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National Testing Agency (NTA)

Paper 2 || Vol – 3

SIERRA INNOVATIONS

UGC NET Paper – 2 (Commerce)

VII UNIT Banking and Financial Institutions

Introduction

- Regional Rural Banks (RRBs) are a type of scheduled commercial bank specifically established to provide banking facilities in rural areas to farmers, laborers, artisans, and small entrepreneurs.
- The main objective of these banks is to strengthen the rural economy.

Establishment

- Date of Establishment: 2 October 1975
- Recommendation: Narasimham Committee (1975)
- First RRB: Prathama Gramin Bank, Uttar Pradesh (Sponsor Bank: Syndicate Bank)

Main Objective

1. Providing banking services to the poor and underprivileged in rural areas
2. Offering loan facilities for agriculture, cottage industries, and small businesses
3. Promoting rural development
4. Strengthening financial inclusion

Ownership Structure

The capital investment of an RRB is divided into three parts:

Stakeholder	Share (%)
Central Government	50%
State Government	15%
Sponsor Bank	35%

A sponsor bank is a nationalized bank that provides technical, managerial, and training support to an RRB.

Functions of RRBs

1. Providing crop loans and loans for agricultural equipment to farmers.
2. Offering loan facilities to artisans, cottage industries, and self-employed individuals.
3. Implementing government schemes like Jan Dhan, insurance, and pension.
4. Accepting deposits from the public and providing banking services.

Regulation and Supervision

- RRBs (Regional Rural Banks) are regulated and supervised by the RBI (Reserve Bank of India) and NABARD (National Bank for Agriculture and Rural Development).

Reforms & Mergers

- The process of merger of RRBs started from 2005 so that they can be made more strong and profitable.
- Earlier there were 196 RRBs, now it has reduced to about 35.
- These banks have been linked to Core Banking System (CBS).

Difference between RRB and commercial bank

Point	RRB (Regional Rural Bank)	Commercial Bank
Area of Operation	1–2 districts (rural areas)	Across the country / international
Customer Focus	Poor, farmers, artisans	All types of customers
Capital Structure	Government + State + Sponsor Bank	Private or government ownership
Regulation	RBI + NABARD	Only RBI

Challenges

1. Increase in NPA i.e. outstanding loans
2. Lack of technical and trained staff
3. Low profitability
4. Problems of network and infrastructure in rural areas

Recent Developments

- All RRBs are now based on Core Banking Solution (CBS).
- Introduction of digital services – like mobile banking, AEPS, UPI etc.
- Recapitalization schemes are being run by the government.
- RRBs have a major role in the delivery of government schemes – like:
  - ✓ Prime Minister Kisan Samman Nidhi (PM-KISAN)
  - ✓ Mudra Yojana
  - ✓ Jan Dhan Yojana

Important schemes run by RRB

- Pradhan Mantri Jan Dhan Yojana (PMJDY)
- Kisan Credit Card (KCC)
- Mudra Yojana (MUDRA)
- Atal Pension Yojana (APY)
- PM Jeevan Jyoti Bima Yojana (PMJJBY)
- RRB is a banking system that takes banking services to the doorstep of the poor and farmers to strengthen the economic backbone of rural India.

Commercial Bank

Definition

- Commercial banks are those financial institutions that accept deposits from the public and provide loans in return in order to earn a profit.

Main Objectives

1. Profit making
2. Providing banking services to customers
3. Supporting the country's economic activities
4. Promoting financial inclusion

Types of Commercial Banks

(A) On the Basis of Ownership:

Type	Description
1. Public Sector Banks	Majority ownership lies with the government. Examples – SBI, PNB, Bank of Baroda
2. Private Sector Banks	Owned by private companies/investors. Examples – ICICI, HDFC, Axis Bank
3. Foreign Banks	Operated in India by foreign companies. Examples – Citi Bank, HSBC

(B) Based on the function:

Type	Description
1. Scheduled Banks	Those listed in the schedule of the RBI Act
2. Non-Scheduled Banks	Those not included in the schedule of the RBI Act

Functions of Commercial Banks

(I) Primary Functions

1. Accepting Deposits:
- ✓ Savings Account
- ✓ Current Account
- ✓ Fixed Deposit

2. Providing Loans and Advances:
- ✓ Personal Loan, Home Loan, Business Loan etc.
- ✓ Cash Credit, Overdraft FacilityPersonal Loan, Home Loan, Business Loan etc.
- ✓ Cash Credit, Overdraft Facility

(II) Secondary Functions

1. Agency Services:
   - ✓ Cheque Payment, Bill Collection, Insurance Premium Deposit
2. Facility Services:
   - ✓ Locker, Debit/Credit Card, NEFT, RTGS, UPI

Features of Commercial Banks

- ➢ Are for-profit institutions
- ➢ Provide customer-based services
- ➢ Regulated by RBI
- ➢ Operate nationally and internationally

Commercial Bank vs Cooperative Bank

Point	**Commercial Bank**	**Cooperative Bank**
Objective	To earn profit	To provide service
Regulation	By RBI and Government	By State Cooperative Department
Area of Operation	Nationwide or international	Limited area (district/state)

Current Status & Reforms

- ➢ Core Banking Solution (CBS) implemented
- ➢ Rapid expansion of digital banking
- ➢ NPAs (Non-Performing Assets) a big challenge
- ➢ PSB mergers (Public Sector Bank Mergers) have been done by the government

Important Terms

Term	**Meaning**
NPAs	Loans that are not repaid for more than 90 days
Repo Rate	The rate at which RBI lends money to banks
CRR/SLR	The proportion of deposits banks must maintain with RBI (in cash or securities)

Reserve Bank of India (RBI)

Establishment & Introduction

Point	Description
Full Name	Reserve Bank of India
Establishment	1 April 1935, under the RBI Act, 1934
Nationalization	Took place on 1 January 1949
Headquarters	Mumbai, Maharashtra
Current Governor (2025)	Shaktikanta Das (25th Governor)
Right to Issue Currency	Only RBI has the authority to issue currency in India (except ₹1, issued by the Government of India)

Objectives of RBI

1. Monetary Policy Control
2. Controlling Inflation
3. Banking Regulation
4. Maintaining Financial Stability
5. Forex Reserve Management

Structure of RBI

Board of Directors (under RBI Act, 1934)

- One Governor
- Maximum 4 Deputy Governors
- 14 Directors appointed by the Central Government
- 2 Government representatives

Major functions of RBI (Functions of RBI)

(A) Monetary Functions

1. Currency Issuance:
   - ✓ ₹2, ₹5, ₹10, ₹20, ₹50, ₹100, ₹200, ₹500, ₹2000 – By RBI
   - ✓ ₹1 – By Government of India
2. Monetary Policy Control:
   - ✓ Controls Repo Rate, Reverse Repo Rate, CRR, SLR
   - ✓ This affects inflation, interest rates and availability of credit

(B) Banking Functions

1. Banker's Bank:
   - ✓ Regulates all commercial banks
   - ✓ Banking licenses, inspections, regulation
2. Government's Banker:
   - ✓ **Performs banking functions for the Government of India and state governments**
   - ✓ **Government loans, account management, challans, revenue collection**
3. Forex Management:
   - ✓ Functions under FEMA Act, 1999
   - ✓ Management of foreign exchange reserves
   - ✓ Maintaining the exchange rate of rupee stable

Monetary Policy Tools

Instrument	Description
Repo Rate	The rate at which RBI lends short-term loans to commercial banks
Reverse Repo Rate	Banks deposit money with RBI and earn interest
CRR (Cash Reserve Ratio)	A percentage of deposits banks must keep with RBI in cash
SLR (Statutory Liquidity Ratio)	A portion of deposits banks must invest in government securities
Bank Rate	The rate on long-term loans provided by RBI
Open Market Operations (OMO)	RBI buys and sells government bonds in the open market

Important Departments Related to RBI:

- Banking Supervision Department
- Currency Management Department
- Financial Inclusion and Development Department
- Foreign Exchange Management Department (FEMA)
- Consumer Education and Protection Cell

New Initiatives by RBI

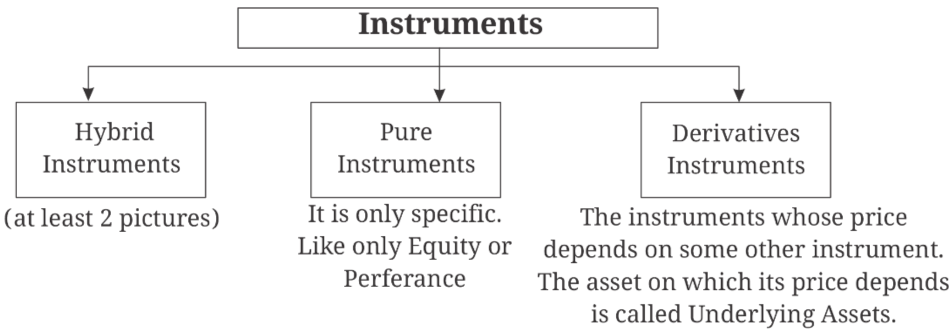
Initiative	Description
UPI (2016)	Launched in collaboration with NPCI (National Payments Corporation of India)
Digital Rupee (CBDC – 2023)	RBI's digital currency launched, currently in the pilot phase
PII – Prompt Corrective Action	Aimed at improving weak banks
Financial Literacy Week	To enhance financial education and awareness

Regulatory Bodies under RBI

- National Housing Bank (NHB)
- Deposit Insurance and Credit Guarantee Corporation (DICGC)
- Bharatiya Reserve Bank Note Mudran Pvt. Ltd. (BRBNMPL)
- NPCI (for Unified Payment Interface etc.)
- The Reserve Bank of India not only controls inflation, regulates currency, and monitors the banking system, but is also the basis of India's economic stability and growth.

Capital Market Instruments:

Capital Marketing is related to long term (more than one year).



Binding up: Closure

- **Equity Share:**
  - ✓ With voting right
  - ✓ Without voting right

- **Preference Share: These get some priority over Equity Shares.**
  - ✓ Received to dividend
  - ✓ Return on Capital on Close up to Company
  - ✓ According to section-55, no non-convertible preference shares can be issued.

Warrant

- It is divided into pieces.
- These are converted into Fully Paid Equity Shares.
- Note: It is of the nature of Debenture.
- Extendable Notes: It is of the nature of Debts. It is issued for a minimum period of 10 years and the company has to revise the interest rates after every 2 years (according to market conditions).
- Zero-coupon / interest rate bonds: The interest rate on these is 0%. These are issued at a discount and bought back at face value. If the investor wants, he can convert them into equity shares before redemption, but no interest will be paid on these.
- Deep Discount Bond: The interest paid on these is very high, but their redemption period is also very high.
- In India, IDBI and SIDBI had issued Deep Discount Bonds, which were as follows: A bond of Rs 2700 will be redeemable for Rs 100000 after 25 years.

Disaster Bond:

- These are issued by the insurance company.
- The interest rate on these is not fixed.
- These are issued to share the risk.
- Note:- In India, TISCO has issued Secured Premium Notes worth Rs. 1212 crores in 1992.
- Option Bonds: There are four options in these bonds:
  1. Cumulative
  2. Non-Cumulative Interest
  3. Taking interest annually
  4. Taking interest at the time of lump-sum settlement
- **Easy-Exit Bond:** In this, the investor can exit whenever he wants.
- **Pay-in-kind Bond:** In this, the investor is not given interest in cash for a fixed period but in the form of new bonds, which are called Baby Bonds.
- **Futures:** In this, the investors together decide on a deal to buy and sell certain securities at a fixed price on a fixed date in the future.

Two Types of Future Contract:

- **Forward Contract**
  - ✓ These are over-the-counter.
  - ✓ It does not have standards.
  - ✓ It is on personal basis.
  - ✓ In this the conditions are decided by the parties.
- **Future Contract**
  - ✓ This always happens on the Stock Exchange.
  - ✓ Some standards are already fixed in it.
  - ✓ The conditions in this are decided by the Clearing House.
- That is, it can be bought and sold any number of times within a fixed period of time.

Q: What is option forward?

Ans: Forward Contract entered into buying or selling over a period of time.

Option: Under this, the investor has an option for a fixed period to buy or sell certain securities at a fixed price.

- Call-option: Option to buy
- Put-option: Option to sell
- Generally two types of option concepts:
  1. **European option:** A security bought or sold once in a given period can be resold or purchased only at the end of the period.
  2. **American option:** It can be bought or sold any time during the period.
- **Note:** Future option does not bind the buyer, he has the right to buy, but the seller is bound.
- **Hedge Fund:** Unregistered Mutual Fund, Private Investment.
- **Venture Capital Fund:** It invests at high risk, it is done only for equity shares.

Q: In which of the following stages Venture Capital Fund is not used?

(A) Debt Instruments

(B) Deep Discount Bonds

(C) Equity Share

(D) Conditional Loans

Ans: (A)

- **Commodity Funds:** In this, Rs. is taken from you and invested in different units.

Money Market:

- **Call Money:** Short time loan
- **Money:** Loan on demand
- **Introduction:** Short-term (only for one year); It includes the following: Call Money, Treasury Bill, Commercial Bill, Commercial Paper, and Bill of Exchange
- **Purpose of Loan:** It is taken to meet short-term requirements.
- **Risk and Liquidity:** – Low Risk and High Liquidity
- **To improve the Money Market: –** Chakravarti Committee 1985 and Cost Committee 1987 were formed
- DFHI (Discount and Finance House of India Ltd) was formed – in 1998

Money Market Instruments:

1. **Treasury Bills:** These are issued by RBI to meet the financial requirements of the central government. There is minimum risk on these.

There are four types of Treasury Bills:

- **14-days bill:** The maturity is in 14 day it is auction is on every Friday of every week. The notified amount is on ₹100 Crores.
- **91-days bill:** The maturity is in 91 days and ₹100 crores are issued every Friday.
- **182-days bill:** The maturity period is 182 days. Every Wednesday, except one Wednesday, ₹100 crores are issued on the next Wednesday.
- **364-days bill:** Their maturity period is 364 days. Every Wednesday, except one Wednesday, they are issued.
- **Advantage:** TDS is not deducted on this. 0% Risk and High Liquidity ⇒ Treasury bill is issued in the form of a promissory note, which can be in physical form or through Demat a/c. For this [Gilt Account is opened.]

Q: When is Gilt Account opened?

Ans: For government services.

Yield = $\frac{(100-P)\times 365\times 100}{P\times D}$

P = price

D = Day to Maturity

Types of Auction:

- Multiple French Auction: In this there is difference in price.
- Uniform | Dutch Auction Use only 91 days bill. In this there is time price.
- Commercial Paper: It is unsecured money market instrument.
- The first C.P. was issued in India in 1998.
- Only that company can issue it whose net worth should be at least 4 crores.
- Maturity: Minimum 7 days and maximum 1 year.
- A C.P. will be of at least 5 lakhs, after that it is issued in its multiples.
- Factoring: Under this a firm sells all its debts to a recovery agency with some discount, after that the agency recovers the amount from the debtors at face value and takes the profit.
- It is financial transaction.
- Three Parties in factoring process:
  - ✓ Sellers
  - ✓ Buyers
  - ✓ Debtors
- **Bill Re-discounting (Re-discounting of Bills of Exchange):** Under this, a bank sells the bills it holds to another bank at a discount, typically for a period of 15 to 90 days.
- **CRR (Cash Reserve Ratio):** The portion of total deposits that banks must keep with the RBI in cash form.
- **SLR (Statutory Liquidity Ratio):** The percentage of net demand and time liabilities that banks must maintain in the form of liquid assets like gold, government-approved securities, etc.
- **DFHI (Discount and Finance House of India Ltd.):** Established by the RBI, DFHI handles transactions in the short-term money market.
- **NDS (Negotiated Dealing System):** An electronic platform launched by the RBI to facilitate trading in government securities and money market instruments.

Money Market-2

- **Call Money (Notice Money):** This is a very short-term loan ranging from 1 day to 14 days.
- If the money is to be returned within the same day, it is called Call Money.
- If the return period is more than 1 day but up to 14 days, it is called Notice Money.
- **Term-Money Market:** A loan given by one bank to another for a period of more than 14 days is called Term-Money.
- **Certificates of Deposits (CDs):** These are issued by various banks and institutions and are considered the safest instruments after treasury bills
- This is privately allotted, meaning it is given to private individuals.
- **Inter-Company Deposit:** A short-term loan arrangement between companies.
- **Commercial Bill (Bill of Exchange):** A negotiable instrument used in trade, typically issued for business transactions and settled on a future date.

Pass Through Certificates:

- This is an inter-bank loan. When one bank needs to lend a large amount to another bank, it raises funds from the public by issuing Pass Through Certificates (PTCs). The income generated from the assets taken as collateral from the borrowing bank is then distributed to the Pass Through Certificate holders.
- This arrangement typically has a maximum tenure of 90 days.
- **GDR = Global Depository Receipts**
- **ADR = American Depository Receipts**
- **Resource Mobilisation in International Capital Market**

- **Abroad:**
- In Europe, equity shares are issued as GDR (Global Depository Receipt)
- In the USA, equity shares are issued as ADR (American Depository Receipt)
- Debentures issued abroad are called FCCB (Foreign Currency Convertible Bonds)
- **4ERO Issue = GDR + ADR + FCCB**
- DA fixed number of equity shares are backed against each Depository Receipt.
- ADR and GDR are kept free from currency risk.
- Voting rights are also granted on ADRs and GDRs.
- **Who determines the US Exchange?**

Q: In which of the following Stock Exchanges are the GDRs listed?

Ans:
- London Stock Exchange
- New York Stock Exchange
- Luxembourg Stock Exchange

Q: Who gets the opportunity to invest in ADRs and GDRs?

Ans: To NRIs and foreign nations.
- The holder of an ADR or GDR can convert their Depository Receipts into equity shares at any time. However, if they are not allowed to convert the equity shares back into ADRs or GDRs, this is called One-way Flexibility.
- When the holder is given the option to convert the equity shares back into ADRs or GDRs, it is referred to as Two-way Flexibility.
- **Flexibility:** It is another name for a debenture.
- **FCEB (Foreign Currency Exchangeable Bonds):** These bonds offer a fixed interest rate and are redeemed after a specified period. They are not converted into the shares of the same company.
- **FCCB (Foreign Currency Convertible Bonds):** These are converted into equity shares after a certain period. FCCBs are unsecured loans.
- **Note:** 25% of the amount raised through FCCBs must be used for corporate restructuring.

Insurance

What is Insurance?
- Insurance is a financial safety mechanism in which an individual or organization pays a fixed premium to receive protection against potential future risks or losses.

In simple words:
- Insurance = "Protection in exchange for risk"

Example:
- If you have taken life insurance and the insured person passes away, the amount agreed upon by the company is given to the family.

Types of Insurance

Life Insurance
- In this, the insured amount is given to the nominee upon the death of the insured person or on completion of the policy term.

Major Plans:
- Term Plan
- Endowment Plan
- Money Back Plan
- ULIP (Unit Linked Insurance Plan)

General Insurance

It provides insurance for everything other than life, such as vehicles, health, property, etc.

Sub-types:

Name of Insurance	Description
1. Health Insurance	Covers hospital expenses
2. Motor Insurance	Insurance for vehicles like cars, bikes, trucks, etc.
3. Fire Insurance	Insurance against damage caused by fire
4. Marine Insurance	Insurance for ships and water transport
5. Travel Insurance	Covers illness, theft, and accidents during travel
6. Crop Insurance	Protects farmers' crops from natural disasters

Insurance Important? (Importance of Insurance)

- Provides financial security
- Secures the family's future
- Offers help during sudden emergencies
- Investment + protection (plans like ULIP)
- Tax benefits (under Section 80C, 10(10D))

Insurance Regulatory Authority

- The insurance sector in India is regulated by the Insurance Regulatory and Development Authority of India (IRDAI).

About IRDAI:

Point	Information
Full Name	Insurance Regulatory and Development Authority of India (IRDAI)
Formation	1999, under the IRDA Act
Headquarters	Hyderabad, Telangana
Current Chairman (2025)	Debasish Panda
Objective	Protection of insurance consumers and regulation of insurance companies

Functions of IRDAI:

- Issuing licenses to new insurance companies
- Approving insurance products
- Resolving consumer complaints
- Regulating insurance agents and brokers
- Ensuring transparency and competition

Major Life and General Insurance Companies (by 2025)

Life Insurance:

- LIC (Life Insurance Corporation of India)
- HDFC Life
- SBI Life
- ICICI Prudential Life
- Max Life

General Insurance:

- New India Assurance
- United India Insurance
- ICICI Lombard
- HDFC Ergo
- Star Health

Conclusion:

- Insurance is a protective shield that helps an individual or family like a lifeline in times of financial crisis.
- IRDAI operates this entire system with transparency and trust.

Previous year Questions

1. Which of the following components of the Indian financial system are not considered primary?
(A) Financial Market
(B) Financial Institutions
(C) Financial Services
(D) Industrial Policy

2. What is the function of a 'Financial Intermediary'?
(A) Only lending
(B) Tax collection
(C) Transforming savings into investment
(D) Only printing currency

3. Which of the following is not included among regulatory institutions?
(A) RBI
(B) SEBI
(C) IRDAI
(D) BSE

4. Which of the following is not a type of financial market?
(A) Only lending
(B) Tax collection
(C) Transforming savings into investment
(D) Only printing currency

5. In the Indian financial system, "financial services" means:
(A) Banking services
(B) Insurance and investment advisory
(C) Credit rating
(D) All of the above

6. In which year were Regional Rural Banks (RRBs) established?
(A) 1969
(B) 1975
(C) 1980
(D) 1991

7. What is the ownership structure of RRBs (Regional Rural Banks)?
(A) Central Government 100%
(B) State Government 100%
(C) 50:50 Central and State
(D) Central Government, State Government, and Sponsor Bank – 50:15:35

8. One main feature of a Foreign Bank is:
(A) Headquarters in India
(B) Only rural service
(C) Regulated by the RBI
(D) Only government ownership

9. Under which Act are cooperative banks registered?
(A) Banking Regulation Act, 1949
(B) Cooperative Societies Act, 1912
(C) Reserve Bank of India Act, 1934
(D) Companies Act, 2013

10. Examples of public sector commercial banks are:
(A) HDFC, ICICI
(B) SBI, PNB, BOI
(C) HSBC, Citi Bank
(D) Federal Bank

11. Which of the following banks is considered solely an urban cooperative bank?
(A) Bank of Baroda
(B) General Cooperative Bank
(C) Axis Bank
(D) RBI

12. Which was the first foreign bank in India?
(A) HSBC
(B) Citi Bank
(C) Standard Chartered
(D) Comptoir d’Escompte de Paris

13. What is the primary function of commercial banks?
(A) Printing currency
(B) Earning profit
(C) Lending and accepting deposits
(D) Government tax collection

14. Under which Act was the RBI (Reserve Bank of India) established?
(A) Banking Regulation Act, 1949
(B) Reserve Bank of India Act, 1934
(C) Monetary Policy Act, 1998
(D) Constitution of India

15. When was the RBI (Reserve Bank of India) established?
(A) 1934
(B) 1949
(C) 1935
(D) 1950

16. In which year was the Reserve Bank of India (RBI) nationalized?
(A) 1935
(B) 1949
(C) 1956
(D) 1969

17. Which of the following is not a function of the RBI?
(A) Currency control
(B) Collecting taxes
(C) Regulation of banks
(D) Management of foreign exchange reserves

18. How often does the RBI review the monetary policy?
(A) Monthly
(B) Quarterly
(C) Half-yearly
(D) Yearly

19. What does the RBI do in its role as the 'Lender of Last Resort'?
(A) Lends to banks at the last resort
(B) Waives loans
(C) Formulates lending policy
(D) Withdraws capital from the market

20. The primary objective of the RBI's monetary policy is not:
(A) Controlling inflation
(B) Promoting foreign investment
(C) Price stability
(D) Economic growth

21. When the RBI buys government securities from banks, the effect is:
(A) Money supply decreases
(B) Money supply increases
(C) Bank deposits decrease
(D) Interest rate decreases

22. What is the difference between the Bank Rate and the Repo Rate?
(A) Both are the same
(B) Bank Rate is for short-term, Repo Rate is for long-term
(C) Bank Rate – long-term, Repo Rate – short-term
(D) Bank Rate applies only to cooperative banks

23. If the RBI increases the CRR (Cash Reserve Ratio), the result will be:
(A) Credit facility will increase
(B) Money supply will decrease
(C) Banking liquidity will increase
(D) Growth rate will increase

24. The RBI determines the SLR (Statutory Liquidity Ratio) in order to:
(A) Foreign exchange reserves decrease
(B) Banks buy government securities
(C) Interest on deposits increases
(D) Cash flow decreases

25. What is the purpose of the RBI's 'Open Market Operations (OMO)'?
(A) Evaluating banks
(B) Controlling money supply
(C) Enhancing customer service
(D) Tax collection

26. The banking sector reforms in India began based on the recommendations of which committee?
(A) Narasimham Committee (1991)
(B) Montek Singh Committee
(C) Kelkar Committee
(D) Verma Committee

27. Under Basel III, what should be the minimum CET1 (Common Equity Tier 1) for banks?
(A) 2%
(B) 4.5%
(C) 6%
(D) 8%

28. Which type of risk is not covered under the Basel III framework?
(A) Credit risk
(B) Operational risk
(C) Market risk
(D) Social risk

29. The objective of PCA (Prompt Corrective Action) for banks is:
(A) To increase NPAs
(B) To close the bank
(C) To control distressed banks
(D) To give bonus to shareholders

30. The difference between Gross NPA and Net NPA is:
(A) Only the time period
(B) Gross NPA – total outstanding, Net NPA – after provisions
(C) Net NPA does not include loans
(D) Net NPA is always lower

31. In Risk Management, ALM stands for:
(A) Asset Liability Management
(B) Actual Loan Monitoring
(C) Annual Ledger Mapping
(D) Automated Limit Mechanism

32. Is not a major instrument of the money market:
(A) Treasury Bill
(B) Call Money
(C) Commercial Paper
(D) Equity Share

33. The maximum duration of a Treasury Bill in India is:
(A) 91 days
(B) 182 days
(C) 364 days
(D) 720 days

34. Gilt-edged securities are related to:
(A) Gold
(B) Company debentures
(C) Government securities
(D) Foreign investment

35. What is the primary component of the capital market?
(A) Mutual Fund
(B) Stock Market
(C) Primary Market
(D) Commercial Bank

36. Who is the regulator of the capital market in India?
(A) RBI
(B) NABARD
(C) SEBI
(D) IRDAI

37. The government securities market in India is operated by:
(A) RBI (Reserve Bank of India) (B) SBI (State Bank of India)
(C) NSE (National Stock Exchange) (D) Ministry of Finance

38. Which of the following institutions is not a DFI (Development Financial Institution)?
(A) NABARD (B) SIDBI
(C) IDFC (D) ICICI Lombard

39. The main factor that differentiates an NBFC from a bank is:
(A) Not accepting demand deposits (B) Not providing insurance
(C) Being branchless (D) Not raising capital from the market

40. What is the minimum Net Owned Fund (NOF) prescribed by the RBI for NBFCs?
(A) ₹10 lakh (B) ₹25 lakh
(C) ₹2 crore (D) ₹5 crore

41. Who regulates mutual fund schemes?
(A) RBI (B) SEBI
(C) PFRDA (D) AMFI

42. Which is the regulatory body for pension funds?
(A) IRDAI (B) SEBI
(C) PFRDA (D) RBI

43. SIP (Systematic Investment Plan) is related to?
(A) Bank Deposit (B) Mutual Fund
(C) Insurance (D) RBI Bonds

44. What is included in the 'organized sector' of the Indian financial system?
(A) Illegal Moneylender (B) Chit Fund
(C) Commercial Bank (D) Loan from Relatives

45. Which of the following is not a 'Scheduled Bank'?
(A) SBI (B) Regional Rural Bank
(C) Cooperative Bank (D) Non-Scheduled Cooperative Bank

46. RRBs are sponsored by which banks?
(A) Foreign Banks (B) Commercial Banks
(C) Cooperative Banks (D) RBI

47. The primary objective of cooperative banks is:
(A) Profit
(B) Providing affordable credit to rural and agricultural sectors
(C) Foreign trade
(D) Investment services

48. Which of the following is not a major instrument of RBI's Monetary Policy?
(A) Repo Rate (B) Reverse Repo Rate
(C) Direct Tax (D) SLR (Statutory Liquidity Ratio)

49. How many members are there in the Monetary Policy Committee (MPC)?
(A) 3
(B) 5
(C) 6
(D) 7

50. What will be the main effect of reducing the Repo Rate?
(A) Bank loans will become costlier
(B) Interest rate will decrease
(C) Money supply will decrease
(D) Government expenditure will decrease

51. What is the main objective of SEBI (Securities and Exchange Board of India)?
(A) To regulate banks
(B) To develop the insurance sector
(C) To regulate the capital market
(D) To control money supply

52. Who is the regulator of the insurance sector?
(A) RBI
(B) IRDAI
(C) PFRDA
(D) SEBI

53. Who is the main regulator of NBFCs (Non-Banking Financial Companies)?
(A) SEBI
(B) RBI
(C) IRDAI
(D) Ministry of Finance

54. What type of institutions does PFRDA regulate?
(A) Insurance Companies
(B) Mutual Funds
(C) Pension Funds
(D) Bank ATMs

55. With which institution was the Forward Markets Commission (FMC) merged?
(A) RBI
(B) SEBI
(C) NABARD
(D) IRDAI

56. What is the function of NABARD?
(A) Providing loans to industries
(B) Financing agriculture and rural development
(C) Controlling currency
(D) Financing foreign trade

57. In India, the beginning of financial sector reforms took place with:
(A) Before the LPG policy
(B) On the recommendations of the Narasimham Committee in 1991
(C) After the implementation of GST
(D) With the launch of the MUDRA Scheme

58. What is the objective of Priority Sector Lending (PSL)?
(A) To increase foreign investment
(B) To provide cheap loans to industrialists
(C) To provide credit to disadvantaged sections and priority sectors
(D) To support only government enterprises

59. Which of the following is not included in the JAM Trinity?
(A) Jan Dhan
(B) Aadhaar
(C) Mobile
(D) MUDRA

60. What is the most accurate objective of Financial Inclusion?
(A) Tax collection
(B) Providing access to financial services to the poor
(C) Investment in the share market
(D) Only digital banking

61. Which of the following scheme was launched to promote Financial Inclusion?
(A) Startup India
(B) Pradhan Mantri Jan-Dhan Yojana (PMJDY)
(C) Make in India
(D) Atal Pension Yojana

62. For what purpose did the Government of India establish MUDRA?
(A) Control of FDI
(B) Printing of currency
(C) Providing loans to micro enterprises
(D) Regulation of BSE

63. Which institution developed UPI (Unified Payments Interface)?
(A) RBI
(B) NPCI
(C) SEBI
(D) NITI Aayog

64. Which bank first introduced Internet Banking in India?
(A) SBI
(B) ICICI Bank
(C) HDFC Bank
(D) PNB

65. Which is a feature of IMPS (Immediate Payment Service)?
(A) Only on working days
(B) Only through ATMs
(C) 24×7 service
(D) Only between 9 to 5

66. What is the minimum transaction value for RTGS (Real Time Gross Settlement)?
(A) ₹1,000
(B) ₹10,000
(C) ₹2 lakh
(D) ₹5 lakh

67. What is used in AePS (Aadhaar Enabled Payment System)?
(A) Passbook
(B) Mobile Number
(C) Aadhaar Number and Fingerprint
(D) Debit Card

68. BHIM App is based on which technology?
(A) RTGS
(B) UPI
(C) IMPS
(D) NEFT

69. When is NEFT transaction available now?
(A) Only on working days
(B) 9 AM to 5 PM
(C) 24×7
(D) Only during banking hours

70. Which of the following is not a main advantage of the Digital Payment System?
(A) Transparency
(B) Record-less Transactions
(C) Less Cash Dependency
(D) Instant Transactions