

# Questions for RBI's Young Scholar Award

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

- Broad money  Foreign exchange reserves  Open Market Operations  Gold reserves

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

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

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

- M0  M1  M2  M3

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

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

5. Sterilization refers to

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

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

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

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

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

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

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

9. REPO operations refer to:

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

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

- Two  Four  Five  Three

11. A depreciation in the rupee will cause

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

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

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

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

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

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

- 35%  20%  40%  45%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Short questions

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

### Questions:

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

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

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

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

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

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

State whether true or false

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

### Answers:

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