

# **BANKING, SECURITY MARKET & INSURANCE BASED INDIAN ECONOMY MCQ PRACTICE QUESTIONS AND ANSWERS PDF WITH EXPLANATION**

**For All Competitive SSC, Bank, IBPS, UPSC, Railway, IT & Other Govt. Exams**

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**Q1.** In the context of Indian economy; which of the following is/are the purpose/purposes of 'Statutory Reserve Requirements'?

- To enable the Central Bank to control the amount of advances the banks can create
- To make the people's deposits with banks safe and liquid
- To prevent the commercial banks from making excessive profits
- To force the banks to have sufficient vault cash to meet their day-to-day requirements

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

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

**Q2.** What is the purpose of setting up Small Finance Banks (SFBs) in India?

1. To supply credit to small business units
2. To supply credit to small and marginal farmers
3. To encourage young entrepreneurs to set up businesses particularly in rural areas.

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

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

**Q3.** Which of the following is a most likely consequence of implementing the 'Unified Payments Interface (UPI)'?

- a) FDI inflows will drastically increase.
- b) Digital currency will totally replace the physical currency in about two decades.

- c) Mobile wallets will not be necessary for online payments.
  - d) Direct transfer of subsidies to poor people will become very effective.
- 

**Q4.** Which of the following statements is/are **correct** in regard to 'microfinance'?

- Micro-credit extended by banks to individual is reckoned as a part of their priority sector lending.
- RBI has prescribed a particular model the banks to provide microfinance.

Choose the **correct** answer using the codes given below:

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

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**Q5.** Which of the following grants/grant direct credit assistance to rural households ?

- Regional Rural Banks
- National Bank for Agriculture and Rural Development
- Land Development Banks

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

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

**Q6.** Who among the following can join the National Pension System (NPS)?

- a) All State Government employees joining the services after the date of notification by the respective State Governments

b) Persons of age from 21 to 55 only

c) Resident Indian citizens only

d) All Central Government employees including those of Armed Forces joining the services on or after 1st April, 2004

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**Q7.** Consider the following statements in regard to '**Marginal Standing Facility (MSF)**' of RBI :

- It will help in reducing volatility in the overnight lending rates in the inter-bank market.
- The borrowing under the MSF should be over and above the statutory liquidity requirement.

Which of the statements given above is/are **correct**?

a) Both 1 and 2

b) 2 only

c) 1 only

d) Neither 1 nor 2

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**Q8.** In which of the following years India switched over to decimal currencies?

a) 1957

b) 1956

c) 1955

d) 1960

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**Q9.** The word "Actuaries" is related to

a) Share-market

b) Insurance

c) Banking

d) None of the above

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**Q10.** Debenture holders of a company are the

a) Directors

- b) Creditors
  - c) Debtors
  - d) Shareholders
- 

**Q11.** The Insurance Regulatory and Development Authority was set up in India on

- a) April 2003
  - b) April 2001
  - c) April 2002
  - d) April 2000
- 

**Q12.** A third-party administrator (TPA) is an organisation associated with the claim settlement process in the

- a) Commodity market
- b) Insurance industry
- c) Exchange markets
- d) Mutual fund industry

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**Q13.** RBI's first census of India's foreign Assets & Liability as on 30 June 1948 revealed total foreign business investments of Rs. 302 cr, out of it what was the % of British investments in India?

- a) 72 %
  - b) 60 %
  - c) 51 %
  - d) 91 %
-

**Q14.** A currency which either has a missing portion or is composed of more than two pieces is categorized as a

- a) Detached Note
- b) Imperfect Note
- c) Soiled Note
- d) Mutilated Note

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**Q15.** Which among the following agency regulates the Mutual Funds in India?

- a) Indian Bank Association
- b) National Stock Exchange
- c) RBI
- d) SEBI

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**Answers to the above questions :**

**Q1. Answer: (b)**

Because Reserve requirements are designed as “precautionary measures” and not to stop banks from “excessive” profit.

**Q2. Answer: (c)**

While directly or indirectly all three will be encouraged because of Small Finance banks. But when RBI invited applications, the specific purpose were 1 and 2 only.

**Q3. Answer: (c)**

“A” is the most appropriate choice. Mobile wallets will not be necessary, because your mobile number is directly linked with the bank account using bank’s ‘customized app’ which is built

on the UPI platform.

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### **Q4. Answer: (c)**

Micro-credit extended by banks to individuals is reckoned as a part of their priority sector lending and no particular model has been prescribed for micro-finance and banks have been extended freedom to formulate their own models.

### **Q5. Answer: (a)**

NABARD doesn't give "direct" credit assistance. It provides credit via intermediaries such as micro finance companies, cooperative society, RRB. Therefore, 2 is false.

**Q6. Answer: (a)**

Any Indian between 18 to 55 can join NPS. So "B" is wrong.

NRIs are allowed to open NPS account as per PFRDA norms. So "C" is wrong.

NPS was compulsory for new central govt recruits (except armed forces) WEF 1/1/2004. so "D" is wrong.

**Q7. Answer: (c)**

Marginal Standing Facility (MSF) is the rate at which scheduled banks could borrow funds overnight from the Reserve Bank of India (RBI) against approved government securities.

Banks can borrow funds through MSF during acute cash shortages (considerable shortfall of liquidity).

This measure has been introduced by RBI to regulate short-term asset-liability mismatch more effectively and the borrowing is within Statutory liquidity requirements.

The Marginal Standing Facility (MSF) is pegged 100bps or 1 % above the Repo Rate.

**Q8. Answer: (a)**

India switched over to decimal currency in 1957 with the amendment of the Indian Coinage Act. The rupee remained unchanged in value and nomenclature. It, however, was now divided into 100 'Paisa' instead of 16 Annas.

**Q9. Answer: (b)**

The word 'Actuaries' is related to the profession of insurance. The determination of the accidents covered by Insurance policy and of the premium is done by actuaries.

**Q10. Answer: (b)**

**Q11. Answer: (d)**

**Q12. Answer: (b)**

A Third Party Administrator (TPA) is an Insurance Regulatory Development Authority (IRDA) registered company or an organization that processes insurance claims on behalf of insurance companies.

**Q13. Answer: (a)**

72% was British investment in India, when RBI first census of India's foreign Assets & Liabilities as on 30 June 1948 revealed total business investment of Rs.302 crore.

**Q14. Answer: (d)**

Mutilated banknote is a banknote, of which a portion is missing or which is composed of more than two pieces.

**Q15. Answer: (d)**

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