

Q.1) Consider the following statements with reference to the recently launched India Post Payment Bank (IPPB)

1. It can accept both Term Deposits and Demand Deposits
2. The maximum loan that can be provided to a customer is one lakh rupees

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.1) Solution (d)

IPPB is a payment bank and as per the RBI's regulations the Payment banks cannot accept Term deposits, they can accept demand deposits only.

The objectives of setting up of payments banks will be to further financial inclusion by providing (i) small savings accounts and (ii) payments/remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users.

The payments bank cannot undertake lending activities.

Apart from amounts maintained as Cash Reserve Ratio (CRR) with the Reserve Bank on its outside demand and time liabilities, it will be required to invest minimum 75 per cent of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible Government securities/treasury bills with maturity up to one year and hold maximum 25 per cent in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

Source: https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32615

Q.2) Consider the following statements with reference to the Small Finance Banks

1. They can be started with a minimum paid up capital of ₹100 Crores
2. They can accept demand deposits and provide loans
3. 50% of their Net credit should be set aside to meet the Priority Sector Lending targets

Which of the above statements is/are correct?

- a) 1 and 2 only
- b) 2 and 3 only

- c) 1 and 3 only
- d) All of the above

Q.2) Solution (a)

The objectives of setting up of small finance banks will be to further financial inclusion by (a) provision of savings vehicles, and (ii) supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganized sector entities, through high technology-low cost operations

The small finance bank shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.

The minimum paid-up equity capital for small finance banks shall be Rs. 100 crore.

The small finance bank will be subject to all prudential norms and regulations of RBI as applicable to existing commercial banks including requirement of maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR). No forbearance would be provided for complying with the statutory provisions.

The small finance banks will be required to extend 75 per cent of its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by the Reserve Bank.

At least 50 per cent of its loan portfolio should constitute loans and advances of upto Rs. 25 lakh.

If the small finance bank aspires to transit into a universal bank, such transition will not be automatic, but would be subject to fulfilling minimum paid-up capital / net worth requirement as applicable to universal banks; its satisfactory track record of performance as a small finance bank and the outcome of the Reserve Bank's due diligence exercise.

Source: https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=32614

Q.3) Recently Strategic Debt Restructuring Scheme was in news, consider the following statements with respect to the SDRC

1. Under this scheme the loan outstanding by a company to the Bank will be converted into equity
2. Banks will acquire the majority ownership in the debtor company

Which of the above statements is/are correct?

- a) 1 only

- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.3) Solution (c)

Under the strategic restructuring scheme the Forum of lenders to a company can convert either full or part of the outstanding loan into equity, this changes their nature from creditors to owners.

The RBI guidelines stipulate that whenever the SDR arrangement is undertaken the forum of lenders will acquire the majority stake in the Company i.e. 51% majority

Source: <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=9767>

Q.4) Consider the following statements about the reverse repo rate

1. It is an interest rate at which the Banks deposit their cash with the RBI
2. If reverse repo rate is increased the bank's lending rates to customers will also increase

Which of the following statements is/are incorrect?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.4) Solution (d)

Definition: Reverse repo rate is the rate at which the central bank of a country (Reserve Bank of India in case of India) borrows money from commercial banks within the country. It is a monetary policy instrument which can be used to control the money supply in the country.

Description: An increase in the reverse repo rate will decrease the money supply and vice-versa, other things remaining constant. An increase in reverse repo rate means that commercial banks will get more incentives to park their funds with the RBI, thereby decreasing the supply of money in the market. This also means that lending to the consumers becomes risky, as they can easily get risk free returns from parking the money with the RBI, to compensate this the Banks increase their interest rates to earn more profits for taking the risk

Q.5) Consider the following statements with reference to the Cash reserve ratio (CRR)

1. It is a percentage of Bank's Net time and Demand Liabilities that are kept with the RBI
2. CRR deposits earn interest at the rate which is equal to reverse repo rate.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.5) Solution (a)

CRR is a percentage of a Bank's net time and demand liabilities that it has to keep with the RBI. It is kept in Cash form. The CRR deposits do not earn any interest as long as they are with the RBI.

Q.6) RBI uses variety of Qualitative and Quantitative tools to control the Credit creation in the economy, in this regard which of the following is not a Quantitative tool?

- a) Reserve ratio requirements
- b) Regulating the Bank rate
- c) Setting margin requirements for different sectors
- d) Regulating the repo rate

Q.6) Solution (c)

Setting up margin requirements to a particular sector or to an industry is a qualitative measure taken by the RBI, the rest of the options are the Quantitative measures which reduce the credit supply by corresponding amounts.

E.g. if the Reserve Ratios are increased then Banks have to keep the equivalent money in either their vault or with the RBI, this takes that much of money out of circulation.

In contrast, by varying the margin requirements, the money supply is not reduced from the economy, it is only stopped from flowing into one sector or industry.

Q.7) Consider the following statements with reference to the MUDRA Bank

1. It will provide long term loans directly to the small scale enterprises
2. It will be the regulator of all Micro Finance Institutions in the country

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.7) Solution (d)

Mudra bank does not provide direct loans to the consumers, it refines the loans, i.e. it provides money to the banks, co-operatives etc. which in turn give this money as loan to the customers.

The Budget proposal to make Mudra Bank as the regulator of the NBFC-MFI was later withdrawn by the government. As of now, RBI is the regulator of the Micro Finance institutions in India

Q.8) which of the following statements with respect to Marginal Standing Facility is incorrect?

- a) Under this scheme all the banks can borrow money from RBI for 1 day
- b) The minimum loan request has to be 1 crores and multiples there of
- c) Banks can borrow 1% of their Net time and Demand Liabilities
- d) Interest rate of repo rate plus one percent will be charged by the RBI

Q.8 Solution (a)

The term all the banks will include Schedule Commercial banks, Non-schedule Banks, Co-operative banks, RRBs etc. Only Scheduled Commercial Banks having Current Account and SGL Account with Reserve Bank, will be eligible to participate in the MSF Scheme. Under the facility, the eligible entities can avail overnight, up to one per cent of their respective Net Demand and Time Liabilities (NDTL) outstanding at the end of the second preceding fortnight. The rate of interest on amount availed under this facility will be 100 basis points above the LAF repo rate, or as decided by the Reserve Bank from time to time. Requests will be received for a minimum amount of Rs. One crore and in multiples of Rs. One crore thereafter.

Source: <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=6394&Mode=0>

Q.9) If RBI reduces the CRR requirements, which of the following are most likely to happen?

1. Inflation will increase because of increased money supply
2. Interest rates will increase because of decrease in the money supply.
3. Interest rates on consumer loans will come down

Which of the above statements is/are correct?

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Q.9) Solution (c)

If the RBI cuts the Cash Reserve ratio, it means that the banks will no longer have to keep that much of money with the RBI, instead that money can be used to create more loans and advances, this increases the money supply in the economy.

If the money supply is increased in the economy, the demand for loans will also come down, which will force the banks to cut the interest rates they charge on the end Customer.

The side effect of this is that, increased money supply will leave more money in the hands of the people, which will increase the effective demand, and if the production lags behind, it will create inflationary situation in the economy

Q.10) The Reserve Bank of India (RBI) acts as a bankers' bank. This would imply which of the following?

1. Banks keep their deposits with the RBI
2. RBI provides loans to banks whenever they are in need
3. It rediscounts the Bills of exchange

Choose the correct answer using the codes given below.

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Q.10) Solution (d)

Banker to Banks: Like individual consumers, businesses and organisation of all kinds, banks need their own mechanism to transfer funds and settle inter-bank transaction-such as

borrowing from and lending to other banks-and customer transactions. As the banker to banks, the Reserve Bank fulfills this role.

Banks are required to maintain a portion of their demand and time liabilities as cash reserves with the Reserve Bank. For this purpose, they need to maintain accounts with the Reserve Bank. They also need to keep accounts with the Reserve Bank for settling inter-bank obligations, such as, clearing transactions of individual bank customers who have their accounts with different banks or clearing money market transactions between two banks, buying and selling securities and foreign currencies.

Commercial banks create credit. It is the duty of the RBI to control the credit through the CRR, bank rate and open market operations. As banker's bank, the RBI facilitates the clearing of checks between the commercial banks and helps inter-bank transfer of funds. It can grant financial accommodation to schedule banks. It acts as the lender of the last resort by providing emergency advances to the banks.

RBI rediscounts Bills of exchange from the Banks that they have discounted from the consumer. This effectively sets the Bank rate at which the RBI is willing to lend to the banks

In order to facilitate a smooth inter-bank transfer of funds, or to make payments and to receive funds on their behalf, banks need a common banker. By providing the facility of opening accounts for banks, the Reserve Bank becomes this common banker, known as 'Banker to Banks' function.

Q.11) Recently Monetary Policy Committee (MPC) was in the news, in this regard consider the following statements

1. It will have six members including the RBI Governor who will be the Chairman
2. All the members of MPC will hold office for a 5 year term

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.11) Solution (a)

The Reserve Bank of India Act, 1934 (RBI Act) has been amended by the Finance Act, 2016, to provide for a statutory and institutionalised framework for a Monetary Policy Committee, for maintaining price stability, while keeping in mind the objective of growth. The Monetary Policy Committee would be entrusted with the task of fixing the benchmark

policy rate (repo rate) required to contain inflation within the specified target level. A Committee-based approach for determining the Monetary Policy will add lot of value and transparency to monetary policy decisions. The meetings of the Monetary Policy Committee shall be held at least 4 times a year and it shall publish its decisions after each such meeting.

As per the provisions of the RBI Act, out of the six Members of Monetary Policy Committee, three Members will be from the RBI and the other three Members of MPC will be appointed by the Central Government.

The Members of the Monetary Policy Committee appointed by the Central Government shall hold office for a period of four years, with immediate effect or until further orders, whichever is earlier.

The 3 members from the RBI will be in the committee by virtue of their official position, they do not get a term of 4 years.

Q.12) Consider the following statements with reference to the Payment Banks

1. They can issue Debit cards but cannot issue Credit Cards
2. They are exempted from the CRR and SLR requirements
3. The main objective of establishing the payment banks is to further Financial Inclusion

Which of the above statements is/are correct?

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Q.12) Solution (c)

The objectives of setting up of payments banks will be to further financial inclusion by providing (i) small savings accounts and (ii) payments/remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users.

Scope of activities:

- 1) Acceptance of demand deposits. Payments bank will initially be restricted to holding a maximum balance of Rs. 100,000 per individual customer.
- 2) Issuance of ATM/debit cards. Payments banks, however, cannot issue credit cards.
- 3) Payments and remittance services through various channels.
- 4) BC of another bank, subject to the Reserve Bank guidelines on BCs.

- 5) Distribution of non-risk sharing simple financial products like mutual fund units and insurance products, etc.

Q.13) Consider the following statements with reference to Sukanya Samruddhi Yojana

1. Main objective of the scheme is to cover the Higher education and Marriage expenses of the Girl Child
2. The Government will pay interest on the accounts opened under the scheme for 25 years

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.13) Solution (a)

Sukanya Samruddhi Yojana was launched by the Prime Minister Mr. Narendra Modi on 21st January 2015; under the Beti Bachao, Beti Padhao Campaign. This scheme was launched to meet the expense of the Girl child's higher education and marriage.

In 1 year, minimum Rs 1000/- needs to be invested, thereafter in multiples of 100/-

Maximum of Rs 1, 50,000/- can be invested. Deposits can be made in lump-sum or spread out manner. No limit on number of deposits either in a month or in a financial year.

Tenure of the Scheme: Deposits needs to made until 15 years from opening of account. Deposit under scheme will mature 21 year after opening of the account.

Withdrawal under the scheme: No Premature Withdrawal is permitted. However, maximum up to 50% of deposit amount can be withdrawn for higher education of girl child, once she reaches 18 years of age, or passes 10th standard, whichever happens earlier. The actual withdrawal will be limited to the fees payable, and fee slip will have to be produced to make this withdrawal.

Scheme Tenure is 21 years from date of opening, or when the marriage of the girl child happens; which ever happens earlier.

Account can be continued after the marriage of girl child, if she wishes to do so; until 21 years from date of opening the account. In case after maturity of the account (21 years) the account is not closed, balance will not earn any further interest.

Q.14) Consider the following statements with reference to the Bharath QR code

1. It will work as a common interface for all the debit/credit card payments in the country
2. It is managed by the National payments corporation of India
3. It is one of the initiatives of the GOI to promote cashless transactions

Which of the above statements is/are correct?

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Q.14) Solution (d)

What is a QR code?

It is a two-dimensional (black squares arranged in a square grid on a white background), machine-readable optical label that contains information about the item to which it is attached.

BharatQR is a common QR code jointly developed by all the four major card payment companies—National Payments Corp. of India that runs RuPay cards, MasterCard, Visa and American Express—under instructions from the Reserve Bank of India (RBI).

Besides working as a common interface for the Visa/MasterCard/RuPay platform, BharatQR will also facilitate acceptance using Aadhaar-enabled payments and Unified Payments Interface (UPI). It eliminates the need of entering the merchant's ID or phone number to make payments. The customers can simply make payments by scanning the QR code and entering the transaction amount. The amount gets transferred directly from the bank account without the need of a swiping machine.

Q.15) Consider the following statements with reference to the Banks Board Bureau

1. It is a part of Indradhanush Mission to revamp the Public Sector Banks
2. The board will appoint the new Directors of the Public Sector Banks

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.15) Solution (a)

Finance minister launched a seven pronged plan-- Indradhanush--to revamp functioning of public sector banks.

The seven elements include appointments, board of bureau, capitalisation, de-stressing, empowerment, framework of accountability and governance reforms.

The BBB will recommend the names for the appointment of Directors for the public sector banks (it does not appoint, only recommends)

Banks board of bureau will replace existing appointments board. Its members would be appointed in the next six months to be headed by the RBI governor.

Banks board bureau would also hold bad assets of public sector banks. Under recapitalisation plans for Public Sector Banks, 13 banks would get Rs 20,058 crore this financial year. The rest Rs 5,000 crore would be allocated based on efficiency criteria.

Q.16) Ken-Betwa river linking project has become a stage for a unique man-animal conflict. The environmentalists fear that one of the tiger reserve/national park may get submerged. Which is the tiger reserve that we are referring to?

- a) Panna
- b) Pench
- c) Kanha
- d) Bandhavgarh

Q.16) Solution (a)

An ambitious project to link Ken and Betwa rivers has become a stage for a unique man-animal conflict. Proponents of the project, led by the Union Water Ministry, say that the proposed Daudhan dam and the 2.5 km canal — the key structures of the project — that will transfer surplus water from the Uttar Pradesh section of the Ken to the Betwa in Madhya Pradesh are critical to irrigate nearly 7,00,000 hectares in drought-ravaged Bundelkhand.

However, environmentalists say that such a dam will submerge at least 4,000 hectares of Madhya Pradesh's Panna tiger reserve, whose tigers were almost lost to poaching in 2009 and have only recently been partially replenished. They allege that most districts in Madhya Pradesh will not actually get the promised water. There are vultures in the region, whose nests will be threatened by the height of the dam.

Q.17) Global Youth Development Index is released by

- a) World Economic Forum
- b) World Youth International
- c) AIESEC
- d) None of the above

Q.17) Solution (d)

It is released by Commonwealth Secretariat

The YDI is a composite index of 18 indicators that collectively measure multi-dimensional progress on youth development in 183 countries, including 49 of the 53 Commonwealth countries. It has five domains measuring levels of education, health and well-being, employment and opportunity, political participation and civic participation for young people. The YDI is guided by the Commonwealth definition of youth as people between the ages of 15 and 29, while recognising that some countries and international institutions define youth differently.

Source: <http://youthdevelopmentindex.org/>

Q.18) Consider the following statements about Pashupatinath temple

1. It is a UNESCO World Heritage site
2. It is built in the Nepalese pagoda style of architecture

Select the correct statements

- a) Only 1
- b) Only 2
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.18) Solution (c)

It is a site of unique cultural, religious and historical significance in Kathmandu, Nepal

Government of India will assist in renovation and upgradation of the Ghats adjoining the Temple area.

Pashupatinath temple

- The temple is dedicated to Pashupatinath (Lord Shiva)
- It is located on bank of Bagmati River, in Kathmandu valley.
 - The Bagmati River has highly sacred properties. Thus the banks are lined with many ghats (bathing spots) for use by pilgrims. Renovating or furnishing these sites has always been regarded as meritorious.
- This temple is considered one of the sacred temples of Hindu faith.
- It is a UNESCO World Heritage Site since 1979 and one of seven monument groups in UNESCO's designation of Kathmandu as a cultural heritage site.
- The twelve Jyotirlinga (in India) are the body and the Jyotirlinga at Pashupatinath in Kathmandu (Nepal) is the head over this body.
- It is not known for certain when Pashupatinath was founded. Tradition says it was constructed by Pashupreksha of the Somadeva Dynasty in the 3rd century BC, but the first historical records date from the 13th century. The ascetic Pashupata sect was likely related to its foundation.
- This main temple is built in the Nepalese pagoda style of architecture.

Source: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=153233>

Q.19) Which of the following is true about 'Psyche'?

- a) Saturn's biggest moon
- b) Largest metallic asteroid
- c) A Kuiper belt object
- d) None of the above

Q.19) Solution (b)

Scientists have detected the presence of water on Psyche, the largest metallic asteroid in our solar system and the target of a proposed NASA mission.

Change from past- Previous observations of Psyche had shown no evidence of water-rich minerals on its surface. But recently, new observations from the NASA Infrared Telescope Facility in Hawaii show evidence of water or hydroxyl on its surface.

Psyche-

- Psyche is about 300 kilometre across
- It is made of almost pure nickel-iron metal.

- It is located in asteroid belt and is thought to be the remnant core of a budding planet that was mostly destroyed by impacts billions of years ago.

Reason: Water-rich minerals detected on Psyche may have been delivered by carbonaceous asteroids that impacted Psyche in the distant past, according to scientists.

<http://www.livemint.com/Science/E6hlhMHBDJ4eDY5UgLMysK/Scientists-detect-water-on-metallic-asteroid-Psyche.html>

Q.20) Consider the following statements about Sentinelese tribe

1. They are the indigenous people of the Andaman Islands
2. They are not designated as scheduled tribe of India
3. They speak Jarawa language

Select the correct statements

- a) 1 and 2
- b) 2 and 3
- c) Only 1
- d) All of the above

Q.20) Solution (c)

The Sentinelese (also called the Sentineli or North Sentinel Islanders) are the indigenous people of North Sentinel Island in the Andaman Islands of India. One of the Andamanese peoples, they resist contact with the outside world, and are among the last people to remain virtually untouched and uncontacted by modern civilization.

The Sentinelese maintain an essentially hunter-gatherer society subsisting through hunting, fishing, and collecting wild plants. There is no evidence of either agricultural practices or methods of producing fire. The Sentinelese language remains unclassified and is not mutually intelligible with the Jarawa language of their nearest neighbors. The Sentinelese are designated as a Scheduled Tribe.

Source: <http://www.thehindu.com/news/cities/kolkata/shompens-men-outnumber-women/article7827582.ece>