

MONEY SUPPLY, BANKING AND FINANCIAL INSTITUTIONS BASED INDIAN ECONOMY MCQ PRACTICE QUESTIONS AND ANSWERS PDF WITH EXPLANATION

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Created By [Careericons](#) Team

Q1. What does ECS in banking transactions stand for ?

- a) Exchange Clearing Standard
 - b) Electronic Clearing Service
 - c) Excess Credit Supervisor
 - d) Extra Cash Status
-

Q2. Which of the following is the largest holder of Government securities?

- a) Cooperative Banks
 - b) Reserve Bank of India
 - c) Commercial banks
 - d) Insurance companies
-

Q3. Which among the following are the Nationalised Banks?

- Bank of India
- Punjab National Bank
- Canara Bank
- United Commercial Bank

Choose the code.

- a) 3 and 4
 - b) 1 and 2
 - c) 1 and 4
 - d) 1, 2, 3, 4
-

Q4. What are the reforms of Narsimham Committee on Banking sector?

- Nationalisation of banks should **not** take place any more.
- Private and foreign banks should be set up to promote competition.
- There should be a phased reduction of CRR and SLR.

Choose the **correct** option.

- a) 2 only
- b) 1 only
- c) 3 only
- d) All of the Above

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Q5. Consider the following statements in a **market-determined exchange rate system**:

- i. Imposing tariffs may not help in improving the trade balance as the exchange rate moves to offset the tariff
- ii. The exchange rate depends on the demand and supply of the two currencies

Select the **correct** answer using the code given below:

- a) (ii) only
- b) Both (i) & (ii)
- c) (i) only
- d) Neither (i) nor (ii)

Q6. Which of the following are the provisions of the **SARFAESI Act** which enables banks to reduce their non-performing assets (NPAs)?

- Enforcement of Security interests by secured creditors (Banks/ Financial Institutions).
- Transfer of non-performing assets to asset reconstruction company which will then dispose of those assets and realise the proceeds.
- To provide a legal framework for securitization of assets.
- Assisting banks in making the credibility track record of customers under the Credit Information Bureau of India (CIBIL).

- a) 1, 2 and 3

- b) 1 and 2
 - c) 2, 3 and 4
 - d) 1, 2, 3 and 4
-

Q7. Bull and bear are related to which commercial activity ?

- a) International trade
 - b) Stock market
 - c) Banking
 - d) E-commerce
-

Q8. A speculator who enters into a purchase transaction with a view to sell in the near future when the price would have risen is called a

- a) Bison
 - b) Boar
 - c) Bear
 - d) Bull
-

Q9. The rate of tax increase as the amount of the tax base increases is called

- a) Regressive tax
 - b) Degressive tax
 - c) Proportional tax
 - d) Progressive tax
-

Q10. Prime Minister, on 8th of Nov 2016, declared that the existing Rs. 500 and Rs. 1000 notes will **not** be legal tender. This was done under which of the following Act.

- a) Banking regulation Act 1949
- b) Payment and Settlement Systems Act 2007

- c) RBI Act 1934
 - d) Does not require any statutory backing
-

Q11. With reference to the governance of public sector banking in India, consider the following statements.

- Capital infusion into public sector banks by the Government of India has steadily increased in the last decade.
- To put the public sector banks in order, the merger of associate banks with the parent State Bank of India has been affected.

Which of the statement(s) given above is/are **correct**?

- a) Only 2
 - b) Neither 1 nor 2
 - c) Both 1 and 2
 - d) Only 1
-

Q12. Consider the following statements regarding the recent amendments done in **IBC 2016**:

- i. It is applicable for corporate debtor and corporate guarantor
- ii. New management is ringfenced from offences committed by the erstwhile management

Select the **correct** answer using the code given below

- a) (ii) only
 - b) Both (i) & (ii)
 - c) (i) only
 - d) Neither (i) nor (ii)
-

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Q13. Convertibility of rupee implies:

- a) allowing the value of rupee to be fixed by market forces

- b) being able to convert rupee notes into gold
 - c) freely permitting the conversion of rupee to other currencies and vice versa
 - d) developing an international market for currencies in India
-

Q14. Open market Operation by RBI are the part of its :

- a) Fiscal Policy
 - b) Income Policy
 - c) Credit Policy
 - d) Monetary Policy
-

Q15. Consider the following statements regarding the recently launched “**India Post Payment Bank**”:

- i. It allows demand and fixed deposit both
- ii. It allows savings and current accounts both
- iii. It is a public sector company

Select the **correct** answer using the code given below:

- a) (i) & (iii)
 - b) (ii) & (iii) only
 - c) (i) only
 - d) None of the above
-

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Answers to the above questions :

Q1. Answer: (b)

Electronic Clearing Service is a mode of electronic funds transfers from one bank account to another bank account using the services of a Clearing House. This is normally for bulk transfers from one account to many accounts or vice-versa.

This can be used both for making payments like distribution of dividend, interest, salary, pension, etc. by institutions or for collection of amounts for purposes such as payments to

utility companies like telephone, electricity, or charges such as house tax, water tax, etc or for loan instalments of financial institutions/banks or regular investments of persons.

Q2. Answer: (c)

As commercial banks are required to keep SLR (cash, gold, government securities) of 18.25%, they keep the maximum per cent of government securities. Out of cash, gold and government securities, the government securities give the best returns (interest), so they prefer this instrument.

Cooperative banks also keep government securities under SLR but since cooperative banks overall share in deposit and lending is around 10 per cent of the Scheduled commercial banks, so commercial banks have the highest share of government securities.

Q3. Answer: (d)

The nationalised banks are Central Bank of India, Bank of India, Punjab National Bank, Canara Bank, United Commercial Bank, Syndicate Bank, Bank of Baroda, United Bank of India, Union Bank of India, Dena Bank, Allahabad Bank, Indian Bank, Indian Overseas Bank Bank of Maharashtra.

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Q4. Answer: (d)

Q5. Answer: (b)

Suppose country A imposed a tariff against country B to reduce imports from B. Then it will lead to a reduction in demand of currency B for import purposes, which will lead to depreciation of currency B, resulting in negating the effect of tariffs imposed.

In a market-determined exchange rate, the rate of exchange between two currencies depends only on the demand and supply of the two currencies.

But the demand and supply of two currencies may depend on several factors like export and import and foreign people coming in or going out of the country and so on.

Q6. Answer: (a)

Q7. Answer: (b)

Both the terms are related to the stock market. Investors who take a bull approach purchase securities under the assumption that they can be sold later at a higher price.

A “bear” is considered to be the opposite of a bull. Bear investors believe that the value of a specific security or an industry is likely to decline in the future.

Q8. Answer: (d)

Investors who take a bull approach purchase securities under the assumption that they can be sold later at a higher price.

A "bear" is considered to be the opposite of a bull. Bear investors believe that the value of a specific security or an industry is likely to decline in the future.

Q9. Answer: (d)

A progressive tax is a tax in which the tax rate increases as the taxable amount increases.

The term "progressive" refers to the way the tax rate progresses from low to high, with the result that a taxpayer's average tax rate is less than the person's marginal tax rate.

Q10. Answer: (c)

As per the RBI Act 1934, Section 26, "on the recommendation of the Central Board, the Central Government may, by notification in the Gazette of India, declare that, with effect from such date, any series of banknotes of any denomination shall cease to be legal tender".

Q11. Answer: (c)

Q12. Answer: (b)

If a company has given a guarantee to another company, then the IBC will be applicable to that corporate guarantor also.

If the previous management did some offence/fraud then the new management taking over the company will be protected (also called ringfenced) from the crimes done by the previous management.

Q13. Answer: (c)

Convertibility of rupee implies freely permitting the conversion of rupee to other currencies and vice versa.

Currency Convertibility is the ease with which a country's currency can be converted into gold or another currency.

Q14. Answer: (d)

Q15. Answer: (b)

India Post Payment Bank is a public sector enterprise and comes under the Department of Posts, Ministry of Communications. It is a payment bank and accepts only demand deposits (current and savings account).

'Department of Post' is a department of Govt. of India to provide mail and various services. Now, Govt. of India (through the Department of Post, Ministry of Communication) created a wholly-owned PSU, 'India Post Payment Bank', to provide banking facilities.

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