

**THIRD SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY)  
EXAMINATION, NOVEMBER 2021**

[November 2020 for SDE/Private Students]

(CBCSS)

Economics

**ECO 3E 01—BANKING : THEORY AND PRACTICE**

(2019 Admission onwards)

: Three Hours

Maximum : 30 Weightage

**General Instructions (Not applicable to SDE/Private Students)**

*In cases where choices are provided, students can attend **all** questions in each section.*

*The minimum number of questions to be attended from the Section / Part shall remain the same.*

*The instruction if any, to attend a minimum number of questions from each sub section / sub part / sub division may be ignored.*

*There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.*

**Part A (Multiple Choice Questions)**

*Answer **all** questions.*

*Each question carries 1/5 weightage.*

1. A system of banking in which two or more independent banks are brought under the control of a holding company is :
  - a) Group banking.
  - b) Chain banking.
  - c) Deposit banking.
  - d) Investment banking.
2. A credit facility granted by commercial banks to current account holders is :
  - a) Cash credit.
  - b) Overdraft.
  - c) Discounting of bills of exchange.
  - d) Demand loans.
3. SWIFT stands for ———.
  - a) Society for Worldwide Internet Financial Telecommunications.
  - b) Solution for Worldwide Interbank Financial Transfers.
  - c) Society for Worldwide Internet Financial Telecommunications.
  - d) Solution for Worldwide Interbank Financial Telecommunications.

**Turn over**

4. One of the following items is not related with e-banking :
- a) Demand Draft.
  - b) SPMS.
  - c) ECS.
  - d) ATM.
5. Which of the following limits the power of credit creation by Commercial Bank ?
- a) Fiscal Policy.
  - b) Bank Loan.
  - c) Business Possession.
  - d) None of the above.
6. Which one of the following is not an instrument of credit control in the banking system ?
- a) Open Market Operations.
  - b) Cash Reserve Ratio.
  - c) Tax rates.
  - d) All the above.
7. "Repo Rate" refers to the rate at which :
- a) RBI borrows short term money from the markets.
  - b) Banks keeps the money with RBI.
  - c) Bills are discounted by RBI.
  - d) Forex purchased by RBI.
8. In India the Commercial Banks are given licence of operation by :
- a) The Govt. of India.
  - b) The Ministry of Finance.
  - c) Reserve Bank of India.
  - d) Banking Companies Regulation Act, 1949.
9. What is a permitted currency ?
- a) Only USD.
  - b) Only GBP.
  - c) USD, GBP, JYEN, DEM.
  - d) Any currency, which is freely traded, active and convertible in the market.
10. The term Euro currency Market refers to :
- a) The countries which have adopted Euro as their currency.
  - b) The market in which Euro is exchanged for other currencies.
  - c) The market where borrowing and lending of currencies take place outside the country issue.
  - d) The international foreign exchange market.
11. US Dollar denominated bond issued in US domestic Market :
- a) Yankee Bond.
  - b) Bull dog Bond.
  - c) Samurai Bond.
  - d) Dual Bond.

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12. The delivery of financial services at affordable costs to the disadvantaged Low Income segment of the society known as :
- Credit creation.
  - Financial exclusion.
  - Financial Inclusion.
  - Consumer credit.
13. The cancellation of cheque is known as :
- Crossing.
  - Opening of crossing.
  - Double crossing.
  - General crossing.
14. When a deposit of money is received by the banker, the customer becomes the ?
- Debtor.
  - Creditor.
  - Prospect.
  - Lender.
15. Signing a person's name on the back of the negotiable instrument, means :
- Crossing.
  - Endorsement.
  - Special crossing.
  - General crossing.

(15 × 1/5 = 3 weight)

### Part B (Very Short Answer Questions)

Answer any **five** questions.  
Each question carries 1 weightage.

- What is meant by IFSC and RTGS ?
- What is meant by Mutual Fund ?
- Write a note on innovations in banking.
- What is the significance of Insurance ?
- Distinguish between cheque and demand draft.
- Write a note on COFEPOSA ACT.
- Write a note on Liquidity and Solvency.
- Write a note on BRICS Bank.

(5 × 1 = 5 weight)

### Part C (Short Answer Questions)

Answer any **seven** questions.  
Each question carries 2 weightage.

- Describe the functions of central bank.
- What are the merits and demerits of Digital Payment System ?
- What are the functions of Asian Development Bank ?

27. Describe the role of Credit Rating Agencies.
28. What are the traditional or non-digital payments devices ? Bring out their benefits.
29. What are the Regulatory Agencies in India's Banking Sector ?
30. Illustrate the process of credit creation in commercial banks.
31. What are the steps taken by RBI to overcome the recent financial crisis in India ?
32. Describe the reasons for the growth of international banking.
33. Explain the role of Development Banks.

(7 × 2 = 14 weightage)

#### Part D (Essay Questions)

Answer any **two** questions.

Each question carries 4 weightage.

34. Describe the components of Specialized Financial Institutions and Instruments in India
35. Examine the advantages and disadvantages of autonomy of RBI
36. Describe the pros and cons of FRBM Act 2003
37. Describe the monetary policy instruments of RBI. Bring out the significance of each of the monetary policy instruments.

(2 × 4 = 8 weightage)