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

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Q1. Consider the following statements in regard to devaluation and depreciation of a currency:

- Devaluation is an activity conducted by central government whereas depreciation happens due to market forces.
- In both the devaluation and depreciation currency loses value against other currencies in a floating currency exchange market.

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

Q2. Non - performing assets in commercial banks means

- a) loans in which interest or principal amount is not recovered.
- b) capital assets not in use.
- c) bank deposits which are not invested.
- d) low interest rate loans.

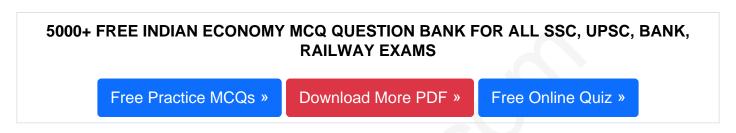
Q3. Consider the following statements:

- Fiat money is a term used for Gold coins
- Currency Deposit Ratio is the proportion of the total deposits commercial banks keep as reserves.

Which of the above statements is/are correct?

- a) Both 1 and 2
- b) 2 only

- c) 1 only
- d) Neither 1 nor 2
- **Q4.** In case of Small Finance Banks (SFB), the loan size and investment limit exposure to single
- a) 15 per cent of capital funds
- b) 10 per cent of capital funds
- c) 15 per cent of total advances
- d) 10 per cent of total advances



- **Q5.** The last six characters of the alphanumeric IFSC printed on the cheque helps in identifying the
- a) Bank name
- b) Type of account
- c) Bank branch
- d) Business or profession
- **Q6.** If all the banks in an economy are nationalized and converted into a monopoly bank, the total deposits
- a) will neither increase nor decrease
- b) will increase
- c) will decrease
- d) None of the above
- Q7. Which of the following will not be the part of 'financial inclusion'?

 Opening educational centres Opening wealth management centres by citibank. Eradication of poverty. • Report of Khan commission on financial inclusion. Select the **correct** answer using the codes given below: a) 1, 3 and 4 only b) 1, 2 and 4 only c) 1, 2 and 3 only d) 1, 2, 3 and 4 Q8. According to extant RBI guidelines, 'Payment Banks' are not permitted to a) distribute mutual fund/insurance/pension products b) accept remittances to be sent to multiple banks c) set up branches or ATMs d) set up subsidiaries to undertake NBFC activities Q9. Open - market operations of Reserve Bank of India refer to a) transaction in gold b) auctioning of Foreign Exchange c) trading in securities d) none of the above Q10. India Brand Equity Fund was established in a) 1997 b) 1995 c) 1996

Q11. The first Land Development Bank was established in 1920. It was located at

d) 1992

a) Munger b) Jhang c) Meerut d) Thane Q12. SEBI was established in the year a) 1985 b) 1990 c) 1991 d) 1988 1000+ FREE BANKING, SECURITY MARKET & INSURANCE BASED QUESTIONS AND ANSWERS FOR ALL COMPETITIVE EXAMS Free Practice MCQs » Download More PDF » Free Online Quiz » Q13. The banks which are implementing the Micro Finance Programme linked with Self Help Groups (SHGs) are a) Co-operative banks and Regional Rural Banks, only b) Regional Rural Banks and Commercial Banks, only c) Commercial Banks and Co-operative Banks only d) Commercial Banks, Regional Rural Banks and Co-operative Banks Q14. The Rural infrastructure fund set up in 1995 - 96, is maintained by the a) NABARD b) State Bank of India c) Reserve Bank of India d) Regional Rural Bank

Q15. The 'Interest Rate Risk' is a type of

- a) Reputational Risk
- b) Liquidity Risk
- c) Market Risk
- d) Operational Risk

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Answers to the above questions:

Q1. Answer: (c)

Devaluation happens in countries with a fixed exchange rate. In a fixed-rate economy, the government decides what its currency should be worth compared with that of other countries.

The exchange rate can change only when the government decides to change it. If a government decides to make its currency less valuable, the change is called devaluation. Depreciation happens in countries with a floating exchange rate.

A floating exchange rate means that the global investment market determines the value of a country's currency.

Q2. Answer: (a)

According to Indian Reserve Bank. Non performing assets in commercial bank means the loans in which interest or principal amount is not recovered.

Q3. Answer: (d)

Currency notes and coins are called fiat money. They don't have intrinsic value like a gold or silver coin. The currency-deposit ratio measures the relationship between the cash people have on hand and what they have in their accounts.

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BANKING, SECURITY MARKET & INSURANCE

Q4. Answer: (b)

The maximum loan size and investment limit exposure to a single and group obligor would be restricted to 10 per cent and 15 per cent of its capital funds, respectively.

Q5. Answer: (c)

The IFSC is an 11-character code with the first four alphabetic characters representing the bank name, and the last six characters (usually numeric, but can be alphabetic) representing the branch.

Q6. Answer: (a)

It will remain the same, because banks do not increase the national income. So it remains the same immaterial whether banks are there or not.

Q7. Answer: (b)

Financial inclusion is the delivery of financial services, at affordable costs, to sections of disadvantaged and low income segments of society. It includes opening educational centres, opening wealth management centres by Citibank etc. Khan commission had put forward its report on financial inclusion.

Q8. Answer: (d)

According to extant RBI guidelines, Payment Banks are not permitted to set up subsidiaries to undertake NBFC activities.

Q9. Answer: (c)

Open Market Operations refer to the purchase and sale of the Government securities (trading of the securities) by RBI from/to market.

The objective of Open Market Operations is to adjust the rupee liquidity conditions in the economy on a durable basis.

Q10. Answer: (c)

Q11. Answer: (b)

The first land development bank was started at Jhang in Punjab in 1920.

Q12. Answer: (d)

Q13. Answer: (d)

Commercial Banks, Regional Rural Banks and Co-operative Banks are implementing the Micro Finance programme linked with Self Help Groups.

Q14. Answer: (a)

Through the assistance of the Swiss Agency for Development & cooperation, NABARD set up the Rural innovation fund. RIDF is another noted scheme for the bank for rural development.

Under the RIDF scheme Rs. 51,283 crore have been sanctioned for 2,44,651 projects covering irrigation, rural roads and bridges, health & education, soil conservation, water schemes etc.

Q15. Answer: (c)

There are four major types of market risk; Interest Rate Risk, Equity Price Risk, Foreign Exchange Risk, Commodity Price Risk.

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