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(MOOCs) IDC

Paper : MOOCIDC1013

( Economics of Banking and  
Financial Markets )

Full Marks : 50

Pass Marks : 20

Time : 2 hours

( Question carries 1 mark each )

Please tick (✓) the correct answer

*Use of correction fluid is prohibited \*\* Multiple ticks will be treated as incorrect.*

1. The main function of a commercial bank is to:
  - A. Issue currency
  - B. Accept deposits and provide loans
  - C. Regulate the stock market
  - D. Control government spending
2. Central bank of India is:
  - A. State Bank of India
  - B. Reserve Bank of India
  - C. Punjab National Bank
  - D. ICICI Bank
3. The central bank controls:
  - A. Stock prices
  - B. Money supply and credit in the economy
  - C. Government revenue
  - D. Private investments
4. Primary markets deal with:
  - A. Trading of existing shares
  - B. Issuance of new securities
  - C. Bank deposits
  - D. Foreign exchange only
5. Secondary markets deal with:
  - A. Issuance of new securities
  - B. Trading of existing securities
  - C. Money supply
  - D. Government borrowing
6. Mobilization of savings is performed by:
  - A. Commercial banks
  - B. Insurance companies only
  - C. Stock exchanges
  - D. Government alone
7. Credit creation is a function of:
  - A. Central bank only
  - B. Commercial banks
  - C. Stock market
  - D. Mutual funds
8. Banks provide overdraft facility under:
  - A. Investment banking
  - B. Lending functions
  - C. Deposit schemes
  - D. Foreign exchange
9. Banker's cheque is a tool for:
  - A. Payment
  - B. Borrowing
  - C. Savings
  - D. Investment

10. The principle of liquidity refers to:
- A. Ease of converting assets to cash
  - B. Profit maximization
  - C. Loan recovery
  - D. Interest calculation
11. CRR (Cash Reserve Ratio) is:
- A. Fraction of deposits banks must keep with RBI
  - B. Loan rate
  - C. Credit limit
  - D. Tax on deposits
12. SLR (Statutory Liquidity Ratio) is:
- A. Fraction of deposits banks must invest in approved government securities
  - B. Cash kept with RBI only
  - C. Reserve fund of commercial banks
  - D. Loan interest
13. Repo rate is:
- A. Interest rate at which RBI lends to commercial banks
  - B. Deposit rate for savings
  - C. Tax rate on banks
  - D. Loan default penalty
14. Reverse repo rate is:
- A. Rate at which RBI borrows from commercial banks
  - B. Lending rate to customers
  - C. Rate on government bonds
  - D. Interest on deposits
15. Banking Regulation Act in India was enacted in:
- A. 1945
  - B. 1949
  - C. 1955
  - D. 1969
16. Commercial banks serve:
- A. Only government
  - B. Individuals, businesses, and government
  - C. Only corporations
  - D. Only rural areas
17. Cooperative banks primarily serve:
- A. Urban population
  - B. Agricultural and rural sectors
  - C. Large corporations
  - D. International trade
18. Development banks provide:
- A. Short-term credit
  - B. Medium and long-term finance for development projects
  - C. Deposit facilities
  - D. Forex services
19. Regional Rural Banks (RRBs) aim to:
- A. Serve urban industrial areas
  - B. Provide banking facilities in rural areas
  - C. Trade stocks
  - D. Regulate foreign exchange
20. Investment banks mainly deal with:
- A. Retail banking
  - B. Raising capital, underwriting, and mergers & acquisitions
  - C. Loan recovery
  - D. Insurance
21. Money market deals with:
- A. Long-term capital
  - B. Short-term funds and liquidity instruments
  - C. Foreign exchange only
  - D. Equity shares only
22. Capital market deals with:
- A. Short-term debt
  - B. Long-term finance, equity, and bonds
  - C. Forex trading only
  - D. Cash transactions

23. Instruments of money market include:
- A. Equity shares
  - C. Debentures only
  - B. Treasury bills, commercial papers, call money
  - D. Mutual funds
24. Instruments of capital market include:
- A. Treasury bills
  - C. Call money
  - B. Equity shares, preference shares, debentures
  - D. Bank deposits
25. Primary market is also called:
- A. Stock market
  - C. Money market
  - B. New issue market
  - D. Forex market
26. The interest rate charged by banks on loans is called:
- A. Deposit rate
  - C. CRR
  - B. Lending rate
  - D. SLR
27. Fixed deposits provide:
- A. Variable returns
  - C. No returns
  - B. Guaranteed returns for a fixed period
  - D. Short-term credit
28. Non-performing assets (NPAs) are:
- A. High-interest loans
  - C. Government securities
  - B. Loans on which the borrower has stopped paying interest or principal
  - D. Deposits
29. Base rate of banks is determined by:
- A. RBI
  - C. Government only
  - B. Individual banks based on cost of funds
  - D. Stock market
30. Bank rate is:
- A. Rate charged on loans to customers
  - C. Deposit rate
  - B. Rate at which RBI lends to commercial banks
  - D. Tax on banks
31. Credit risk refers to:
- A. Risk of currency fluctuation
  - C. Operational errors
  - B. Risk of borrower default
  - D. Interest rate changes only
32. Market risk arises due to:
- A. Fluctuation in prices, interest rates, or market conditions
  - C. Loan recovery issues
  - B. Employee error
  - D. Currency regulation
33. Operational risk is:
- A. Risk due to management and internal processes
  - C. Borrower default only
  - B. Market volatility
  - D. Currency risk only
34. Liquidity risk occurs when:
- A. Bank cannot meet short-term obligations
  - C. Interest rates are low
  - B. Depositors withdraw after maturity
  - D. Loans are repaid on time
35. Interest rate risk arises from:
- A. Changes in lending and deposit rates affecting bank profits
  - C. Borrower behavior only
  - B. Market illiquidity
  - D. Currency fluctuations only
36. Retail banking includes:
- A. Corporate loans only
  - C. Forex transactions only
  - B. Personal banking, savings accounts, and consumer loans
  - D. Capital market investments

37. Wholesale banking includes:  
 A. Individual deposits  
 C. Retail savings
38. E-banking refers to:  
 A. Traditional banking  
 C. Loan recovery
39. NEFT stands for:  
 A. National Electronic Fund Transfer  
 C. National Equity Fund Trade
40. RTGS is used for:  
 A. Small transactions  
 C. Deposits only
41. Bonds represent:  
 A. Ownership in a company  
 C. Equity shares
42. Equity shares give:  
 A. Loan facility  
 C. Fixed interest
43. Debentures are:  
 A. Equity instruments  
 C. Government savings
44. Derivatives include:  
 A. Stocks and bonds only  
 C. Deposits
45. Mutual funds pool:  
 A. Individual deposits  
 C. Government loans
46. SEBI regulates:  
 A. Banking operations  
 C. Forex market only
47. RBI regulates:  
 A. Stock exchanges  
 C. Mutual funds only
48. Financial inclusion aims to:  
 A. Include all citizens in financial services  
 C. Focus on corporate lending
49. Basel norms are related to:  
 A. International standards for banking regulation and capital adequacy  
 C. Forex operations
50. Inflation affects banking by:  
 A. Changing interest rates and credit demand  
 C. Increasing liquidity only
- B. Large-scale lending to corporates and institutions  
 D. Microfinance only
- B. Banking services using electronic platforms  
 D. Insurance services only
- B. New Economic Finance Technique  
 D. None of these
- B. Real-time gross settlement for large-value transfers  
 D. Loan repayments
- B. Debt instruments with fixed interest  
 D. Deposits
- B. Ownership and voting rights in a company  
 D. Dividend guarantee
- B. Debt instruments issued by companies  
 D. Bank deposits
- B. Futures, options, and swaps  
 D. Insurance policies
- B. Funds from investors to invest in diversified assets  
 D. Foreign currency only
- B. Capital markets in India  
 D. Insurance sector
- B. Banking sector and money supply  
 D. Corporate taxation
- B. Restrict banking to urban areas  
 D. Promote foreign exchange
- B. Stock market listing  
 D. Government bonds
- B. Reducing deposits only  
 D. Not affecting banks