 163. NRI Day is observed on which of the following days?**  
(a) 9th February (b) 9th January  
(c) 19th February (d) 19th March  
(e) 9th March
- 164. Which of the following is the regulator of the credit rating agencies in India?**  
(a) RBI (b) SBI (c) SIDBI  
(d) SIDBI  
(e) None of these
- 165. State Financial Corporation give assistance mainly to develop which of the following?**  
(a) Small-and-medium scale industries  
(b) Agriculture sector  
(c) Cotton industry (d) Large-scale industries  
(e) Coal mines
- 166. As we all know, some new initiatives were introduced in the area of Fiscal Management by the Government of India. Which of the following Acts was passed a few years back to keep a check on the fiscal indiscipline on macroeconomic parameters?**  
(a) FRBMA (b) FERA  
(c) FEMA (d) Public Debt Act  
(e) Banking Regulation Act
- 167. Fiscal Policy is concerned with which of the following?**  
(a) Export and Import  
(b) Public Revenue and Expenditure  
(c) Issue of Currency  
(d) Population Control  
(e) Educational for all
- 168. Foreign Exchange Reserve of India are kept in the custody of which of the following?**  
(a) International Bank for Reconstruction and development  
(b) International Monetary Fund  
(c) Government Treasury  
(d) Reserve Bank of India  
(e) State Bank of India
- 169. Which of the following services is NOT provided by the post offices in India?**  
(a) Savings Bank Scheme  
(b) Retailing of Mutual Funds  
(c) Sale of Stamps  
(d) Issuance of Demand Drafts  
(e) Life Insurance Cover
- 170. What does the letter R denote in the abbreviation 'BR Act' which controls banking activities in the country?**  
(a) Reformation (b) Regulation  
(c) Reporting (d) Resolution  
(e) Ranking
- 171. Department of Economic Affairs is part of which of the following ministries?**  
(a) Ministry of Home Affairs  
(b) Ministry of Rural Development  
(c) Ministry of Planning  
(d) Ministry of Heavy Industries and Public Enterprises  
(e) None of these
- 172. Union Budget, which is presented every year in the parliament, is also known as**  
(a) General Budget (b) Common Budget  
(c) Annual Budget  
(d) Financial Report of the year  
(e) Statement of Allocation of Funds
- 173. Which of the following is NOT a part of the Ministry of Finance?**  
(a) Department of Financial Services  
(b) Department of Expenditure  
(c) Department of Revenue  
(d) Department of Disinvestment  
(e) Department of Resource Planning

- 174. 'Global Market' means market of**  
 (a) USA (b) China  
 (c) OPEC members  
 (d) European Union Countries  
 (e) All major countries and their alliances
- 175. Where is the headquarters of the International Monetary Fund (IMF)?**  
 (a) Geneva (b) Paris  
 (c) London (d) Manila  
 (e) Washington DC
- 176. Foreign currencies are represented in various abbreviations. What is meant by USD?**  
 (a) US Dollar (b) UAE Dinar  
 (c) Unit of Currency of Denmark  
 (d) Ukrainian Soviet Dollar  
 (e) None of these
- 177. Compilation of data on industrial production in India is done by which of the following agencies/ organizations?**  
 (a) National Testing Lab  
 (b) Reserve Bank of India  
 (c) Census Commission of India  
 (d) Planning Commission of India  
 (e) Central Statistics Office
- 178. What does the letter P denote in the term 'PAN', which is issued by the Income Tax Department?**  
 (a) Provisional (b) Private  
 (c) Personal (d) Permanent  
 (e) Postal
- 179. Which of the following is the Currency of Iran?**  
 (a) Dinar (b) Rial (c) Lari (d) Rufiyaa  
 (e) Dirham
- 180. Bad debts mean which of the following?**  
 (a) Amounts owed to a company that are going to be paid within a month  
 (b) Amounts owed to a company that are not going to be paid  
 (c) Amounts owed to a company that are going to be paid  
 (d) Amounts owed to a company that are not going to be paid within 3 years  
 (e) Amounts owed to a company that are going to be paid within 6 months
- 181. On domestic term deposits, banks in our country generally offer additional rate of interest on term deposits from**  
 (a) Minors (b) Married women  
 (c) Govt. employees (d) Rural residents  
 (e) Senior citizens

### ANSWER KEY

1	(c)	2	(e)	3	(c)	4	(a)	5	(d)	6	(d)	7	(a)	8	(a)	9	(e)	10	(a)
11	(c)	12	(b)	13	(e)	14	(c)	15	(c)	16	(e)	17	(d)	18	(c)	19	(b)	20	(e)
21	(a)	22	(c)	23	(b)	24	(a)	25	(b)	26	(d)	27	(e)	28	(c)	29	(e)	30	(d)
31	(c)	32	(a)	33	(c)	34	(d)	35	(b)	36	(a)	37	(a)	38	(c)	39	(d)	40	(d)
41	(d)	42	(e)	43	(a)	44	(c)	45	(c)	46	(a)	47	(d)	48	(d)	49	(c)	50	(c)
51	(a)	52	(d)	53	(c)	54	(a)	55	(e)	56	(a)	57	(b)	58	(b)	59	(d)	60	(b)
61	(e)	62	(c)	63	(a)	64	(d)	65	(b)	66	(c)	67	(e)	68	(c)	69	(d)	70	(d)
71	(d)	72	(a)	73	(e)	74	(c)	75	(e)	76	(c)	77	(e)	78	(e)	79	(b)	80	(d)
81	(e)	82	(d)	83	(a)	84	(b)	85	(d)	86	(c)	87	(a)	88	(d)	89	(d)	90	(a)
91	(a)	92	(b)	93	(e)	94	(e)	95	(c)	96	(a)	97	(b)	98	(c)	99	(e)	100	(b)
101	(a)	102	(c)	103	(e)	104	(b)	105	(e)	106	(d)	107	(e)	108	(c)	109	(e)	110	(d)
111	(a)	112	(e)	113	(b)	114	(e)	115	(d)	116	(a)	117	(e)	118	(d)	119	(e)	120	(d)
121	(c)	122	(e)	123	(e)	124	(e)	125	(c)	126	(c)	127	(a)	128	(b)	129	(a)	130	(a)
131	(d)	132	(c)	133	(e)	134	(d)	135	(c)	136	(b)	137	(c)	138	(c)	139	(c)	140	(d)
141	(c)	142	(c)	143	(b)	144	(b)	145	(e)	146	(b)	147	(a)	148	(e)	149	(a)	150	(b)
151	(a)	152	(b)	153	(b)	154	(a)	155	(c)	156	(e)	157	(a)	158	(b)	159	(b)	160	(e)
161	(e)	162	(e)	163	(b)	164	(c)	165	(b)	166	(a)	167	(b)	168	(d)	169	(d)	170	(b)
171	(e)	172	(a)	173	(e)	174	(e)	175	(e)	176	(a)	177	(e)	178	(d)	179	(b)	180	(b)
181	(e)																		

## BANKING QUESTIONS

1. The foreign Trade policy announced for a period of
  - (a) two years
  - (b) three years
  - (c) four years
  - (d) five years
  - (e) ten years
2. By increasing repo rate, the economy may observe the following effect(s)
  - (a) Rate of interest on loans and advances will be costlier
  - (b) Industries output would be affected to an extent
  - (c) Banks will increase rate on interest on deposits
  - (d) Industry houses may borrow money from foreign countries
  - (e) All of these
3. The stock market index of London Stock Market is referred as
  - (a) Sensex
  - (b) Footsie (FTSE)
  - (c) NIFTY
  - (d) Bullish
  - (e) None of these
4. As we all know, the Ministry for Finance every year prepares the Union Budget and present it to the parliament. Which of the following is/are the element of the Union Budget?
  - (A) Estimates of revenue and capital receipts
  - (B) Ways and means to raise the revenue
  - (C) Estimates of expenditure
  - (a) Only (A)
  - (b) Only (B)
  - (c) Only (C)
  - (d) All (A), (B) and (C)
  - (e) None of these
5. Regional Rural Banks
  - (a) Have limited area of operation and access to refinance from NABARD
  - (b) Are required to lend only to weaker sections
  - (c) Are mandated to do only narrow banking
  - (d) Can only extend agriculture loans
  - (e) Have unrestricted area of operation
6. Many a times we read a term in financial newspapers GDR. What is the full form of the same?
  - (a) Gross Domestic Revenue
  - (b) Global Domestic Ratio
  - (c) Global Depository Receipts
  - (d) Global Depository Revenue
  - (e) None of these
7. Federal Reserve is the financial organization of
  - (a) USA
  - (b) Britain
  - (c) France
  - (d) Japan
  - (e) Germany
8. Which of the following organization is known as the market regulator in India?
  - (a) IBA
  - (b) SEBI
  - (c) AMFI
  - (d) NSDL
  - (e) None of these
9. Many times we hear about SEZ in newspapers/magazines. What is the full form of SEZ?
  - (a) Small Economic Zone
  - (b) Social Economic Zone
  - (c) Special Enforcement Zone
  - (d) Service and Economic Zone
  - (e) None of these
10. Which of the following is NOT a tax/duty levied by the Govt. of India?
  - (a) Income Tax
  - (b) Education Fess
  - (c) Service Tax
  - (d) Custom Duty
  - (e) Toll Tax
11. Many times we read a term 'ECB in financial newspapers. What is the full form of ECB?
  - (a) Essential Commercial Borrowing
  - (b) Essential Credit and Borrowing
  - (c) External Credit and Business
  - (d) External Commercial Borrowing
  - (e) None of these
12. Union Budget is always presented first in
  - (a) The Lok Sabha
  - (b) The Rajya Sabha
  - (c) Joint Session of the Parliament
  - (d) Meeting of the Union Cabinet
  - (e) The State assemblies
13. As reported in various newspapers many banks have revised their interest rates on home loans, car loans and other such loans. Which of the following phenomenon prompted these banks to make such an upward revision in their interest rates?
  - (A) RBI has revised the CRR and other such rates upwards, which has created a liquidity crunch in the market.
  - (B) Stock markets in the country are showing very high fluctuations as visible through their indexes. As a result banks have lost a huge amount of money by increasing their interest rates.
  - (C) Banks are in need of a huge amount of money, as they have to give revised pay to all its employees.
  - (a) Only (A)
  - (b) Only (B)
  - (c) Only (C)
  - (d) All (A), (B) and (C)
  - (e) None of these
14. What is the full form of the term ASBA?
  - (a) Allotment Supported by Blocked Amount
  - (b) Application supported by Bank Amount
  - (c) Allotment Supported by Bank Account
  - (d) Application supported by Blocked Amount
  - (e) Allotment and Social Banking Amount
15. Many times we read a term "How Money" in newspaper. What is/are characteristics of Hot Money?
  - (a) High volatility
  - (b) High liquidity
  - (c) High risk
  - (d) High return
  - (e) All of these



- (A) The term is used for fresh currency notes issued by the RBI.  
 (B) It is the fund which flows in the market to take advantage of high interest rates.  
 (C) It is the fund which is thrown in the market to create imbalance in the stock markets.  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these
- 16. Which of the following is/are included in "Deficit Financing" in India? (The term is used frequently in economic planning.)**  
 (A) Borrowing from the Reserve Bank of India  
 (B) Issue of new currency notes  
 (C) Withdrawal of past balance/surplus etc.  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these
- 17. Which of the following is/are correct about the "Operational Risk as used in the field of banking?"**  
 (A) Risk of loss due to inadequate or failed internal process  
 (B) Risk of loss due to natural calamities  
 (C) Loss occurred due to non-compliance of legal procedures.  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these
- 18. Which of the following is NOT a social sector programme of the Govt. of India?**  
 (a) Mid-Day Meal Scheme  
 (b) Sarva Siksha Abhiyan  
 (c) National Rural Health Mission  
 (d) Integrated Child Development Services  
 (e) Look East Policy
- 19. Axis Bank is a**  
 (a) Public Sector Bank (b) Private Sector Bank  
 (c) Co-operative Bank (d) Foreign Bank  
 (e) Gramin Bank
- 20. The New Capital Adequacy Framework prescribed for the banks is commonly known as**  
 (a) Credit Policy (b) Monetary Policy  
 (c) KYC norms (d) Basel Accord  
 (e) None of these
- 21. As well as know Cash Reserve Ratio (CRR) is the percentage of the deposit banks keep in reserve with them. This ratio is also known as**  
 (a) Repo Rate (b) Reverse Repo Rate  
 (c) SLR (d) Liquidity Ratio  
 (e) None of these
- 22. When a corporate entity wishes to raise money from the market it can do that by issuing**  
 (a) Treasury Bills  
 (b) Memorandum of Association  
 (c) Kisan Vikas Patra  
 (d) National Saving Certificate  
 (e) Commercial Papers
- 23. RBI's open market operation transactions are carried out with a view to regulate**  
 (a) Liquidity in the economy  
 (b) Prices of essential commodities  
 (c) Inflation  
 (d) Borrowing power of the banks  
 (e) All of these
- 24. When more than one bank is allowing credit facilities to one party in coordination with each other under a formal arrangement, the arrangement is generally known as**  
 (a) Participation (b) Consortium  
 (c) Syndication (d) Multiple banking  
 (e) None of these
- 25. Open market operations, one of the measures taken by RBI in order to control credit expansion in the economy, means**  
 (a) Sale or purchase of Govt. securities  
 (b) Issuance of different types of bonds  
 (c) Auction of gold  
 (d) To make available direct finance to borrowers  
 (e) None of these
- 26. The bank rate means**  
 (a) Rate of interest charged by commercial banks from borrowers  
 (b) Rate of interest at which commercial banks discounted bills of their borrowers  
 (c) Rate of interest allowed by commercial banks on their deposits  
 (d) Rate at which RBI purchases or rediscounts bills of exchange of commercial banks  
 (e) None of these
- 27. What is an Indian Depository Receipt?**  
 (a) A deposit account with a Public Sector Bank  
 (b) A depository account with any of the Depositories in India  
 (c) An instrument in the form of depository receipt created by an Indian depository against underlying equity shares of the issuing company  
 (d) An instrument in the form of deposit receipt issued by Indian depositories  
 (e) None of these
- 28. An instrument that derives its value from a specified underlying (currency, gold, stocks etc.) asset is known as**  
 (a) Derivative (b) Securitisation Receipts

- (c) Hedge Fund (d) Factoring  
(e) Venture Capital Funding
- 29. Fiscal deficit is**  
(a) Total income less Govt. borrowing  
(b) Total payments less total receipts  
(c) Total payments less capital receipts  
(d) Total expenditure less total receipts excluding borrowing  
(e) None of these
- 30. In the Capital Market, the term arbitrage is used with reference to**  
(a) Purchase of securities to cover the sale  
(b) Sale of securities to reduce the loss on purchase  
(c) Simultaneous purchase and sale of securities to make profits from price variation in different markets  
(d) None of these.  
(e) Any of the above
- 31. Reverse repo means**  
(a) Injecting liquidity by the Central Bank of a country through purchase of Govt. securities  
(b) Absorption of liquidity from the market by sale of Govt. securities  
(c) Balancing liquidity with a view to enhance economic growth rate  
(d) Improving the position of availability of the securities in the market  
(e) Any of the above
- 32. The stance of RBI monetary policy is**  
(a) Inflation control with adequate liquidity for growth  
(b) Improving credit quality of the Banks  
(c) Strengthening credit delivery mechanism  
(d) Supporting investment demand in the economy  
(e) Any of the above
- 33. Currency Swap is an instrument to manage**  
(a) Currency risk (b) Interest rate risk  
(c) Currency and interest rate risk  
(d) Cash flows in different currencies  
(e) All of the above
- 34. "Sub-prime" refers to**  
(a) Lending done by banks at rates below PLR  
(b) Funds raised by the banks at sub-Libor rates  
(c) Group of banks which are not rated as prime banks as per Banker's Almanac  
(d) Lending done by financing institutions including banks to customers not meeting with normally required credit appraisal standards  
(e) All of the above
- 35. Euro Bond is an instrument**  
(a) Issued in the European market  
(b) Issued in Euro Currency  
(c) Issued in a country other than the country of the currency of the Bond  
(d) All of the above  
(e) None of these
- 36. Money Laundering normally involves**  
(a) Placement of funds  
(b) Layering of funds  
(c) Integration of funds  
(d) All of (a), (b) and (c)  
(e) None of (a), (b) and (c)
- 37. The IMF and the World Bank were conceived as institutions to**  
(a) Strengthen international economic co-operation and to help create a more stable and prosperous global economy.  
(b) IMF promotes international monetary cooperation.  
(c) The World Bank promotes long term economic development and poverty reduction.  
(d) All of (a), (b) and (c)  
(e) None of (a), (b) and (C)
- 38. Capital Market Regulator is**  
(a) RBI (b) IRDA (c) NSE (d) BSE  
(e) SEBI
- 39. Bad advances of a bank are called**  
(a) Bad debt (b) Book debt  
(c) Non-Performing Asset (d) Out-of-order accounts  
(e) Overdrawn accounts
- 40. FDI refers to**  
(a) Fixed Deposit Interest  
(b) Fixed Deposit Investment  
(c) Foreign Direct Investment  
(d) Future Derivative Investment  
(e) None of these
- 41. What is Call Money?**  
(a) Money borrowed or lent for a day or overnight  
(b) Money borrowed for more than one day but up to 3 days  
(c) Money borrowed for more than one day but up to 7 days  
(d) Money borrowed for more than one day but up to 14 days  
(e) None of these
- 42. Which is the first Indian company to be listed on NASDAQ?**  
(a) Reliance (b) TCS (c) HCL (d) Infosys  
(e) None of these
- 43. What is a 'Debit Card'?**  
(a) It is a card issued by a Rating Agency  
(b) It is a card which can be used for withdrawing cash or making payment event in the absence of any balance in the account

- (c) It is card which can be used for withdrawing cash or making payment if there is balance in the account  
 (d) It is a card which carries prepaid balance  
 (e) It is a card which can be used for making STD calls
- 44. "Carbon credit" is concerned with which one of these internationally sensitive issues?**  
 (a) Deforestation (b) Contract farming  
 (c) Rural infrastructure (d) Diamond trading  
 (e) Protection of environment
- 45. Nationalizations of banks aimed at all of the following except**  
 (a) Provision of adequate credit for agriculture, SME and exports  
 (b) Removal of control by a few capitalists  
 (c) Provision of credit to big industries only  
 (d) Access of banking to masses  
 (e) Encouragement of a new class of entrepreneurs
- 46. What is the maximum deposit amount insured by DICGC?**  
 (a) Rs.2,00,000 per depositor per bank  
 (b) Rs.2,00,000 per depositor across all banks  
 (c) Rs.1,00,000 per depositor per bank  
 (d) Rs.1,00,000 per depositor across all banks  
 (e) None of these
- 47. Which of the following is NOT required for opening a bank account?**  
 (a) Identify Proof (b) Address Proof  
 (c) Recent Photographs (d) Domicile Certificate  
 (e) None of these
- 48. A lot of Banks in India these days are offering M-Banking Facility to their customers. What is the full form of 'M' in 'M-Banking'?**  
 (a) Money (b) Marginal  
 (c) Message (d) Mutual Fund  
 (e) Mobile Phone
- 49. Which of the following is are true about the "Sub-Prime Crisis"?**  
 (A) It is a mortgage crisis referring to credit default by the borrowers.  
 (B) Sub-Prime borrowers were those borrowers who were rated low and were high-risk borrowers.  
 (C) This crisis originated because of negligence in credit rating of the borrowers.  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these
- 50. Which of the following is NOT the part of the structure of the Financial System in India?**  
 (a) Industrial Finance (b) Agricultural Finance  
 (c) Government Finance (d) Development Finance  
 (e) Personal Finance
- 51. Which of the following is NOT the part of the scheduled banking structure in India?**  
 (a) Money lenders (b) Public Sector Banks  
 (c) Private Sector Banks (d) Regional Rural Banks  
 (e) State Co-operative Banks
- 52. As we all know Govt. of India collects tax revenue on various activities in the country. Which of the following is a part of the tax revenue of the Govt.?**  
 (A) Tax on Income (B) Tax on Expenditure  
 (C) Tax on Property or Capital Asset  
 (D) Tax on Goods and Services  
 (a) Both (A) and (C) only  
 (b) Both (B) and (D) only  
 (c) All (A), (B), (C) and (D)  
 (d) Only (B), (C) and (D)  
 (e) None of these
- 53. We very frequently read about Special Economic Zones (SEZs) in newspapers. These SEZs were established with which of the following objectives?**  
 (A) To attract foreign investment directly  
 (B) To protect domestic market from direct competition from multinationals  
 (C) To provide more capital to agricultural and allied activities  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these
- 54. Which of the following is NOT a function of the Reserve Bank of India?**  
 (a) Fiscal Policy Functions  
 (b) Exchange Control Functions  
 (c) Issuance, Exchange and Destruction of currency notes  
 (d) Monetary Authority Functions  
 (e) Supervisory and Control Functions
- 55. Many times we read about Future Trading in newspapers. What is Future Trading?**  
 (A) It is nothing but a trade between any two stock exchanges wherein it is decided to purchase the stocks of each other on a fixed price throughout the year.  
 (B) It is an agreement between two parties to buy or sell an underlying asset in the future at a predetermined price.  
 (C) It is an agreement between stock exchanges that they will not trade the stocks of each other under any circumstances in future or for a given period of time.  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these



- 56. Inflation in India is measured on which of the following indexes/indicators?**
- Cost of Living Index (COLI)
  - Consumer Price Index (CPI)
  - Gross Domestic Product (GDP)
  - Wholesale Price Index (WPI)
  - None of these
- 57. As per the news published in various newspapers the Govt. of India has asked various banks to give their support to the implementation of the "National rural Employment Guarantee Act (NREGA)". How can banks give their support for the same?**
- By opening hassle-free savings bank account of the beneficiaries.
  - By providing job opportunities to the residents of rural areas who are willing to work in banks.
  - By providing financial support to various schemes/projects taken up under the NREGA.
- Only (A)
  - Only (B)
  - Only (C)
  - All (A), (B) and (C)
  - None of these
- 58. When there is a difference between all receipts and expenditure of the Govt. of India, both capital and revenue, it is called**
- Revenue deficit
  - Budgetary Deficit
  - Zero Budgeting
  - Trade Gap
  - Balance of payments problem
- 59. Which of the following is not a part of Bulk Imports in our country?**
- Fertilizers
  - Iron and steel
  - Handicrafts
  - Edible Oil
  - Non-ferrous metals
- 60. Which of the following will be considered as an advance to Priority Sector by the banks?**
- Credit to farmers for agricultural purposes
  - Loan to a group of doctors to establish a hospital in a city
  - Loan to a sick mill owner
  - Loans given to purchase house in posh colonies
  - None of these
- 61. Which of the following agencies/bodies has asked all foreign funds to come forward and register themselves as Foreign Institutional Investors (FIIs) prior to any investment in India?**
- RBI
  - SEBI
  - IBA
  - Register of Companies
  - None of these
- 62. Very often we read in newspapers about the Foreign Direct investment (FDI) through Automatic Route. What is meant by Automatic Route?**
- It is a process which allows foreign investors to trade shares of any Indian company on a day-to-day basis openly in stock markets.
  - It is a process by which Indian companies are allowed to issue shares to any foreign investor as part of their paid-up Capital in the project in which they have made an investment.
  - It is a process in which all foreign investors are asked to make all their investments in Indian projects in rupee currency only and that too in cash only. Technical know now or any other type of participation is not allowed as a part of investment.
- Only (A)
  - Only (B)
  - Only (C)
  - Both (A) and (C)
  - All (A), (B) and (C)
- 63. Which of the following is a retail banking product?**
- Home Loans
  - Working capital finance
  - Corporate term loans
  - Infrastructure financing
  - Export Credit
- 64. Which of the following is NOT an employment-generating programme of the Govt. of India?**
- NREGA
  - SGRY
  - SGSY
  - TRYSEM
  - CAMELS
- 65. Very often we read in newspapers/magazines about "Sovereign Wealth Funds". Which of the following is/are the correct description of the same?**
- These are the funds or the reserves of a government of central banks of a country which are invested further to earn profitable returns.
  - These are the funds which were accumulated by some people over the years but were not put in active circulation as they retain them as Black money for several years.
  - The funds which are created to be used as relief funds or bailout packages are known as sovereign funds.
- Only (B) and (C) only
  - Only (B)
  - Only (C)
  - Only (A)
  - None of these
- 66. Very often we read about Special Economic Zones (SEZs) in newspapers. What is the purpose of promoting SEZs in India?**
- They are established to promote exports.
  - They are established to attract investments from foreign countries.
  - They are established to help the poorest of the poor in India as the activities of these zones are

reserved only for the poor and those living below poverty line.

- (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) Both (A) and (B) only  
 (e) None of these
- 67. The ratio of the Cash Reserve is that the banks are required to keep with the RBI is known as**  
 (a) Liquidity Ratio (b) SLR  
 (c) CRR  
 (d) Net Demand and Time Liability  
 (e) None of these
- 68. The availability of cash and other cash-like marketable instruments that are useful in purchases and investments is commonly known as**  
 (a) Cash crunch (b) Liquidity  
 (c) Credit (d) Marketability  
 (e) None of these
- 69. As per newspaper reports, India's trade gap has been showing a negative growth for the last few months "trade Gap" means what?**  
 (a) Gap between total GDP and total consumption  
 (b) Gap between total imports and total exports  
 (c) Gap between available liquidity and expected demand in next five months  
 (d) Gap between budgeted revenue collection and actual collection of the same  
 (e) None of these
- 70. Which of the following two programmes are the parts of the National Social Assistance Programme of the Govt. of India?**  
 (A) Indira Awas Yojana and Pradhan Mantri Gram Sadak Yojana.  
 (B) National Food for Work and Midday Meal Scheme.  
 (C) National Old Age Pension Scheme and National Family Benefit Scheme.  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) Either (A) or (B)  
 (e) None of these
- 71. Which of the following programmes was launched to tackle special problems faced by those areas which are affected by drought conditions frequently?**  
 (A) Desert Development Programme.  
 (B) Drought Prone Areas Programme.  
 (C) Watershed Development Programme.  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) Both (A) or (B)  
 (e) All (A), (B) and (C)
- 72. Whenever RBI does some Open Market Operation transactions, actually it wishes to regulate which of the following?**  
 (a) Inflation only (b) Liquidity in economy  
 (c) Borrowing powers of the banks  
 (d) Flow of Foreign Direct Investments  
 (e) None of these
- 73. The maximum amount of the total revenue earned by the Govt. of India comes from**  
 (a) Income Tax (b) Customs Duty  
 (c) Excise Duty (d) Value Added Tax  
 (e) Corporate Tax
- 74. In economics it is generally believed that the main objective of a public sector financial company like Bank is to**  
 (a) Employ more and more people  
 (b) Maximize total profits  
 (c) Maximize total production  
 (d) Provide financial service to the people of the nation of its origin across the country  
 (e) Sell the goods at subsidized cost
- 75. Which of the following is TRUE about the 'Single Euro Payment Area', a concept very much in news these days?**  
 (A) It is a concept floated by the European Union.  
 (B) It aims to create an integrated market for payment services in Euro.  
 (C) It is a contract to convert all US dollar payments into Euro, which is a currency almost free from fluctuations in its value  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) Only (A) and (B)  
 (e) None of these
- 76. What is Repo Rate?**  
 (a) It is a rate at which RBI sell Govt. securities to banks  
 (b) It is a rate at which RBI buys Govt. securities from banks  
 (c) It is a rate at which RBI allows small loans in the market  
 (d) It is a rate which is offered by Banks to their most valued customers or prime customers  
 (e) None of these
- 77. In a company the use of price-sensitive corporate information by the company-people to make gains or cover losses is known as**  
 (a) Insider trading (b) Future trading  
 (c) Foreign trading (d) Stock trading  
 (e) None of these
- 78. The agricultural census is done at which of the following intervals?**  
 (a) There is no fixed term  
 (b) Every year  
 (c) Once in three years  
 (d) Once in ten years  
 (e) Once in five years

79. Which of the following cannot be called as a Debt Instrument as referred in financial transactions?
- (a) Certificate of Deposits  
(b) Bonds  
(c) Stocks  
(d) Commercial Papers  
(e) Loans
80. The amount of which of the following reflects the overall budgetary position of the Govt. of India at a given time?
- (a) Revenue Deficit  
(b) Total Amount of income Tax collected  
(c) Capital Deficit  
(d) Fiscal Deficit  
(e) None of these
81. Which of the following is not a Money Market Instrument?
- (a) Treasury Bills (b) Commercial Paper  
(c) Certificate of Deposit (d) Equity Shares  
(e) None of these
82. Which of the following are the major concepts visible in today banking industry in India?
- (A) Risk-based management  
(B) Growing competition  
(C) IT initiatives
- (a) Only (A) (b) Only (B)  
(c) Only (C) (d) Both (B) and (C)  
(e) All (A), (B) and (C)
83. Which of the following services provided by a bank in India is not liable for Service Tax as per existing laws?
- (a) Safe Deposit Lockers  
(b) Merchant Banking Services  
(c) Credit cards  
(d) Discount earned on certain discounted bills  
(e) None of these
84. The actual return of an investor is reduced sometimes as the prices of the commodities go up all of a sudden. In financial sector this type of phenomenon is known as
- (a) Probability risk (b) Market risk  
(c) Inflation risk (d) Credit risk  
(e) None of these
85. In India Minimum Support Prices are announced by the Govt. of India every year. Which of the following commodities is not covered under this policy?
- (a) Sugar (b) Wheat  
(c) Cotton (d) White goods  
(e) All are covered under the policy
86. Which of the following policies of a country brings a crucial impact on the economic growth of the nation?
- (A) Fiscal policy  
(B) Foreign policy  
(C) Social policies
- (a) Only (A) (b) Only (B)  
(c) Only (A) and (B) (d) Only (B) and (C)  
(e) All (A), (B) and (C)
87. Which of the following financial products are NOT much popular in India as they have been launched only recently?
- (a) Development Bonds (b) Insurance Policies  
(c) Mutual funds  
(d) Sovereign Wealth Funds  
(e) All are very popular products in India.
88. The term 'Smart Money' refers to
- (a) Foreign Currency (b) Internet Banking  
(c) US Dollars (d) Travellers' Cheques  
(e) Credit Cards
89. When the prices of commodities, goods and services start declining consistently, the phenomenon is known as
- (a) Discount yield (b) Deflation  
(c) Negative growth (d) Market capitalization  
(e) None of these
90. Which of the following products launched by most of the banks helps farmers in getting instant credit for various agricultural purposes?
- (a) Kisan Credit Card (b) Personal Loan  
(c) Business loan (d) ATM Card  
(e) None of these
91. Which of the following policies of the financial sectors is basically designed to transfer local financial assets into foreign financial assets freely and at market determined exchange rates? Policy of
- (a) Capital Account Convertibility  
(b) Financial Deficit Management  
(c) Minimum Support Price  
(d) Restrictive Trade practices  
(e) None of these
92. A customer wishes to purchase some US dollars in India. He/she should go to
- (a) Public Debt Division of the RBI only  
(b) American Express Bank Only  
(c) Any branch of a bank which is authorized for such business  
(d) Ministry of Foreign Affairs  
(e) None of these



93. A worldwide financial messaging network which exchanges messages between banks and financial institutions is known as  
 (a) CHAPS (b) SWIFT  
 (c) NEFT (d) SFMS  
 (e) CHIPS
94. Which of the following products of a bank is specifically designed to provide financial help to children in their higher studies in India or in a foreign nation?  
 (a) Personal Loan (b) Corporate Loan  
 (c) Educational Loan (d) Mortgage Loan  
 (e) None of these
95. A Bank/financial Organisation these days relies heavily on e-commerce for its transaction. As a part of the system security, it has introduced the organisation's security-awareness manual. This step of the organisation can be classified under which one of the following categories of measures for a business?  
 (a) Preventive (b) Compliance  
 (c) Corrective (d) Detective  
 (e) None of these
96. Which of the following is the limitation of the ATMs owing to which people are required to visit the branches of the bank?  
 (A) It does not accept deposits  
 (B) It has a limited cash disbursement capacity  
 (C) Lack of human interface  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these are limitations
97. Which of the following is/are the objectives of developing Special Economic Zones (SEZs)?  
 (A) Generate additional economic activities  
 (B) Generate additional employment opportunities  
 (C) Promotion of export of goods and services  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) Only (A) and (B)  
 (e) All (A), (B) and (C)
98. An industry which is fighting hard to increase its market share in the existing market (with new popular products) is known as  
 (a) Market vendor (b) Market operator  
 (c) Market leader (d) Market follower  
 (e) Market challenger
99. Which of the following is NOT a social assistance programme launched by the Govt. of India?  
 (a) National Old Age Pension Scheme  
 (b) Annapurna Scheme  
 (c) National Family Benefit scheme  
 (d) Indira Awas Yojana  
 (e) All are social assistance programmes
100. Many times we see in newspapers that some projects are launched by the Govt. authorities of 'PPP' basis. What is the full form of 'PPP'?  
 (a) Preferential Payment Plan  
 (b) Public Private Partnership  
 (c) Partial Payment Project  
 (d) Popular Private Project  
 (e) Public Private Plan
101. Which of the following statement about the agricultural sector in the economy of India is/are correct?  
 (A) Agricultural growth has reduced poverty of the people locally and through its external effects, also in many other parts of the country.  
 (B) Food and nutrition security in the country has increased substantially.  
 (C) The area of cultivation has increased in recent past as agriculture has become a full-time employment for the people, which was not so a few years back.  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) Both (A) and (B) only  
 (e) All (A), (B) and (C)
102. The phenomenon of the decline, howsoever initiated or instigated, occurring in some measures of aggregate economic activity and causing cascading declines in GDP and other key measures of economic activity in the terms of economics, is called  
 (a) Terminal growth (b) Recession  
 (c) Business cycle (d) Deflation  
 (e) Domino effect
103. The Govt. of India is giving much importance to the development of "Special Economic Zones" these days. Which of the following statements is/are TRUE about the features of the Special Economic Zones?  
 (A) Special Economic Zones refer to area within a country where some of the economic laws and restrictions of the land are relaxed.  
 (B) Special Economic Zones are being developed to give an opportunity to the weaker sections of society, who did not have enough opportunities to develop financially and economically.  
 (C) In India, the development of Special Economic Zones started way back in 1980 when the first such project was launched in Karnataka.  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these
104. Micro credit or micro finance is a novel approach to banking with the poor. In this approach bank credit is extended to the poor through

- (a) Self Help Groups (b) Anganwadis  
(c) Cooperative Credit Societies  
(d) Reserve Bank of India  
(e) Small Industries Development bank
- 105. Which of the following is NOT an institutional credit agency?**  
(a) Cooperative Society (b) Moneylender  
(c) Commercial Banks (d) Regional Rural Banks  
(e) Government Agencies
- 106. The National Bank for Agriculture and Rural Development (NABARD) gets some amount of its funds from which of the following organizations for its various schemes?**  
(A) World Bank  
(B) Bank of America  
(C) IDA  
(a) Only (A) (b) Only (B)  
(c) Only (C) (d) All (A), (B) and (C)  
(e) Only (A) and (C) both
- 107. A money deposited in a bank that cannot be withdrawn for a preset fixed period of time is known as a**  
(a) Term deposit (b) Checking Account  
(c) Savings Bank Deposit (d) No Frills Account  
(e) Current Deposit
- 108. Which of the following statements is/are TRUE about the activities of the NABARD?**  
(A) NABARD has the responsibility to inspect RRBs and Cooperative Banks.  
(B) NABARD maintains Research and Development fund to promote research in agriculture and rural development.  
(C) NABARD is a wing of the Planning Commission of India.  
(a) Only (A) (b) Only (B)  
(c) Both (A) and (B) (d) Only (C)  
(e) All (A), (B) and (C)
- 109. Which of the following statements about the NABARD is/are TRUE?**  
(A) NABARD has a dual role to play as it is an apex body and a refinance institution.  
(B) NABARD services as a refinance institution for all kinds of production and investment credit to agriculture and cottage and village industries.  
(C) NABARD accepts short-term deposits from the public like any other bank to improve its capital base.  
(a) Only (A) (b) Only (B)  
(c) Only (C) (d) Only (A) and (B)  
(e) All (A), (B) and (C)
- 110. The head office of the National Bank for Agriculture and Rural Development (NABARD) is located in**  
(a) New Delhi (b) Hyderabad  
(c) Mumbai (d) Lucknow  
(e) None of these
- 111. India's first transgenic crop was**  
(a) Sugarcane (b) Brinjal  
(c) Bt Cotton (d) Potato  
(e) None of these
- 112. Which of the following is the organization which is the apex body in cooperative sector and deals in procurement, distribution, export and import of selected agricultural commodities?**  
(a) NAFED (b) NABARD  
(c) SIDBI (d) EXIM Bank  
(e) None of these
- 113. Very often we see in the advertisement published by Financing Institutes/Agencies stating that their products are given high or average Ratings. These Rating Agencies classify bonds/investments into how many categories?**  
(A) Low Risk (B) Average Risk  
(C) High Risk  
(a) Only (A) (b) Only (B)  
(c) Only (C) (d) All (A), (B) and (C)  
(e) None of these
- 114. Which of the following functions are not being performed by the Reserve Bank of India?**  
(a) Regulation of banks in India  
(b) Regulation of foreign direct investment in India  
(c) Foreign currency management in India  
(d) Control and supervision of money supply  
(e) Currency management in India
- 115. Many a time we read a term 'SEPA' in financial newspapers. What is the full form of the term?**  
(a) Single Exchange Processing Agency  
(b) Single Euro Payments area  
(c) Single Electronic Processing Agency  
(d) Super electronic Purchase Agency  
(e) None of these
- 116. As we all know, more and more countries/organisations are now going for Non-Cash Transaction and accordingly Banks have launched many new products in the market for the same. Which of the following products is a non-cash transaction product?**  
(a) Only ATM Card (b) Only Credit Card  
(c) Only Prepaid Card (d) Only Debit Card  
(e) All are non-cash transaction products
- 117. When a customer opens a deposit account with the bank, which of the following is the status of the bank?**  
(a) Debtor (b) Creditor (c) Trustee (d) Beneficiary  
(e) None of these

- 118. While addressing a conference of bankers and top Industrialists, the Prime Minister made a statement that “Domestic Credit Flow for Productive Needs has to be maintained at a Reasonable Cost.’ What does it really mean? (Pick up the most appropriate statement/s.)**
- (A) Banks should further raise their deposit base and provide very low-cost credit to industry, which is badly in need of the same.  
(B) Banks should neither reduce their lending rates further nor increase the rates on deposits as this may create a critical imbalance in the financial money market of the country.  
(C) Banks should see that ample credit is provide to the industries at an affordable cost without diluting the credit norms.  
(a) Only (A) (b) Only (B)  
(c) Only (C) (d) Both (A) and (B)  
(e) None of these
- 119. Which of the following taxes is not levied by the Union Govt.?**
- (a) Customs (b) Corporate tax  
(c) Land Revenue (d) Income Tax  
(e) Surcharge on Income Tax
- 120. We very frequently read ‘about the activities of the Foreign Exchange Market in newspapers magazines. Which of the following is/are the major functions of the same?**
- (A) Transfer of purchasing power from domestic to foreign market.  
(B) Providing credit for financing foreign trade.  
(C) Power to purchase gold from foreign countries, as most of the nation’s still work on Gold Standards  
(a) Only (A) (b) Only (B)  
(c) Only (C) (d) Both (A) and (B) only  
(e) Both (B) and (C) only
- 121. Which of the following are the instruments of Credit Control in the hands of the RBI?**
- (A) Lowering or raising the discount and interest rates  
(B) Raising the minimum support price of the major agro products.  
(C) Lowering or raising the minimum cash reserves maintained by the commercial banks  
(a) Only (A) (b) Only (B)  
(c) Only (C) (d) Both (A) and (C) only  
(e) Both (B) and (C) only
- 122. Which of the following is NOT a welfare scheme launched by the Govt. of India?**
- (a) Village Grain Bank Scheme  
(b) Sampoorna Gramin Rozgar Yojana  
(c) Annapurna Scheme  
(d) Midday Meal Scheme  
(e) Bharat Nirman Yojana
- 123. Which of the following is/are the components of the Fiscal Deficit?**
- (A) Budgetary Deficit  
(B) Market Borrowings  
(C) Expenditure made from Pradhan Mantri Rahat Kosh  
(a) Only (A) (b) Only (B)  
(c) Only (C) (d) All (A), (B) and (C)  
(e) None of these
- 124. As per the reports in the financial newspapers, CCEA cleared many FDI proposals recently. What is the full form of CCEA?**
- (a) Cabinet Committee on Economic Affairs  
(b) Congress Committee of Economic Affairs  
(c) Cabinet Committee on Emergency Accounts  
(d) Clearance Committee on Export Accounts  
(e) None of these
- 125. Many times we read in newspapers that the RBI has revised certain rates/ratios under LAF. What is the full form of LAF?**
- (a) Legal Adjustment Facility  
(b) Liquidity Adjustment Facility  
(c) Long term Achievement Facility  
(d) Legal Adjustment Formality  
(e) None of these
- 126. Which of the following is true about Value Added Tax (VAT)?**
- (A) It is consumption tax levied on value added to the product on every stage of its production.  
(B) VAT is levied by the Union Govt. and only a small part goes to State Govt.  
(C) The income tax on retailers is now decided on the basis of their VAT collection in a year.  
(a) Only (A) (b) Only (B)  
(c) Only (C) (d) All (A), (B) and (C)  
(e) None of these
- 127. Many times we read about Foreign Direct investment the country for various project schemes. Why should government promote the idea of Foreign Direct Investment particularly when it can provide funds from its own resources?**
- (A) It is a supplement to domestic investments and is preferred to bridge the investment-savings gap.  
(B) Foreign Direct investment helps in providing better and advanced technology, which is sometimes not available domestically.  
(C) Foreign direct investment are also an indirect source of generating employment in the country.  
(a) Only (A) (b) Only (B)  
(c) Only (C) (d) All (A), (B) and (C)  
(e) None of these



- 128. Many world economies are passing through recession at present. When can an economy be called "in recession"?**
- (A) When a decline occurs in almost all major economic activities  
 (B) When the inflation reaches a very high rate or becomes double-digit inflation.  
 (C) When big financial scams and frauds start taking place.  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these
- 129. As per the news published in the major financial newspapers/journals/magazines, India's exports and imports both have come down in the last few years. Which of the following is/are probable reason(s) for the same?**
- (A) As per the new policy of the WTO, India can import only those commodities, which are not grown/product in the country in adequate quantity/volumes to meet its total demand. Commodities, which India needs to import, are very few. Hence import has gone down.  
 (B) Since all the countries are required to pay for their imports partly by exporting some goods in exchange to other countries, exports from India have gone down.  
 (C) This slowdown in imports/exports is only because there is a global economic crisis. This is why India's exports and imports both have come down.  
 (a) Only (A) (b) Only (C)  
 (c) Only (B) (d) All (A), (B) and (C)  
 (e) None of these
- 130. Which of the following statements is/are correct about the Sampoorna Grameen Rozgar Yojana?**
- (A) The scheme was launched in 2001 by merging some of the schemes running that time.  
 (B) In this scheme preference is given to Below Poverty Line families for the job.  
 (C) The wages under the scheme are paid partly in cash and partly by giving food-grains.  
 (a) Only (A) (b) Only (B)  
 (C) Only (C) (d) All (A), (B) and (C)  
 (e) None of these
- 131. Which of the following Acts help(s) Union Govt. to control its fiscal deficit?**
- (a) Finance Act  
 (b) Fiscal Responsibility and Budget Management Act  
 (c) Banking Companies Act  
 (d) Both (a) and (b)  
 (e) None of these
- 132. Many a time we read in financial newspapers about Public Debt. Which of the following is/are the components of Public Debt?**
- (A) Market loans  
 (B) External loans  
 (C) Outstanding against saving schemes/provident funds  
 (a) Only (A) (b) Only (B)  
 (c) Both (A) and (B) (d) Only (C)  
 (e) All (A), (B) and (C)
- 133. Which of the following is NOT a social sector programme launched by the Govt. of India?**
- (a) Sarva Shiksha Abhiyan  
 (b) National rural Employment Guarantee Scheme  
 (c) Mid-Day Meal Scheme  
 (d) National Rural Health Mission  
 (e) Overseas India Citizenship Scheme
- 134. Which of the following schemes was launched by the Govt. of India to give focussed attention to integrated development of infrastructure and services in urban areas?**
- (a) Jawaharlal Nehru National Urban Renewal Mission  
 (b) Bharat Nirman  
 (c) Providing Urban Facilities in Rural areas  
 (d) Both (a) and (b) above  
 (e) None of these
- 135. Which of the following is the full form of ASHA, a scheme of the Govt. of India in the field of health and family welfare?**
- (a) Accredited Social Health Activist  
 (b) American Social Health Association  
 (c) Association of Social Health Activists  
 (d) American Social Helpers' Association  
 (e) None of these
- 136. The policy of the RBI that influences the monetary and other financial conditions in the country with the objectives of price stability and sustainable growth is known as the**
- (a) Monetary Policy (b) Budget Policy  
 (c) Growth Policy (d) Fiscal Policy  
 (e) Control Policy
- 137. Which of the following is NOT a measure to control inflation adopted by the Government and/or RBI?**
- (a) Monetary Policy (b) Fiscal Policy  
 (c) Financial inclusion (d) Price Control  
 (e) Bank Rate policy
- 138. As we all know, the Wholesale Price Index is divided into five main commodity groups. Which of the following is NOT considered separately as a group while calculating Wholesale Price Index (WPI)?**

- (a) Services and/or Production by Public Sector Units  
 (b) Agriculture  
 (c) Imports and Exports  
 (d) Mining  
 (e) Manufacturing
- 139. In terms of economics, the total value of the output (goods and services) produced and income received in a year by domestic residents of a country put together is called**  
 (a) Net National Product  
 (b) Gross National Product  
 (c) Gross National Income  
 (d) National Income  
 (e) None of these
- 140. Which of the following schemes was launched a few years back to provide wage employment to the rural people in India? (The programme is being run successfully in addition to NREG(A)?)**  
 (a) Indira Awas Yojana  
 (b) Accelerated Rural water Supply Programme  
 (c) Total Sanitation Campaign  
 (d) Sampoorna Grameen Rozgar Yojana  
 (e) Pradhan Mantri Gram Sadak Yojana
- 141. Which of the following is TRUE about the Rajiv Gandhi National Drinking Water Mission?**  
 (A) To provide safe drinking water in urban slums  
 (B) To provide sustainable safe drinking water in rural areas  
 (C) To provide sustainable and safe drinking water in those parts of the country where ample water is not available, like coastal areas and desert areas  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these
- 142. Rural sanitation programme of the Central Govt. is a very popular programme in India. Which of the following was/were the objectives of the same?**  
 (A) To provide home sanitation  
 (B) To provide disposal of garbage  
 (C) To provide wage employment to the poor of the society in rural areas  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) Both (A) and (B)  
 (e) All (A), (B) and (C)
- 143. Which of the following is/are the major reforms the Govt. has introduced in the banking sector?**  
 (A) Dismantling the complex system of interest rate controls  
 (B) Eliminating prior approval of the RBI for large loans  
 (C) Introduction of capital adequacy norms and a few other prudential norms  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these
- (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these
- 144. As per the reports in various newspapers/magazines etc. the agricultural productivity in India is low in comparison to other countries. What are the main reasons of the same?**  
 (A) Lack of credit and Marketing facilities  
 (B) Uneconomic holding  
 (C) Outdated agricultural techniques  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) Both (A) and (C)  
 (e) All (A), (B) and (C)
- 145. Which of the following ministries lays down the policies and programmes for the development and regulation of the country's water resources?**  
 (a) Ministry of Rural Development  
 (b) Ministry of Rural Development  
 (c) Ministry of Environment and Forests  
 (d) Ministry of Tribal Affairs  
 (e) Ministry of Water Resources
- 146. Which of the following is the name of an autonomous organization for rural technology?**  
 (a) CAPART (b) MGNREGA  
 (c) PURA (d) IRDP  
 (e) NGAPS
- 147. In relation to banking, what do you understand by "Ever-greening of loan account"?**  
 (a) Full repayment of a loan account before maturity prepayment  
 (b) Full repayment of a loan account exactly at maturity  
 (c) Fresh loan sanctioned during the tenure of account for enhancement of limits  
 (d) Adjusting the NPA/sticky account with fresh sanction of loans  
 (e) Loans provided for new projects to new customers
- 148. Which of the following is not a type of cheque?**  
 (a) Crossed cheque (b) Blank cheque  
 (c) Speed cheque (d) Bearer cheque  
 (e) Order cheque
- 149. What is the full form of CFSA as used in financial sectors?**  
 (a) Corporation of Farmers and Subsidiary Allocation  
 (b) Committee on Financial Sector Assessment  
 (c) Committee on Farming Sector and Agronomy  
 (d) Commission to Float Scientific Agriculture  
 (e) None of these
- 150. As well all known, Govt. of India is giving much emphasis these days on the development of small and Medium Enterprises (SMEs). Which of**





- (a) Commodity Futures  
 (b) Small Savings in National Saving Certificates  
 (c) Government Bonds  
 (d) Corporate Equity  
 (e) Derivatives on Currency
- 158. Which of the following is/was NOT included in the agenda set for the Banking Reforms in India?**
- (a) Dismantling of administered interest rates  
 (b) Measures of strengthen risk management  
 (c) Promulgation of SARFAESI Act  
 (d) Promotion of the concept of easy credit to all with a guaranteed subsidy from the Govt.  
 (e) Granting of operational autonomy to public sector banks and allowing them to raise capital from the open market
- 159. Which of the following is the full form of the 'BRA' as used in banking field?**
- (a) Brazilian and Russian Association  
 (b) Banking Restructuring Act  
 (c) Banking Resources for Agriculture  
 (d) Borrowing Risk Assessment  
 (e) Banking Regulation Act
- 160. As we all know, Govt. of India pays special emphasis on the management of Fiscal Deficit. What is Fiscal Deficit?**
- (a) The gap between projected or estimated GDP and actual GDP  
 (b) The gap between the total number and value of the currency notes issued by the RBI uptill now over the number and value of those which are in actual circulation  
 (c) The gap between the actual borrowing of the Govt. of India and the expected expenditure for which provision is made in the budget  
 (d) Excess of Govt. disbursement comprising current and capital expenditures over its current receipts (Tax/non-tax receipts)  
 (e) None of these
- 161. An argument amongst the economists all over the world is going on, on the issue of imposing special taxes on goods and services whose price do not reflect the true social cost of their consumption, for example, tax on polluting environment. Which of the following are the other examples of such taxes?**
- (A) Duties of cigarettes  
 (B) Duties on alcohol  
 (C) Tax on gambling and lotteries  
 (D) Airport Tax
- (a) Only (A)                                (b) Only (A) and (B)  
 (c) Only (A), (B) and (C)                (d) All (A), (B), (C) and (D)  
 (e) None of these
- 162. Specially Developed Economic Zones (SDEZs) in India where some of the economic laws and restrictions of the land are relaxed with the purpose of giving incentives to investors, are commonly known as**
- (a) Preferential zones                    (b) Economic Corridors  
 (c) Industrial parks  
 (d) Special Economic Zones  
 (e) None of these
- 163. Stock market indexes traditionally served as a benchmark to measure the performance of which of the following types of portfolios of the investors/promoters?**
- (a) Equity portfolio  
 (b) Tax saving instrument  
 (c) Mutual Funds  
 (d) Investments in Govt. Securities  
 (e) All of these
- 164. Which of the following is the name of the organizations, created to provide full employment and self-reliance to the women folk in India?**
- (a) OECD    (b) ROSCA    (c) SVP            (d) USO  
 (e) SEWA
- 165. An agreement, which in fact is a contract between the RBI and Banks for the sale and repurchase of Govt. securities and short-term treasury bills at a future date and for which the RBI indicate "the interest rate", is generally known as**
- (a) Repo Rate                                (b) Bank Rate  
 (c) Reserve Repo Rate                    (d) Prime Lending Rate  
 (e) None of these
- 166. Which of the following is not included in the core sectors of Indian economy?**
- (a) Transport                                (b) Coal  
 (c) Steel                                        (d) Cement  
 (e) Electricity
- 167. As well all know India has a three-tier structure of tax administration. There are taxes levied by Central Govt., State Govt., and Local Govt. Which of the following taxes is levied by the Local Government Bodies?**
- (a) Value Added tax                        (b) Stamp Duty  
 (c) Service Tax                                (d) Land Revenue  
 (e) Tax on water supply and drainage etc.
- 168. Many times we see a term 'PPP in financial newspapers. One full form of it is 'Private Public Partnership. What is another version of the same also used in the financial world?**
- (a) Perfect, Preferred and Protected  
 (b) Point to Point Protocol  
 (c) Power Point Presentation

- (d) Purchasing Power Parity  
(e) None of these
- 169. The rate below which banks cannot generally lend is called**
- (a) Base rate (b) Floor rate  
(c) Repo rate (d) Call money rate  
(e) Ceiling rate
- 170. Which of the following is one of the most successful programmes under Bharat Nirman?**
- (a) Pradhan Mantri Gram Sadak Yojana  
(b) Watershed Development Scheme  
(c) Rajiv Gandhi Grameen Vidyutikaran Yojana  
(d) Indira Awas Yojana  
(e) None of these
- 171. Banks are considered as financial intermediaries'. Which of the following activities correctly and comprehensively explains this role of banks?**
- (a) Accepting deposits of money for the purpose of lending and investment  
(b) Granting loans to the weaker sections of the society  
(c) Accepting money for remittance and issuing bank drafts  
(d) Providing safe deposit services  
(e) Opening accounts and accepting deposits therein
- 172. The letter 'D' stands for which of the following n the abbreviated name OECD organization of Economic Cooperation and \_\_\_\_\_**
- (a) Defence (b) Direction  
(c) Dominance (d) Development  
(e) Devaluation
- 173. As per the news published in various newspapers, loans to MSEs by rural banks will be treated as priority sector loans. What is the full form of MSE?**
- (a) Multi Service Enterprises  
(b) Micro Software Enterprises  
(c) Micro and Small Enterprises  
(d) Mutual Funds and Service Entities  
(e) None of these
- 174. Which of the following is NOT a money/finance-related term?**
- (a) Market Capitalization (M-Cap)  
(b) Price-Earning Ratio (P-E Ratio)  
(c) Disinvestment  
(d) Demerger  
(e) Depth Charges
- 175. The Index of Industrial Production (IIP) is compiled and released by which of the following organizations/agencies?**
- (a) Registrar of Companies  
(b) Confederation of Indian Industry  
(c) Bombay Stock Exchange  
(d) Reserve Bank of India  
(e) Central Statistical Organization
- 176. Which of the following is the abbreviated name of the asset reconstruction company created specifically for small and medium sectors?**
- (a) CGTMSE (b) CARE  
(c) APITCO (d) ISARC  
(e) None of these
- 177. A bank normally does not have to deal with an issue related to**
- (a) Payments and settlement systems  
(b) Contractual rights of creditors  
(c) Intellectual property rights  
(d) Cases of insolvency  
(e) Coordination between regulators active in banking/financial sectors
- 178. Bank issues a letter to beneficiary on behalf of its constituents like guarantee for making payment on their behalf on fulfillment of its terms and conditions. What is this arrangement known in banking context?**
- (a) Line of Credit (b) Loan to Client  
(c) Loan on Credit (d) Loan against Credit  
(e) Letter of Credit
- 179. Many times we read in newspapers that some bank(s) has/have to write off a certain amount given/advanced by them. In banking terminology, what does 'write off mean'?**
- (a) Loans sanctioned on paper but bank has yet to make provision for the same so that borrower can withdraw the money  
(b) Big corporate loans for which bank has/have to take approval from RBI  
(c) Loans for which documentation work is yet to be completed  
(d) Bad and uncollectable loans  
(e) Those loans which can never become bad or uncollectable loans as they are given under some social assistance scheme by the Govt. of India
- 180. Which of the following is not a salient feature of debit card?**
- (a) No bed debts to banks and no suits for recovery  
(b) No internet earning for banks  
(c) Works like a normal withdrawal  
(d) Can be used at ATM and POS  
(e) 45 days credit is given to the card holder
- 181. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI Act) at present is not applicable to**
- (a) Public Sector Banks  
(b) Financial Institutes of the Govt.

- (c) Private Banks  
(d) Non-Banking Financial Companies  
(e) Small and Cooperative Banks
- 182. As per the Reserve Bank of India (RBI), the economic conditions in India are not yet suitable for full convertibility of Rupee. At present Rupee is convertible at which of the following accounts?**  
(A) Fully at Capital Account  
(B) Fully at Current Account  
(C) Partially at Trade Account  
(a) Only (A)                      (b) Only (B)  
(c) Only (C)                      (d) Only (A) and (B)  
(e) None of these
- 183. The National Stock Exchange recently launched interest Rate Futures (IRF). IRF in fact is a**  
(a) New mode of trading specifically for SME sector  
(b) Financial mode of trading  
(c) Electronic mode of transferring money from one account to another  
(d) Safest and fastest mode of trading at all the stock exchange of India simultaneously  
(e) None of these
- 184. What is the full form of UNEP, a term frequently seen in newspapers?**  
(a) Universal Notification of Energy Protection  
(b) Universal New Education Project  
(c) Universal Natural Energy Project  
(d) United National Education Programme  
(e) United Nations Environment Programme
- 185. What is the full form of the term NPA as used in banking environment?**  
(a) Not Profitable Assets  
(b) New Potential Accounts  
(c) Non-Performing Assets  
(d) Net Performing Assets  
(e) None of these
- 186. As reported in various newspapers, the Reserve Bank of India is planning to allow more banks to function as "Local Area Banks". This will help RBI in the implementation of which of the following of its plans/drives?**  
(A) Financial Inclusion      (B) Rural Banking  
(C) Mobile and e-Banking  
(a) Only (A)                      (b) Only (B)  
(c) Only (C)                      (d) Only (A) and (B)  
(e) None of these
- 187. Non-convertible debentures are**  
(a) Debt investments which acquire equity status at the issuer's options  
(b) Debt instruments which acquire equity status at the investor's option  
(c) Debt instruments which acquire equity status with the permission of Registrar of Companies  
(d) Debt instruments which acquire equity status on maturity  
(e) Debt instruments which retain their debt character and cannot acquire equity status
- 188. Which of the following terms/names is not associated with banking/financial trade in India?**  
(a) Automated Clearing House  
(b) Provision Coverage Ratio  
(c) Market Stabilisation Scheme  
(d) Credit Default Swaps  
(e) Double Fault
- 189. What is the full form of NBFC' as used in the Financial Sector?**  
(a) New Banking Finance Company  
(b) National Banking and Finance Corporation  
(c) New Business Finance and Credit  
(d) Non Business Fund Company  
(e) None of these
- 190. Which of the following is correct?**  
(a) Illiterates cannot open any account in a bank  
(b) Illiterate women cannot open any account in a bank  
(c) Illiterates can open savings bank accounts in a bank  
(d) Advance can be granted to a minor  
(e) Advance can be granted to a minor if he is of sound mind
- 191. Many a time we read about Special Drawing Right (SDR) in newspapers. As per its definition, SDR is a monetary unit of the reserve assets of which of the following organizations/agencies?**  
(a) World Bank  
(b) International Monetary Fund (IMF)  
(c) Asian Development Banks  
(d) Reserve Bank of India  
(e) None of these
- 192. As per the news published in a financial publication, RBI is redesigning its ECS' to function as a**  
(a) Extra Closing System  
(b) Electronic Cheque System  
(c) Evening Cheque Sorter  
(d) Evening Cheque System  
(e) Electronic Clearing Service
- 193. One of the major emphasis of Basel II that banks should have**  
(a) Adequate Capital Adequacy Ratio  
(b) Only few branches in urban centres  
(c) More and more branches in rural areas



- (d) Core banking mode of operation  
(e) all the above to comply with Basel II norms
- 194. Which of the following terms is NOT used in Economics?**
- (a) Exogenous (b) Depreciation  
(c) Deep Market (d) Zero Sum Game  
(e) Handedness
- 195. Many a time we read in newspapers that some big banks have revised their rates to make the dearer or cheaper. Though the decision to raise the lending rates is always in the hands of the banks, normally they announce this decision of theirs**
- (A) Immediately after the Union Budget is presented in the Lok Sabha every year.  
(B) When the RBI makes changes in its policy rates.  
(C) When the Monetary and Credit Policy of the RBI is reviewed periodically.
- (a) Only (A) (b) Only (B)  
(c) Only (C) (d) Only (B) and (C)  
(e) All (A), (B) and (C)
- 196. Many times we read in newspapers that several companies are adopting the FCCBs route to raise capital. What is the full form of FCCBs?**
- (a) Foreign Currency Convertible Bonds  
(b) Foreign Convertible Credit Bonds  
(c) Financial Consortium and Credit Bureau  
(d) Future Credit and Currency Bureau  
(e) None of these
- 197. The Govt. of India has asked all big companies and corporates to create a separate fund for their "Corporate Social Responsibility Activities". What is/are the purpose(s) of this directive issued by the Govt.?**
- (A) To ensure that companies spend some money on social activities.  
(B) To bring transparency in matters of financial transactions and dealings by corporates.  
(C) To ensure that corporate entities do not get involved in non-commercial activities in the name of social activities as they are required to spend money only on the welfare of the employees and their families.
- (a) Only (A) (b) Only (B)  
(c) Only (C) (d) All (A), (B) and (C)  
(e) None of these
- 198. The rate on which banks borrow from the RBI is called**
- (a) SLR (b) CRR  
(c) Interest Rate (d) Bank Rate  
(e) Repo Rate
- 199. As know, the RBI is the apex Bank of India. Similarly, the apex Bank of the USA is called**
- (a) Federal Reserve  
(b) The Central Bank of USA  
(c) Bank of America  
(d) Central National Bank of USA  
(e) None of these
- 200. As per the newspaper reports, Standard and Poor's (S and P) has changed India's sovereign rating from 'Negative' to 'Stable'. This mans**
- (A) India's economic condition has improved a lot.  
(B) There is no pressure of inflation on the economy as it is well under control.  
(C) India's economic condition has further gone down as it has failed to control the fiscal deficit.
- (a) Only (A) (b) Only (B)  
(c) Only (C) (d) Only (A) and (B)  
(e) None of these
- 201. As a practice, all banks now deduct some amount from their pie-tax income and set aside in a separate account to create a cushion for the loans which may go bad. This is called**
- (a) CRR (b) SLR (c) Provisioning  
(d) PLR  
(e) None of these
- 202. As we known, many Indian banks are opening their branches in foreign countries these days. What in your opinion is/are the reasons owing to which these banks are willing to open branches in foreign countries?**
- (A) India has the largest network of bank branches in the world. Hence other nations also wish to take advantage of their services.  
(B) Indian banks get an opportunity to raise foreign-currency funds and also the experience of funding joint ventures of multinationals. This prompts them to open their branches in foreign nations.  
(C) As many foreign banks are functioning in India, India in turn is also required to open equal number of branches in foreign countries. Hence, Indian banks are opening branches in these countries.
- (a) Only (A) (b) Only (B)  
(c) Only (C) (d) Only (A) and (B)  
(e) None of these
- 203. What is the full form of 'ULIP', the term which was in the news recently?**
- (a) Universal Life and Investment Plan  
(b) Unit Loan and Insurance Plan  
(c) Universal Loan and Investment Plan  
(d) Uniformly Loaded Investment Plan  
(e) Unit Linked Insurance Plan
- 204. Which of the following companies is NOT in the field of insurance business?**
- (a) ICICI Prudential (b) Bajaj Allianz

- (c) Tata AIG (d) Aegon Religare  
(e) Royal Orchid
- 205. Many times we read that a corporate entity is in the process of raising its capital base. Why is a company required to raise money to strengthen its capital base?**
- (A) To finance its expansion plans  
(B) To finance its diversification plans  
(C) To repay its loans and borrowings
- (a) Only (A) (b) Only (B)  
(c) Only (C) (d) Only (A) and (B)  
(e) All (A), (B) and (C)
- 206. Many times we read in newspapers that a company is planning to bring a public issue. What does it mean?**
- (A) Shares if the company will be issued only through public sector organizations like banks/Central financial institutions etc.  
(B) Shares of the company will be issued to general public only through primary market.  
(C) This means some stakeholders/promoters are willing to leave the company. Hence they wish to sell their stock to the general public.
- (a) Only (A) (b) Only (B)  
(c) Only (C) (d) All (A), (B) and (C)  
(e) None of these
- 207. Whenever some people wish to enter into the business world, it is a must for them to approach a bank. What services do banks provide them in this regard?**
- (A) Banks act as payment agent by operating current accounts, paying cheques and receiving payments for them.  
(B) Maintaining account books for them for their day-to-day activities so that they are not required to appoint account/finance personnel on a regular basis.  
(C) Lending money by way of overdraft, instalment loan, credit or advance for business activities.
- (a) Only (A) (b) Only (B)  
(c) Only (C) (d) Only (A) and (C)  
(e) None of these
- 208. As we all have notices, banks these days are giving more emphasis on "Branchless Banking". What does this really mean?**
- (A) Banks will not have money branches as used to be in the good old days. Instead, the number of branches will be restricted and will conduct only a specified core business.  
(B) Banks will launch/operate many delivery channels like ATMs, Mobile Banking/Internet Banking etc so that people are not required to visit a branch for their usual banking needs.
- (C) This means banks will issue only debit or credit cards for all types of day-to-day financial transactions, Cheques/cash payments will not be allowed.
- (a) Only (A) (b) Only (B)  
(c) Only (A) and (B) (d) Only (B) and (C)  
(e) All (A), (B) and (C)
- 209. NRE deposit is**
- (a) Non Resident External Deposit  
(b) Non Resident Extra Deposit  
(c) Non Resident Exchange Deposit  
(d) Non Refundable External Deposit  
(e) Non Resident Extended Deposit
- 210. Which of the following is a form of "Small Savings Bank" popular among the poor or children?**
- (a) Core Banking (b) Credit Banking  
(c) Debit Card (d) Merchant Banking  
(e) Piggy Banking
- 211. As published in various newspapers, India and European Union are trying to finalize a free trade pact. How will this help India and EU?**
- (A) Both the parties will be able to export-import goods without tariffs, quotas and preferences on most of the goods and services traded between them.  
(B) The European Union will have to accept all payments in rupees only whereas India will accept all payments for its exports in Euros only. The dollar will have no role in this business.  
(C) Both parties will have to decide the total value of trade between them in advance and will be bound to obey the commitment made thus.
- (a) Only (A) (b) Only (B)  
(c) Only (C) (d) All (A), (B) and (C)  
(e) None of these
- 212. Which of the following is the main advantage of "ASBA" applications of share allotment?**
- (a) They have got secured allotment of shares  
(b) They have got certain preference in allotment of shares as compared to general applicants  
(c) They need not remit the fund for allotment of shares; they will do so after shares are allotted to them  
(d) Their deposit/OD accounts is not debited, only the funds are blocked for the same and they continue to avail interest till the shares are allotted to the.  
(e) None of these
- 213. Govt. normally does not announce the Minimum Support Price (MSP) of**
- (a) Wheat (b) Paddy  
(c) Sugarcane (d) Jute  
(e) All of these

- 214. Which of the following is the abbreviated name of the programme launched by the Govt. of India for developing desert areas?**  
 (a) DRDA (b) CAPART (c) DDP (d) IRDP  
 (e) DWCRA
- 215. 'Equity schemes managed strong NAV gains, which boost their assets' was a news in some financial newspapers. What is the full form of the term NAV as used in above lines?**  
 (a) Nil Accounting Variation  
 (b) Net Accounting Venture  
 (c) Net Asset Value  
 (d) New Asset Venture  
 (e) None of these
- 216. Which of the following is the full form of the abbreviation 'IFRS' as used in corporate/finance sector?**  
 (a) Indian Financial reconciliation Standards  
 (b) Interpretation and Formal Reporting system  
 (c) International Financial Reporting Standards  
 (d) International financial Reporting System  
 (e) None of these
- 217. Special Drawing Rights are the rights of countries provided by**  
 (a) World Bank (b) IMF  
 (c) ADB (d) Federal Reserve  
 (e) None of these
- 218. Federal Reserve is the central bank of which of the following countries?**  
 (a) Russia (b) Britain  
 (c) Canada (d) Australia  
 (e) USA
- 219. Basel-II norms are associated with which of the following aspects of the banking industry?**  
 (a) Risk management  
 (b) Manpower planning  
 (c) Retirement benefits for the employees  
 (d) Corporate governance  
 (e) None of these
- 220. What is meant by "Underwriting", the term frequently used in financial sector?**  
 (a) Undervaluation of the assets  
 (b) The act of taking on a risk for a fee  
 (c) Giving a guarantee that a loan will not become a bad loan  
 (d) The act of permission to float an IPO  
 (e) None of these
- 221. What is Forex?**  
 (a) It is buying of foreign currency  
 (b) It is selling of foreign currency  
 (c) It is buying of one currency and selling of another currency  
 (d) It is simultaneous buying of one currency and selling of another currency  
 (e) None of these
- 222. Expand the term FLCC**  
 (a) Financial Literacy and Credit Counseling  
 (b) Financial Literacy Communication Centre  
 (c) Financial Literacy Call Centre  
 (d) Fiscal Literacy and Credit Counseling  
 (e) None of these
- 223. For which one of the following purpose, the Government has launched the Rajiv Awas Yojana?**  
 (a) To provide affordable houses to people living BPL  
 (b) To provide affordable houses to rural poor  
 (c) To provide affordable houses to minorities  
 (d) To provide affordable houses to slum dwellers and the urban poor  
 (e) None of these
- 224. What is a fiscal deficit?**  
 (a) It is a gap between the values of exports and imports  
 (b) It is a gap between exports and imports minus external borrowings  
 (c) It is a gap between total expenditure and total receipts of the govt.  
 (d) It is a gap between total receipts minus external borrowings  
 (e) None of these
- 225. For which of the following target groups, Indira Awas Yojana was launched?**  
 (a) People living BPL (b) Rural poor  
 (c) Urban poor (d) Poor living in slums  
 (e) None of these
- 226. Which of the following is/are flagship schemes of the UPA Government?**  
 (a) Sarva Shiksha Abhiyan (SSA) only  
 (b) Mid-day meal scheme only  
 (c) NREGS/JNNURM/NRHM only  
 (d) Only (a) and (b)  
 (e) All (a), (b) and (c)
- 227. Unique Identification Authority of India has set up data base for**  
 (a) Identity and biometrics details of Indian residents  
 (b) Identity and biometrics details of Indian citizens  
 (c) Identity and biometrics details of persons residents in India or visiting India  
 (d) All the above  
 (e) None of these
- 228. The biggest Public Sector Undertaking in the country is**  
 (a) Iron and steel plants (b) Roadways



- (c) Railways (d) Airways  
(e) None of these
- 229. Which of the following is a payment and settlement system used by the banks in India?**  
(a) Liquidity Adjustment Facility  
(b) Real Time Gross Settlement  
(c) Forward Rate Agreements  
(d) Central Depository Service  
(e) Negotiated Dealing System
- 230. Which of the following nations is considered the originator of the concept of Micro Finance?**  
(a) India (b) Bangladesh  
(c) South Africa (d) USA  
(e) None of these
- 231. Which of the following is one of the Millennium Development Goals fixed by the United Nations Organisation (UNO)?**  
(a) Develop a global partnership for development  
(b) Develop new varieties of food grains which can ensure bumper crops  
(c) Ensure that population does not increase in least developed countries at an alarming rate  
(d) Develop measures to avert deadly hurricanes/tsunamis etc in an effective way  
(e) Ensure that a global economy is developed where all nations can participate according to their strengths
- 232. The main function of IMF is to**  
(a) Finance investment loans to developing countries  
(b) Act as a private sector lending arm of the World Bank  
(c) Help solve balance-of-payments problems of member countries  
(d) Arrange international deposits from banks  
(e) None of these
- 233. The difference between visible exports and visible imports is defined as**  
(a) Balance of trade (b) Balance of payments  
(c) Balanced terms of trade  
(d) Gains from trade  
(e) All the above
- 234. Invisible Export means export of**  
(a) Services (b) Prohibited goods  
(c) Unrecorded goods  
(d) Goods through smuggling  
(e) All the above
- 235. Which of the following is NOT a credit rating agency?**  
(a) Credit Analysis and Research Ltd (CARE)  
(b) Lintas India Pvt. Ltd.  
(c) Moody's Investors Service  
(d) Standard and Poors  
(e) Fitch ratings
- 236. The rate of interest on Savings Bank Account is stipulated by**  
(a) The concerned bank (b) RBI  
(c) Indian Banks Association  
(d) Government of India  
(e) Banking Codes and Standards Board of India
- 237. What is money laundering?**  
(a) Conversion of assets into cash  
(b) Conversion of illegally obtained money into accountable money  
(c) Conversion of cash into gold  
(d) Conversion of gold into cash  
(e) None of these
- 238. Which of the following is a driving force influencing the industrial growth of an economy?**  
(a) Economic factors only (b) Investment only  
(c) Innovation/Market Base only  
(d) Only (a) and (b)  
(e) All (a), (b) and (c)
- 239. What do you understand by Community Development Programmes?**  
(a) Villages participation in the programme  
(b) A movement to promote better living for the whole community  
(c) A movement to promote better living for the whole community with the assistance of local Government  
(d) A movement designed to promote better living to the whole community with the active participation and on the initiative of the community  
(e) None of these
- 240. In which one of the following activities percentage shares of cooperative sector is the highest?**  
(a) Agricultural credit disbursement  
(b) Sugar production  
(c) Wheat procurement  
(d) Fertilizer distribution  
(e) Handlooms
- 241. Expand the term BCBS**  
(a) Bank's Committee on Banking Supervision  
(b) Basel Committee on Banking Supervision  
(c) Bank's Commission on Banking Supervision  
(d) Basel Commission on Banking Supervision  
(e) None of these
- 242. Which of the following is a Self-Employment Programme for Educated Unemployed Youth?**  
(a) Prime Ministers Rozgar Yojana  
(b) Swarn Jayanti Sahakari Rozgar Yojana  
(c) National Social Assistance Programme

- (d) Swarn Jayanti Gram Swarozgar Yojana  
(e) None of these
- 243. Which of the following is the primary source of energy in India?**  
(a) Hydel Power (b) Natural Gas  
(c) Coal (d) Nephtha  
(e) Non-conventional energy
- 244. At which of the following rates does the Central Bank lend to banks against government securities?**  
(a) Repo Rate (b) Reverse Repo Rate  
(c) Bank Rate (d) SLR  
(e) CRR
- 245. Which of the following is not a member of BASIC?**  
(a) India (b) China (c) South Africa (d) Brazil  
(e) Indonesia
- 246. Yuan currency belongs to which of the following countries?**  
(a) Japan (b) Thailand (c) South Korea (d) China  
(e) Vietnam
- 247. Which of the following is/are the objectives of Free Trade Agreement that India has done with many countries?**  
(A) To provide support to entrepreneurs for setting up new projects in tiny/SSI sectors  
(B) For undertaking expansion of business  
(C) To support technology up gradation  
(a) Only (A) and (B) (b) Only (B) and (C)  
(c) All (A), (B) and (C) (d) Only (A) and (C)  
(e) None of these
- 248. Which of the following organizations issues the rules of global trade?**  
(a) World Bank  
(b) World Trade Organization  
(c) Foreign Exchange Dealers Association  
(d) Directorate General of Foreign Trade  
(e) None of these
- 249. One single statement that depicts the financial position of a bank and/or business enterprise at a given point of time is called**  
(a) Statement of product details  
(b) Reconciliation Statement  
(c) Balance Sheet  
(d) Quarterly returns submitted to RB1  
(e) Trading and manufacturing account
- 250. Which of the following terms is used in the field of Banking and Finance?**  
(a) Special Drawing Rights  
(b) Affirmative Defence  
(c) Civil Procedure  
(d) Informed Consent  
(e) Question of Fact
- 251. The Reverse Mortgage scheme is launched to give benefit to which of the following groups of the society?**  
(a) Govt. employees (b) Senior citizens  
(c) Unemployed youth (d) War-widows  
(e) None of these
- 252. What does the letter 'M' depict in the term SME as used in the financial world?**  
(a) Maximum (b) Medium  
(c) Mercantile (d) Mutual  
(e) Ministry
- 253. Which of the following organizations provides guarantee to the exporters?**  
(a) Exim Bank  
(b) Export Credit Guarantee Corporation  
(c) Director General Foreign Trade  
(d) Reserve Bank of India  
(e) Registrar of companies
- 254. Which of the following terms is not used in banking world?**  
(a) Credit (b) Rate (c) Financial status  
(d) Discount (e) Absolute zero
- 255. What is the full form of IRR as used in banking/financial sector?**  
(a) Internal Rate of Return  
(b) Internal Revaluation Reserve  
(c) Investment Reserve Ratio  
(d) Internal Risk Return  
(e) None of the above
- 256. Which of the following organizations provides credit history of the borrowers?**  
(a) CIBIL (b) ARCIL (c) SEBI (d) RBI  
(e) CCIL
- 257. The bank rate is**  
(a) Free to fluctuate according to the forces of demand and supply  
(b) Set by the RBI  
(c) Set by the RBI as directed by the Union Ministry of Finance  
(d) Set by the RBI as advised by the Indian Banks' Association  
(e) Set by the Government of India on the recommendation of the Planning Commission
- 258. Which of the following is covered in the list of services for service tax purposes?**  
(A) Insurance/health services  
(B) Hotel accommodation/air travel services  
(C) Money changers/legal services  
(a) Only (A) (b) Only (B)  
(c) Only (C) (d) Both (A) and (C)  
(e) All (A), (B) and (C)

- 259. Banks in their daily business face various kinds of risks. Which of the following is one such major risk?**
- (a) Customer risk (b) Reputation  
(c) Good will risk (d) Protection risk  
(e) Operational risk
- 260. Banking and financial services all over the world are regulated usually by the Monetary Authority of the land. Who controls this function in India?**
- (a) Ministry of Finance (b) SEBI  
(c) RBI (d) IRDA  
(e) FEDAI
- 261. FIMMDA stands for**
- (a) Foreign Investment Markets and Derivatives Market Association  
(b) Fixed Income Money Markets and Derivatives Association  
(c) Fixed Income and Money Market Development Association  
(d) Floating Income and Money Markets Derivative Assets  
(e) None of these
- 262. Which of the following terms is NOT used in banking?**
- (a) Debit Card (b) Credit Card  
(c) Kisan Card (d) ELISA Test  
(e) None of these
- 263. Which of the following is the reason owing to which Government charges export duty on some export items?**
- (a) To get benefit from high international prices  
(b) To improve the tax collection targets  
(c) It is as per the international practices  
(d) To ensure the smooth availability of the items in India  
(e) None of these
- 264. Which of the following is/are the objective(s) of our monetary policy?**
- (A) To anchor inflation expectations  
(B) To actively manage liquidity  
(C) To maintain interest rate regime consistent with price output and financial stability
- (a) Only (A) (b) All (A), (B) and (C)  
(c) Both (A) and (C) (d) Only (B)  
(e) None of these
- 265. Which of the following has set up core banking infrastructure for rural banks?**
- (a) SIDBI (b) IBA (c) RBI (d) SBI  
(e) NABARD
- 266. What is Gross Domestic Product?**
- (a) It is the cost of production of all final goods and services made in the country  
(b) It is the cost of services made within the borders of a country in a year  
(c) It is the market value of all final goods and services made in the country  
(d) It is the market value of all final goods and services made within the borders of a country in year  
(e) None of these
- 267. As we all know. Banks in India are required to maintain a portion of their demand and time liabilities with the Reserve Bank of India. This portion is called**
- (a) Statutory Liquidity Ratio  
(b) Cash Reserve Ratio  
(c) Bank Deposit  
(d) Reverse Repo  
(e) Government Securities
- 268. What is 'financial inclusion'?**
- (A) Easy access to bank accounts for safe parking of savings.  
(B) Availability of cheap credits through appropriately designed loans for poor and low income households and small entrepreneur.  
(C) Availability of basis financial products like insurance
- (a) Only (A) (b) Only (B)  
(c) Only (C) (d) Both (A) and (B)  
(e) All (A), (B) and (C)
- 269. Which of the following is/are key policy rates used by RBI to influence interest rates?**
- (A) Bank Rate and Repo Rate  
(B) Reverse Repo Rate  
(C) CRR and SLR
- (a) Only (A) (b) Only (B)  
(c) All (A), (B) and (C) (d) Only (C)  
(e) Both (A) and (C)
- 270. Which of the following rates signals the RBI's long-term outlook on interest rates?**
- (a) Repo Rate (b) Reverse Repo rate  
(c) Bank Rate (d) SLR  
(e) CRR
- 271. What do you understand by 'Para Banking' services?**
- (a) Eligible financial services rendered by banks  
(b) Utility services provided by banks  
(c) Services provided through business correspondents  
(d) Services provided to armed force personnel  
(e) None of these
- 272. What is Cross Border Exchange?**
- (a) Trading of foreign currency in India  
(b) Trading of Indian rupee in exchange of other currencies/goods



- (c) Hawala transactions in India rupee  
(d) Unauthorized remittance of Indian rupee  
(e) None of these
- 273. Which of the following is the objective of Financial Stability and Development Council?**  
(a) To address inter-regulatory issues only  
(b) To focus on financial literacy only  
(c) To focus on financial inclusion only  
(d) Both (A) and (B)  
(e) All (A), (B) and (C)
- 274. Which of the following is NOT one of the major functions of the National Bank for Agricultural and Rural Development (NABARD)?**  
(a) Acting as a regulator for cooperative banks and RRBs  
(b) Extending assistance to the government and others in matters related to rural development  
(c) Providing refinance to lending institutions in rural areas  
(d) Acting as a coordinator in the operations of rural credit institutions  
(e) Review of monetary and credit policy
- 275. Expand the term SWIFT**  
(a) Society for Worldwide International Financial Telecommunications  
(b) Society for Worldwide Interbank Financial Telecommunications  
(c) Society for Worldwide International Financial Transfers  
(d) Society for Worldwide Interbank Fiscal  
(e) None of these
- 276. Which of the following terms is NOT used in the Banking world?**  
(a) Holding Company      (b) Postdated cheque  
(c) Credit      (d) Time deposit  
(e) Centripetal force
- 277. Lack of access to financial services is technically known as**  
(a) Financial instability      (b) Financial inclusion  
(c) Financial stability      (d) Financial exclusion  
(e) Poverty
- 278. The activity of purchasing shares of various companies is called?**  
(a) Online Trading      (b) Share Trading  
(c) Real estate investment      (d) Corporate Trading  
(e) None of these
- 279. Telecom Sector is considered as**  
(a) Priority sector      (b) Non-priority sector  
(c) Infrastructural sector  
(d) Sector with special status  
(e) Core-Energy sector
- 280. The Economic Survey is compiled by the**  
(a) Ministry of Home Affairs  
(b) Ministry of Finance  
(c) Ministry of Rural Development  
(d) Central Board of Direct Taxes  
(e) Central Statistical Organization
- 281. Which of the following sets overall targets for various ministries in India?**  
(a) CAG      (b) Planning Commission  
(c) Lok Sabha      (d) Finance Ministry, GOI  
(e) None of these
- 282. Which of the following Acts helps a bank in its day-to-day activities?**  
(a) Competition Act  
(b) Negotiable Instruments Act  
(c) Hindu Marriage Act  
(d) Hindu Succession Act  
(e) NRI Act
- 283. The Agriculture Insurance Company was launched with the help of**  
(a) RBI      (b) SIDBI      (c) NABARD      (d) ECGC  
(e) IDBI
- 284. We know that the industrial sector plays an important role in the development of India. Which sector does not come under industrial sector?**  
(a) Mining      (b) Manufacturing  
(c) Banking      (d) Utilities  
(e) Construction
- 285. Which of the following is a popular women empowerment programme in India?**  
(a) ASHA      (b) Swabhiman  
(c) Mid-Day Meal Scheme  
(d) Bharat Nirman  
(e) Self Help Group
- 286. Which of the following is/are the Non-Tax Revenue components of the Union Budget of India?**  
(A) Custom Duties  
(B) Interest Receipts  
(C) Dividend and Profits  
(a) Only (A) and (B)      (b) Only (B)  
(c) Only (B) and (C)      (d) Only (C)  
(e) All (A), (B) and (C)
- 287. What does the letter 'M' denote in the abbreviated term 'MRTP', an act which was applicable in India till recently?**  
(a) Money      (b) Moral  
(c) Minimum      (d) Monopolies  
(e) Market
- 288. Which of the following organizations has given a warning to the nations of the world that there may be increased risk to global financial stability in the world?**

- (a) World Bank  
 (b) World Trade Organization  
 (c) Asian Development Bank  
 (d) International Monetary Fund  
 (e) United Nations Organizations
- 289. Centre brings the curtain down on DEPB scheme'- was the news recently. What is the full form of the term DEPB?**
- (a) Developmental Enterprises Promotion Board  
 (b) Duty Entitlement Pass Book  
 (c) Duty Enforcement and Promotion Board  
 (d) Development. Export and Procurement Bureau  
 (e) Deportation and Enforced Prevention Bureau
- 290. Which of the following sector(s) make(s) maximum contribution to the national income of India?**
- (a) Services (b) Agriculture  
 (c) Industry  
 (d) Both Agriculture and Industry  
 (e) None of these
- 291. Which of the following organisations has been established mainly to promote micro, small & medium industrial sector in India?**
- (a) NABARD (b) SIDBI  
 (c) IDBI Bank (d) EXIM Bank  
 (e) All of these
- 292. Which of the following is the purpose of introducing 'Know Your Customer' norms by the banks?**
- (a) To bring more and more people under the banking net  
 (b) Identifying people who do not pay income tax  
 (c) To ensure that the money deposited in banks has come from genuine sources  
 (d) To ensure whether the money deposited in the bank is of an Indian or a foreign national  
 (e) None of these
- 293. Which of the following terms is used in the field of Finance and Banking?**
- (a) Gauge pressure (b) Quantum number  
 (c) Adjustment credit (d) Absolute zero  
 (e) Single bond
- 294. Goods and Services Tax (GST) would replace which of the following taxes levied at present?**
- (a) Income tax (b) Corporate tax  
 (c) Capital gains tax (d) Value added tax (VAT)  
 (e) All of these
- 295. 'IAEA' is an organization which functions in the area of**
- (a) Prevention of Money Laundering  
 (b) Control of Foreign Direct Investment  
 (c) Nuclear Energy  
 (d) World Trade  
 (e) Promoting international understanding among the nations
- 296. Normally, banks accept fixed deposits for a maximum period of**
- (a) 5 years (b) 3 years (c) 7 years (d) 20 years  
 (e) 10 years
- 297. Green House Gases' are responsible mainly for**
- (a) Growth of livestock population  
 (b) Volume of foreign trade  
 (c) Quality of agro products in a country  
 (d) Industrial development of a nation  
 (e) Global warming
- 298. KYC guidelines followed by the banks have been framed on the recommendations of the**
- (a) Ministry of Home Affairs  
 (b) Ministry of Rural Development  
 (c) Indian Banks Association  
 (d) Financial Intelligence Unit  
 (e) Reserve Bank of India
- 299. Bridge loans refer to**
- (a) Loans granted to construction companies for construction of bridges  
 (b) Loan granted to PWD for construction of bridges over rivers  
 (c) Interim finance allowed by banks to their customers, pending disbursement of term loans by financial institutions  
 (d) Loan granted to Railway for construction of bridges  
 (e) None of these
- 300. Which of the following is one of the measures of economic growth of a country?**
- (a) Volume of direct investment made by foreign countries  
 (b) Number of companies listed on the stock exchanges  
 (c) Gross Domestic Product of the nation  
 (d) Number of foreign nationals working in a country  
 (e) All the above
- 301. In the term STRIPS, the first letter 'S denotes**
- (a) Single (b) Small (c) Special (d) Savings  
 (e) Separate
- 302. Which of the following is one of the indicators of Human Development Index (HDI)?**
- (a) Life expectancy at birth  
 (b) Total cost of the agricultural land with a family  
 (c) Total area of the agricultural land with a family  
 (d) Availability of perennial source of water for irrigation  
 (e) Nature of employment, casual/permanent or semi-permanent

- 303. Structure of Basel II is based on how many pillars?**  
 (a) Two (b) Ten (c) Four (d) Five  
 (e) Three
- 304. Which of the following statements about the Indian economy in the last decade is not correct?**  
 (a) The economy of India is the fourth largest in the world with GDP of about four trillion USD at Purchasing Power Parity (PPP).  
 (b) Agriculture, which was a major concern for the growth of the economy, is now growing at an average of 7% per annum.  
 (c) A strong Balance of Payment (BOP) position in recent years has resulted in a comfortable stock of the foreign exchange reserves.  
 (d) India has emerged as a global leader in software and business process outsourcing.  
 (e) Indian economy has shown a remarkable average GDP growth of 6.8% during last ten years
- 305. Sometimes we see a reference of 'least developed country' in economic journals/papers etc. Which of the following is one of the parameters on the basis of which a country in economic parlance is labelled as "least developed"?**  
 (a) Frequent changes in monetary/fiscal policies  
 (b) No change in the government in last ten years as general elections did not take place  
 (c) Low per capita income of a specified level and instability in agricultural/industrial production  
 (d) Huge losses due to natural disasters resulting in displacement of people in majority  
 (e) Scarcity of trained/skilled manpower in the country
- 306. Which of the following organizations/agencies has established a fund known as Investor Protection Fund?**  
 (a) RBI (b) SIDBI  
 (c) Bombay Stock Exchange  
 (d) Ministry of Finance  
 (e) Ministry of Commerce and Industry
- 307. As per the recent press reports, use of credit cards in India has gone down. What is/are the main reason/s for the same?**  
 (A) High interest rate charged by the card companies  
 (B) Rise in fraudulent activities related to use of credit cards  
 (C) Govt. policies which do not allow the launch of new credit cards by the banks  
 (a) Only (A) (b) Only (B)  
 (c) Only (C) (d) All (A), (B) and (C)  
 (e) None of these
- 308. Which of the following terms is used in the field of Banking?**  
 (a) MRI (b) Refraction  
 (c) Depository Receipt (d) Neutralisation  
 (e) Atomic Number
- 309. Reverse Repo is a tool used by RBI to**  
 (a) Inject liquidity (b) Absorb liquidity  
 (c) Increase the liquidity with banking system  
 (d) To keep the liquidity at one level  
 (e) None of these
- 310. Many times we read a term CBS used in banking operations. What is the full form of the letter C in the term 'CBS'?**  
 (a) Complete (b) Credit  
 (c) Continuous (d) Core  
 (e) None of these
- 311. GNP stands for**  
 (a) Gross National Product  
 (b) Group Net Product  
 (c) Grand Nuclear Process  
 (d) Group Networking Process  
 (e) None of these
- 312. The European Union has adopted which of the following as a common currency?**  
 (a) Dollar (b) Dinar (c) Yen (d) Peso  
 (e) Euro
- 313. With a view to facilitating payment of balance in the deposit account to the person named by the depositor without any hassles in the event of death of the account holder, the following facility was introduced for bank accounts in our country.**  
 (a) Will (b) Registration  
 (c) Nomination (d) Indemnity  
 (e) Guarantee
- 314. SEBI is an**  
 (a) Advisory body (b) Statutory body  
 (c) Constitutional body (d) Non-statutory body  
 (e) Registered as a society
- 315. Mixed Economy means**  
 (a) Co-existence of small and large industries.  
 (b) Promoting both agriculture and industries in the economy.  
 (c) Co-existence of public and private sectors  
 (d) Co-existence of the rich and the poor.  
 (e) Existence of wholesale and retail markets.
- 316. The expansion for BIFR, in the context of the Indian industry, is**  
 (a) Board for Investment and Financial Redevelopment.  
 (b) Bureau for industrial and Financial Revolution  
 (c) Board for Investment and Formal Reconstruction



- (d) Board for Industrial and Financial Reconstruction  
(e) Bureau for Investment and Financial Reconstruction
- 317. Which of the following is not considered a money market instrument?**  
(a) Treasury bills  
(b) Repurchase Agreement  
(c) Commercial Paper  
(d) Certificate Deposit  
(e) Shares and Bonds
- 318. Which of the following is not considered a negotiable instrument?**  
(a) Cheque (b) Pay order  
(c) Bill of exchange (d) Warehouse receipt  
(e) All are negotiable instruments
- 319. POSCO is in the process of establishing its plants in India. What is does the letter 'P' denotes in the name POSCO?**  
(a) Popular (b) Pallin  
(c) Pohang (d) Paradeep  
(e) Peterburg
- 320. When the rate of inflation increases**  
(a) Purchasing power of money increases  
(b) Purchasing power of money decreases  
(c) Value of money increases  
(d) Purchasing power of money remains unaffected  
(e) Amount of money in circulation decreases
- 321. NEFT means**  
(a) National Electronic Funds Transfer System  
(b) Negotiated Efficient Fund Transfer System  
(c) National Efficient Fund Transfer Solution  
(d) Non Effective Fund Transfer Solution  
(e) Negotiated Electronic Foreign Transfer System
- 322. Which of the following bodies promoted Securities Trading Corporation of India Limited (STCL) jointly with the Public Sector Banks?**  
(a) Securities Exchange Board of India  
(b) ICICI Ltd  
(c) IDBI Ltd  
(d) Reserve Bank of India  
(e) IRDA
- 323. Which of the following is the most active segment of the money market in India?**  
(a) Call Money/Notice Money Market  
(b) Repo/Reverse Repo  
(c) Commercial Paper (CP)  
(d) Certificate of Deposit (CD)  
(e) None of these
- 324. In order to attract more foreign exchange the Govt. of India decided to allow foreign investment in LLP firms. What is full for of "LLP" as used in this reference?**  
(a) Local Labour Promotion  
(b) Low Labour Projects  
(c) Limited Loan Partnership  
(d) Longer Liability Partnership  
(e) Limited Liability Partnership
- 325. Distribution of insurance products and insurance policies by banks as corporate agents in known as**  
(a) General insurance (b) Non-life insurance  
(c) Bancassurance (d) Insurance banking  
(e) Deposit insurance
- 326. Which of the following is the biggest borrower in India?**  
(a) Indian Government  
(b) Reserve Bank of India  
(c) Indian Railways  
(d) State Governments  
(e) Public Sector Undertakings
- 327. Which of the following would result in a fall in asset prices?**  
(a) Low liquidity in the economy  
(b) High liquidity in the economy  
(c) RBI increasing the Reverse Repo Rates  
(d) RBI allowing more banks to play  
(e) None of these
- 328. Which of the following types of accounts are known as 'Demat Accounts'?**  
(a) Accounts which are Zero Balance Accounts  
(b) Accounts which are opened to facilities repayment of a loan taken from the bank. No other business can be conducted from there  
(c) Accounts in which shares of various companies are traded in electronic form  
(d) Accounts which are opened through internet banking facility  
(e) None of these
- 329. When a bank returns a cheque unpaid, it is called**  
(a) Payment of the cheque  
(b) Drawing of the cheque  
(c) Cancelling of the cheque  
(d) Dishonor of the cheque  
(e) Taking of the cheque
- 330. Many times we read about 'Hawala' transactions in newspapers. Hawala, in India, is prohibited under the provision of which of the following Acts?**  
(a) Fiscal Responsibility and Budget Management Act  
(b) Banking Regulation Act  
(c) Financial Action Task Force Act

- (d) Foreign Exchange Management Act  
(e) None of these
- 331. Which of the following is the popular name of the norms by which a bank satisfies itself about the customer's identity and activities?**
- (a) Basel norms (b) K.Y.C norms  
(c) Service norms (d) Lending norms  
(e) None of these
- 332. Mutual funds are regulated by**
- (a) Association of Mutual Funds of India (AMFI)  
(b) Securities and Exchange Board of India (SEBI)  
(c) Reserve Bank of India  
(d) IRDA  
(e) None of these
- 333. Bancassurance is**
- (a) An insurance scheme to insure bank deposits  
(b) An insurance scheme exclusively for the employees of banks  
(c) A composite financial service offering both banking and insurance products  
(d) A bank deposit scheme exclusively for employees of insurance companies  
(e) None of these
- 334. Sarva Shiksha Abhiyan is aimed at which of the following?**
- (a) Education of children between 6-14 years  
(b) Education of girls up to graduation level  
(c) College education  
(d) Adult education  
(e) Engineering and technical education
- 335. Which of the following is known as cross-selling by Banks?**
- (A) Sale of a debit card to a credit holder  
(B) Sale of Insurance policy to a depositor  
(C) Insurance of cash against cheque presented by a third party
- (a) Only (A) (b) Only (B)  
(c) Only (C) (d) Both (A) and (C)  
(e) All (A), (B) and (C)
- 336. The full form of PIN in the parlance of an ATM card is**
- (a) Permanent Information Number  
(b) Personal Identification Number  
(c) Professional Identification Number  
(d) Permanent Identification Number  
(e) Personal Index Number
- 337. Which of the following is not a function of the RBI?**
- (a) Maintaining Forex  
(b) Deciding Bank Rate, CRR and SLR from time to time  
(c) Opening Savings Accounts for general public  
(d) Prescribing the Capital Adequacy Ratio  
(e) Currency Management
- 338. Obligation of a banker to maintain secrecy is applicable to**
- (a) Only in case of existing deposit accounts  
(b) Only in case of existing loan accounts  
(c) Only in case of closed accounts  
(d) In all types of deposit/loan accounts (existing/closed)  
(e) None of these
- 339. Banks, today, in addition to normal banking services, offer which of the following services?**
- (a) Internet Banking (b) Depository Services  
(c) Financial Counseling Services  
(d) Only (a) and (b) above  
(e) All (a), (b) and (c) above
- 340. Which of the following cannot be called an anti-inflationary measure?**
- (a) Raising the Bank Rates  
(b) Raising the Reserve Ratio Requirements  
(c) Purchasing securities in the Open Markets  
(d) Rationing of the Credit  
(e) None of these
- 341. Financial inclusion means provision of**
- (a) Financial services, namely, payments, remittances, savings, loans and insurance at affordable cost to persons not yet given the same  
(b) Ration at affordable cost to persons not yet given the same  
(c) House oat affordable cost to persons not yet given the same  
(d) Food at affordable cost to persons not yet given the same  
(e) Education at affordable cost to persons not yet given the same
- 342. Fixed deposits and recurring deposits are**
- (a) Repayable after an agreed period  
(b) Repayable on demand  
(c) Not repayable  
(d) Repayable after death of depositors  
(e) Repayable on demand or after an agreed period as per banks choice
- 343. The usual deposit accounts of banks are**
- (a) Current accounts, electricity accounts and insurance premium accounts  
(b) Current accounts, post office savings bank accounts and term deposit accounts  
(c) Loan accounts, savings bank accounts and term deposit accounts  
(d) Current accounts, savings bank accounts and term deposit accounts  
(e) Current bill accounts and term deposit accounts
- 344. Which of the following is a correct statement?**

- (a) Normally no interest is paid on current deposit accounts  
 (b) Interest is paid on current accounts at the same rate as term deposit accounts  
 (c) The rate of interest on current account and savings account are the same  
 (d) No interest is paid on any deposit by the bank  
 (e) Savings deposits are the same as current deposits
- 345. Accounts are allowed to be operated by cheques in respect of**  
 (a) Both savings bank accounts and fixed deposit accounts  
 (b) Savings bank accounts and current accounts  
 (c) Both savings bank accounts and loan accounts  
 (d) Both savings bank accounts and cash accounts only  
 (e) Both current accounts and fixed deposit accounts
- 346. Which of the following policies is known as Annual Policy Statement?**  
 (a) Annual budget of Central Govt.  
 (b) Credit and monetary policy of RBI  
 (c) Foreign trade policy of DGFT  
 (d) Regulations issued by SEBI  
 (e) None of these
- 347. Which of the following is a correct statement?**  
 (a) State Bank of India is the sole authority to issue and manage currency in India  
 (b) A nationalized bank is the sole authority to issue and manage currency in India  
 (c) A cooperative bank is the sole authority to issue and manage currency in India  
 (d) RBI is the sole authority to issue and manage currency in India  
 (e) None of these
- 348. Interest payable on savings bank account is**  
 (a) Not regulated by RBI  
 (b) Regulated by State Government  
 (c) Regulated by Central Government  
 (d) Regulated by RBI  
 (e) Regulated by Finance minister
- 349. Credit Rating**  
 (a) Is used to rate the borrowers while giving advances  
 (b) Is used to work out performance of the employees  
 (c) Is used to calculate the number of excellent audit-rated branches  
 (d) Is not used in any bank  
 (e) Is necessary before giving promotion to employees
- 350. The names of which of the following rates/ratios cannot be seen in financial newspapers?**  
 (a) Bank Rate (b) Repo Rate  
 (c) Statutory Liquidity Ratio  
 (d) Cash Reserve Ratio  
 (e) Pulse Rate
- 351. Which of the following statements is true?**  
 (a) Banks cannot accept demand and time deposits from public  
 (b) Banks can accept only demand deposits from public  
 (c) Banks can accept only time deposits from public  
 (d) Banks can accept both demand and time deposits from public  
 (e) Banks can accept demand and time deposits only from government
- 352. Ten-rupee notes contain the signature of**  
 (a) Finance Secretary, GOI  
 (b) Chairman, State Bank of India  
 (c) Governor, Reserve Bank of India  
 (d) Finance Minister, GOI  
 (e) Prime Minister
- 353. Increased interest rates, as is existing in the economy at present, will**  
 (a) Lead to higher GDP growth  
 (b) Lead to lower GDP growth  
 (c) Mean higher cost of raw materials  
 (d) Mean lower cost of raw materials  
 (e) Mean higher wage bill
- 354. Banks and other financial institutions in India are required to maintain a certain amount of liquid assets like cash, precious metals and other short-term securities as a reserve all the time. In Banking World this is known as**  
 (a) CRR (b) Fixed Asset  
 (c) SLR (d) PLR  
 (e) None of these
- 355. What does the letter 'L' denotes in the term LAF as referred every now and then in relation to monetary policy of the RBI?**  
 (a) Liquidity (b) Liability  
 (c) Leveraged (d) Longitudinal  
 (e) Linear
- 356. A major Public Sector Bank raised interest rates on loans by 25 basis points - was news in some major financial newspapers recently. This means the bank has raised interest by 35 basis points of**  
 (a) Savings Bank Interest Rate  
 (b) Base Lending Rate  
 (c) Repo Rate  
 (d) Present Rates on Deposits  
 (e) Discounted Rates of Interest
- 357. Which of the following is/are commodity/ies on which subsidy is given to farmers/poor in India?**  
 (A) Fertilizer (B) Kerosene  
 (C) LPG  
 (a) Only (A) (b) Only (B)



- (c) Only (C) (d) Only (A) and (C)  
 (e) All (A), (B) and (C)

358. What is the full form of 'Fino', a term we see frequently in financial newspapers?

- (a) Financial Investment Network and Operations

- (b) Farmers' Investment in National Organization  
 (c) Farmers Inclusion News and Operations  
 (d) Financial Inclusion Network and Operations  
 (e) None of these

### ANSWER KEY

1	(d)	2	(e)	3	(b)	4	(d)	5	(a)	6	(c)	7	(a)	8	(b)	9	(e)	10	(e)
11	(d)	12	(a)	13	(a)	14	(d)	15	(b)	16	(d)	17	(a)	18	(e)	19	(b)	20	(d)
21	(e)	22	(e)	23	(e)	24	(b)	25	(a)	26	(e)	27	(c)	28	(a)	29	(d)	30	(c)
31	(b)	32	(e)	33	(e)	34	(d)	35	(c)	36	(d)	37	(d)	38	(e)	39	(c)	40	(c)
41	(a)	42	(d)	43	(c)	44	(e)	45	(c)	46	(d)	47	(d)	48	(e)	49	(d)	50	(e)
51	(a)	52	(c)	53	(a)	54	(a)	55	(b)	56	(d)	57	(a)	58	(b)	59	(c)	60	(a)
61	(b)	62	(b)	63	(a)	64	(e)	65	(d)	66	(d)	67	(c)	68	(b)	69	(b)	70	(c)
71	(e)	72	(b)	73	(e)	74	(d)	75	(d)	76	(b)	77	(a)	78	(e)	79	(c)	80	(d)
81	(d)	82	(e)	83	(d)	84	(b)	85	(d)	86	(a)	87	(d)	88	(e)	89	(b)	90	(a)
91	(a)	92	(c)	93	(b)	94	(c)	95	(a)	96	(d)	97	(e)	98	(e)	99	(e)	100	(b)
101	(d)	102	(b)	103	(a)	104	(a)	105	(b)	106	(e)	107	(a)	108	(c)	109	(d)	110	(c)
111	(c)	112	(a)	113	(d)	114	(b)	115	(b)	116	(e)	117	(a)	118	(c)	119	(c)	120	(d)
121	(d)	122	(e)	123	(d)	124	(a)	125	(b)	126	(a)	127	(d)	128	(a)	129	(b)	130	(d)
131	(b)	132	(c)	133	(e)	134	(a)	135	(a)	136	(a)	137	(c)	138	(c)	139	(b)	140	(d)
141	(b)	142	(d)	143	(c)	144	(e)	145	(e)	146	(a)	147	(d)	148	(c)	149	(c)	150	(d)
151	(c)	152	(c)	153	(c)	154	(b)	155	(e)	156	(a)	157	(b)	158	(d)	159	(e)	160	(d)
161	(c)	162	(d)	163	(a)	164	(e)	165	(a)	166	(a)	167	(e)	168	(d)	169	(a)	170	(d)
171	(a)	172	(d)	173	(c)	174	(e)	175	(e)	176	(d)	177	(c)	178	(e)	179	(d)	180	(e)
181	(d)	182	(b)	183	(b)	184	(e)	185	(c)	186	(a)	187	(c)	188	(e)	189	(e)	190	(d)
191	(c)	192	(e)	193	(a)	194	(e)	195	(d)	196	(a)	197	(a)	198	(e)	199	(a)	200	(d)
201	(c)	202	(b)	203	(e)	204	(e)	205	(a)	206	(b)	207	(d)	208	(b)	209	(d)	210	(e)
211	(a)	212	(a)	213	(d)	214	(d)	215	(c)	216	(c)	217	(b)	218	(e)	219	(a)	220	(b)
221	(d)	222	(d)	223	(d)	224	(e)	225	(b)	226	(e)	227	(b)	228	(e)	229	(e)	230	(b)
231	(b)	232	(c)	233	(a)	234	(a)	235	(b)	236	(a)	237	(b)	238	(e)	239	(c)	240	(b)
241	(b)	242	(a)	243	(c)	244	(a)	245	(e)	246	(d)	247	(b)	248	(b)	249	(c)	250	(a)
251	(b)	252	(b)	253	(b)	254	(e)	255	(a)	256	(a)	257	(e)	258	(e)	259	(b)	260	(c)
261	(b)	262	(d)	263	(d)	264	(b)	265	(e)	266	(d)	267	(e)	268	(b)	269	(c)	270	(c)
271	(a)	272	(b)	273	(e)	274	(b)	275	(a)	276	(e)	277	(a)	278	(b)	279	(c)	280	(b)
281	(b)	282	(d)	283	(c)	284	(b)	285	(c)	286	(c)	287	(e)	288	(d)	289	(a)	290	(a)
291	(b)	292	(b)	293	(c)	294	(d)	295	(c)	296	(e)	297	(c)	298	(e)	299	(c)	300	(e)
301	(e)	302	(c)	303	(e)	304	(a)	305	(b)	306	(a)	307	(b)	308	(c)	309	(b)	310	(d)
311	(a)	312	(e)	313	(c)	314	(b)	315	(c)	316	(d)	317	(c)	318	(e)	319	(e)	320	(c)
321	(b)	322	(d)	323	(a)	324	(a)	325	(e)	326	(a)	327	(a)	328	(c)	329	(c)	330	(d)
331	(b)	332	(b)	333	(e)	334	(a)	335	(d)	336	(b)	337	(c)	338	(d)	339	(e)	340	(c)
341	(e)	342	(a)	343	(a)	344	(d)	345	(a)	346	(b)	347	(b)	348	(d)	349	(a)	350	(e)
351	(a)	352	(c)	353	(c)	354	(d)	355	(c)	356	(b)	357	(a)	358	(a)				