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(CBCS)

(6th Semester)

ECONOMICS

ELEVENTH PAPER

(Financial Institutions and Markets)

Full Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

(SECTION : A—OBJECTIVE)

(Marks : 10)

Tick (✓) the correct answer in the brackets provided :

1×10=10

1. The Reserve Bank of India was nationalized on

- (a) 1st April, 1935 ()
- (b) 1st January, 1949 ()
- (c) 1st June, 1964 ()
- (d) None of the above ()

2. When the Reserve Bank of India increases the Cash Reserve Ratio (CRR), it will

- (a) decrease money supply in the economy ()
- (b) increase money supply in the economy ()
- (c) increase money supply initially but decrease automatically later on ()
- (d) No impact on money supply in the economy ()

3. The rate of interest at which the Central Bank borrows money from commercial banks for a short-term is called
- (a) bank rate ()
 - (b) repo rate ()
 - (c) reverse repo rate ()
 - (d) prime lending rate ()
4. Which of the following is the most liquid measure of money supply in India?
- (a) M1 ()
 - (b) M2 ()
 - (c) M3 ()
 - (d) M4 ()
5. Which agency is exclusively concerned with the credit needs of all types of agricultural and rural developments?
- (a) SBI ()
 - (b) MRB ()
 - (c) RBI ()
 - (d) NABARD ()
6. The financial institution which comprises the largest sector of the organized money market is
- (a) central banks ()
 - (b) commercial banks ()
 - (c) cooperative banks ()
 - (d) development banks ()
7. Which of the following is the regulatory body for capital markets in India?
- (a) RBI ()
 - (b) SBI ()
 - (c) SEBI ()
 - (d) Union Government ()

8. Treasury Bills are debt instruments issued by the Government of India for a
- (a) short-term ()
 - (b) long-term ()
 - (c) very long-term ()
 - (d) medium-term ()
9. Foreign exchange market is a market where
- (a) import and export of goods and services are done ()
 - (b) currencies of different countries are bought and sold ()
 - (c) foreign goods and domestic goods are exchanged ()
 - (d) foreign goods are bought and sold ()
10. Flexible exchange rate is also called
- (a) floating exchange rate ()
 - (b) moving exchange rate ()
 - (c) jumping exchange rate ()
 - (d) running exchange rate ()

(SECTION : B—SHORT ANSWERS)

(Marks : 15)

Write short notes on the following :

3×5=15

UNIT—I

1. Moral suasion

OR

2. Objectives of monetary policy

UNIT—II

3. Components of money supply in India

OR

4. Types of commercial banks

UNIT—III

5. Venture capitals

OR

6. Mutual funds

UNIT—IV

7. Gilt-edge markets

OR

8. SEBI

UNIT—V

9. Differences between spot and forward exchange rates

OR

10. Foreign exchange market

(SECTION : C—DESCRIPTIVE)

(Marks : 50)

Answer the following questions :

10×5=50

UNIT—I

1. Explain the quantitative methods of credit control by the Reserve Bank of India.

OR

2. Discuss the different measures used by the RBI to control inflation.

UNIT—II

3. What is money? Explain the various functions of money.

3+7=10

OR

4. Define a commercial bank. Discuss the process of credit creation by commercial bank.

3+7=10

UNIT—III

5. What is cooperative bank? Describe the structure of cooperative bank in India. 3+7=10

OR

6. What do you mean by non-banking financial intermediaries (NBFI)? Explain the role and functions of NBFI. 3+7=10

UNIT—IV

7. What do you mean by financial market? Discuss the structure of financial markets. 2+8=10

OR

8. What are the two major stock markets in India? Examine the role of stock markets in Indian financial system. 4+6=10

UNIT—V

9. What is hedging? Explain the role of hedging in the determination of exchange rate. 3+7=10

OR

10. What is Euro-Dollar market? Discuss the role of Euro-Dollar market in the global financial system. 3+7=10

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