Q.1) Which of the following regulators regulate the NBFCs in India?

1. Reserve Bank of India
2. Security and Exchange Board of India
3. Insurance Regulatory Development Authority
4. National Housing Bank

Select the correct answer using the codes given below.

1. 1 only
2. 1 and 2 only
3. 1, 2 and 3 only
4. All the above

Q.1) Solution (d)

In terms of Section 45-IA of the RBI Act, 1934, no Non-banking Financial company can commence or carry on business of a non-banking financial institution without a) obtaining a certificate of registration from the Bank and without having a Net Owned Funds of ₹ 25 lakhs (₹ Two crore since April 1999).

However, in terms of the powers given to the Bank, **to obviate dual regulation**, certain categories of the NBFCS which are regulated by other financial regulators are **exempted from the regulatory control of the RBI:**

- Venture capital fund, merchant bank, stock broking firms (SEBI registers and regulates them);
- Insurance company (registered and regulated by the IRDA);
- Housing finance company (regulated by the National Housing Bank);
- Nidhi company (regulated by the Ministry of Corporate Affairs under the Companies Act, 1956);
- Chit fund company (by respective state governments under Chit Funds Act, 1982).

Do you know?

- RBI, the regulator of the NBFCs, has given a very wide definition of such companies (a kind of 'umbrella' definition)— "a financial institution formed as a company involved in receiving deposits or lending in any manner."

THINK!

- Some of the important **regulations relating to acceptance of deposits** by the NBFCs.

Q.2) Consider the following statements about Cash Reserve Ratio (CRR)

1. An increase in CRR sucks amount from the economy

2. A decrease in CRR injects amount into the economy

Which of the above statements is/are correct?

a) 1 only
b) 2 only
c) Both 1 and 2
d) None

Q.2) Solution (c)

CRR

It is the percentage of cash deposits that banks need to keep with the Reserve Bank of India on a fortnightly basis.

Presently the CRR is 4% that is, for every Rs 100 deposited in the bank; bank will need to deposit Rs 4 with RBI. Hence, it has Rs 96 to lend.

Increasing the CRR also means banks have lesser money to lend. In the absence of enough liquidity in the financial system, banks have to increase their lending rates to decrease the demand for money.

On the other hand, a cut in CRR infuses more liquidity in the market and banks are pressurized to lend these funds. The lending interest rates to increase the demand for money.

Do you know?

- The statutory liquidity ratio (SLR) is the ratio (fixed by the RBI) of the total deposits of a bank which is to be maintained by the bank with itself in noncash form prescribed by the government to be in the range of 25 to 40 per cent.

THINK!

- Bank Rate
- Repo Rate

Q.3) Consider the following statement about Call Money Market:

1. Borrowing and lending of funds take place on overnight basis.
2. Participants in the call money market in India currently include all the scheduled commercial banks (SCBs), cooperative banks, insurance.

Which of the above statements is/are correct?

a) 1 only
b) 2 only
c) Both 1 and 2

d) None

Q.3) Solution (a)

The call money market is an important segment of the money market where **borrowing and lending of funds take place on overnight basis.**

Scheduled commercial banks (excluding RRBs), co-operative banks (other than Land Development Banks) and Primary Dealers (PDs), are permitted to participate in call/notice money market both as borrowers and lenders.

Prudential limits, in respect of both outstanding borrowing and lending transactions in the call money market for each of these entities, are specified by the RBI.

Do you know?

- Other than the institutions**, now individuals** will also be able to participate in **Open Market Operations** market (as per the Union Budget 2016–17).

THINK!

- Liquidity Adjustment Facility (LAF)
- Market Stabilisation Scheme (MSS)

Q.4) Consider the following statements about 'Willful Defaulter'.

1. A willful defaulter is financially capable to repay and yet does not do so.
2. One who diverts the funds for purposes other than what the fund was availed for.
3. With whom funds are not available in the form of assets as funds have been siphoned off.
4. Who has sold or disposed the property that was used as a security to obtain the loan.

Which of the above statements is/are correct?

a) 1, 2 and 3 only
b) 2, 3 and 4 only
c) 1 only
d) All the above

Q.4) Solution (d)

According to the RBI, a willful defaulter is one who–

- is financially capable to repay and yet does not do so;
- or one who diverts the funds for purposes other than what the fund was availed for;

- or with whom funds are not available in the form of assets as funds have been siphoned off;
- or who has sold or disposed the property that was used as a security to obtain the loan.

Do you know?

- Diversion of fund includes activities such as using short-term working capital for long-term purposes, acquiring assets for which the loan was not meant for and transferring funds to other entities. Siphoning of funds means that funds were used for purposes that were not related to the borrower and which could affect the financial health of the entity.

THINK!

- SARFAESI Act, 2002

Q.5) Consider the following pairs.

Money	Components
1. Reserve Money	Currency in circulation + Bankers' Deposits with the RBI + 'Other' deposits with the RBI.
2. Narrow Money	Currency with the Public + Demand Deposits with the Banking System + 'Other' deposits with the RBI.
3. Broad Money	Currency in circulation + Bankers' Deposits with the RBI + 'Other' deposits with the RBI+ Time Deposits with the Banking System.

Which of the pairs is/are correctly matched?

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

Q.5) Solution (a)

Reserve Money (M0) = Currency in circulation + Bankers' Deposits with the RBI + 'Other' deposits with the RBI.

Narrow Money (M1) = Currency with the Public + Demand Deposits with the Banking System + 'Other' deposits with the RBI.

M2 = M1 + Savings Deposits of Post-office Savings Banks.

Broad Money (M3) = M1 + Time Deposits with the Banking System.

M4 = M3 + All deposits with Post Office Savings Banks (excluding National Savings Certificates).

Do you know?

- As we move from M1 to M4 the liquidity (inertia, stability, spend ability) of the money goes on decreasing and in the opposite direction, the liquidity increases.

THINK!

- High power money

Q.6) Which of the following are the Non-Banking Financial Company (NBFC) in India as per RBI?

1. Asset Finance Company (AFC)
2. Infrastructure Finance Company (IFC)
3. Peer to Peer (P2P) lending
4. Account Aggregators

Select the correct answer using the codes given below.

a) 1 and 2 only
b) 1, 2 and 3 only
c) 1, 3 and 4 only
d) All the above

Q.6) Solution (d)

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.

A non-banking institution which is a company and has principal business of receiving deposits under any scheme or arrangement in one lump sum or in installments by way of contributions or in any other manner, is also a non-banking financial company (Residuary non-banking company).

Different types of NBFCs are as follows:

- Asset Finance Company (AFC)
- Investment Company (IC)
- Loan Company (LC)

- Infrastructure Finance Company (IFC)
- Infrastructure Debt Fund: Non- Banking Financial Company (IDF-NBFC)

Non-Banking Financial Companies (NBFCs) bring in diversity and efficiency to the financial sector and make it more responsive to the needs of the customers. **Peer to Peer (P2P) and Account Aggregators are the new categories of NBFC** that have been introduced recently.

Do you know?

- The Reserve Bank has introduced a new category of Non-Banking Financial Company (NBFC) called NBFC-P2P (NBFC- Peer to Peer Lending Platform) with light touch regulation and emphasis on adequate disclosures.

THINK!

- Chit funds.

Q.7) Which of the following manages FOREX and Gold reserves of India?

a) SEBI
b) All Nationalised Banks
c) RBI
d) All of the above

Q.7) Solution (c)

The Foreign exchange reserves of India are India's holdings of cash, bank deposits, bonds, and other financial assets denominated in currencies other than India's national currency, the Indian rupee. The reserves are managed by the Reserve Bank of India for the Indian government and the main component is foreign currency assets.

Foreign exchange reserves act as the first line of defense for India in case of economic slowdown, but acquisition of reserves has its own costs. Foreign exchange reserves facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

India's foreign exchange (Forex) reserve assets (FCA) stand at $393.743 billion, gold reserves at $20.421 billion, SDRs (Special Drawing Rights with the IMF) of $ 1.544 billion and $2.079 billion reserve position in IMF leading to total Forex reserves of US$ 417.789 billion in the week to January 26, 2018, as per Reserve Bank of India's (RBI) weekly statistical supplement.

Think!

Difference between Market Forex rate and Purchasing Power Parity

Q.8) Agriculture is covered under the priority sector lending. Which of the following activities are covered under agriculture?

1. Farm credit
2. Agriculture Infrastructure
3. Ancillary Activities

Select the code from below:

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

Q.8) Solution (d)

Priority Sector Lending

Priority Sector Lending is an important role given by the Reserve Bank of India (RBI) to the banks for providing a specified portion of the bank lending to few specific sectors like agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections.. This is essentially meant for an all round development of the economy as opposed to focusing only on the financial sector.

Priority Sector includes the following categories:

- Agriculture
- Micro, Small and Medium Enterprises
- Export Credit
- Education
- Housing
- Social Infrastructure
- Renewable Energy
- Others

The activities covered under Agriculture are classified under three sub-categories viz. Farm credit, Agriculture infrastructure and Ancillary activities.

Think!

Difference between the priority sector lending of National and International Bank

Q.9) Consider the following statements regarding Regional Rural Banks:

1. RRBs have a statutory backing under RRB Act 1976.
2. Regional Rural Banks are regulated by National Bank for Agriculture and Rural Development (NABARD)
3. Their area of operation may include urban areas too.

Which of the above statements are correct?

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

Q.9) Solution (d)

Regional Rural Banks (RRB)

Regional Rural Banks are scheduled commercial banks (Government bank) operating at regional level in different States of India. They have been created with a view to serve primarily the rural areas of India with basic banking and financial services. However, RRBs may have branches set up for urban operations and their area of operation may include urban areas too.

The area of operation of RRBs is limited to the area as notified by Government of India covering one or more districts in the State. RRBs also perform a variety of different functions. RRBs perform various functions in following heads:

- Providing banking facilities to rural and semi-urban areas.
- Carrying out government operations like disbursement of wages of MGNREGA workers, distribution of pensions etc.
- Providing Para-Banking facilities like locker facilities, debit and credit cards.

The rural banks had the legislative backing of the Regional Rural Banks Act 1976. This act allowed the government to set up banks from time to time wherever it considered necessary.

The RRBs were owned by three entities with their respective shares as follows:

- Central Government → 50%
- State government → 15%
- Sponsor bank → 35%

Regional Rural Banks were conceived as low cost institutions having a rural ethos, local feel and pro poor focus. Every bank was to be sponsored by a "Public Sector Bank", however, they were planned as the self sustaining credit institution which were able to refinance their internal resources in themselves and were excepted from the statutory preemptions.

Regional Rural Banks are regulated by National Bank for Agriculture and Rural Development (NABARD).

Q.10) Which of the following statements are correct regarding T – Wallet?

1. It is the official digital wallet launched by Andhra Pradesh.
2. It is the first digital wallet launched by any State government.
3. It is available in Urdu and Telugu, apart from English.

Select the code from below:

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

Q.10) Solution (b)

T Wallet

T Wallet is the official digital wallet of Telangana State, is launched by Hon'ble Minister of IT Shri. K. T. Rama Rao on June 01, 2017.

- T Wallet is available as a Any Time Any Where digital payment option for Everyone.
- Citizens can use T Wallet to make payments for both Government and Private transactions to avail services and is integrated with Government departments such as Mee Seva, GHMC, HMWSSB, TSNPDCL, TSSPDCL, RTA, TASK, CDMA, HMDA ORR Tolls.
- T Wallet serves through Online Web Browser, Smart Phone, Feature Phone and even No phone.
- Citizens with feature phone or no Phone can use Mee Seva centres to open T Wallet, Load money into wallet and make payments.
- Supports Telugu & Urdu besides English.
- No service charge for using T Wallet.

- T Wallet uses two factor authentication, through Aadhaar + Biometric or Aadhaar + OTP to Aadhaar linked mobile number, for feature phone and no phone users.
- Is hosted on Azure platform and designed for high and secure performance.
- Govt. payments such as Aasara Pensions, MNREGA payments will be pushed to eligible respective citizen's T Wallet.

Q.11) Which of the following are correct differences between a Payment bank and Small Finance Bank?

1. Small banks can accept all types of deposits like a commercial bank (savings, current, fixed deposits, recurring deposits etc) while Payment banks can take deposits only on current & savings account.
2. Small Finance bank can undertake lending activity while payment banks cannot lend money.

Select the code from below:

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

Q.11) Solution (c)

Similarities between Small Finance Banks & Payment Banks:

1. Minimum Paid Up capital should be 100cr.
2. FDI limit will be same as amended by govt time to time.
3. Initially The promoters share should be 40 percent. (Though different after some years).

DIFFERENCES b/w Payments & Small Finance Banks:

1. In Payment Banks , Promoters Share should be 40 % for first Five 5 years from the date of commencement of business Whereas In Small Finance Banks it should be 40% in starting Then can be gradually brought down to 26% in 12 years.
2. Small Finance Banks Are mainly For Lending In priority Sector Areas, Small Finance Banks will have to lend 75 % of their ANBC to PSL areas. Whereas payment Banks are not allowed to lend.

3. Small Finance Banks are just like Universal Banks so they can accept all type of deposits, FD, RD, Savings & Current. And also required to maintain SLR & CRR norms. Whereas the Payment Banks can only accept Demand Deposits and can hold 100,000 INR per person.
4. Payment Banks can Issue ATM, Debit cards but can't Issue Credit Card. Along with they can serve various banking products as Mutual funds Unit, insurance, etc.
5. Payment banks Would Have to Invest 75 % of their ANBC in government securities having maturity of One Year.
6. Small Finance Banks will be able to lend Advances Upto 25 Lakhs.

Q.12) Consider the following statements regarding Micro Units Development and Refinance Agency Bank (or MUDRA Bank):

1. It provides loans at low rates to micro-finance institutions and non-banking financial institutions which then provide credit to MSMEs.
2. The Tarun category under MUDRA bank is allowed a loan upto a limit of Rs 50 thousand.
3. The bank will function as a subsidiary of SIDBI

Which of the above statements are correct?

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

Q.12) Solution (c)

MUDRA Bank

Micro Units Development and Refinance Agency Bank (or MUDRA Bank) is a public sector financial institution in India. It provides loans at low rates to micro-finance institutions and non-banking financial institutions which then provide credit to MSMEs.

The MUDRA banks were set up under the Pradhan Mantri MUDRA Yojana scheme. It will provide its services to small entrepreneurs outside the service area of regular banks, by using last mile agents. About 5.77 crore (57.6 million) small business have been identified as target clients using the NSSO survey of 2013. Only 4% of these businesses get finance from regular banks. The bank will also ensure that its clients do not fall into indebtedness and will lend responsibly.

The bank will have an initial capital of ₹200 billion (US$3.1 billion) and a credit guarantee fund of ₹30 billion (US$460 million). The bank will initially function as a non-banking financial company and a subsidiary of the Small Industries Development Bank of India (SIDBI). Later, it will be made into a separate company. However, it will regulate Micro Finance institutions.

The bank will classify its clients into three categories and the maximum allowed loan sums will be based on the category:

- Shishu: Allowed loans up to ₹50,000 (US$770)
- Kishore: Allowed loans up to ₹5 lakh (US$7,700)
- Tarun: Allowed loans up to ₹10 lakh (US$15,000)

Government has decided to provide an additional fund of ₹1 trillion (US$15 billion) to the market and will be allocated as

- 40% to shishu
- 35% to kishor
- 25% to Tarun

Those eligible to borrow from MUDRA bank are

- Small manufacturing unit
- Shopkeepers
- Fruit and vegetable vendors
- Artisans

https://www.sidbi.in/mudra.php

Q.13) The Department of Posts has launched the India Post Payment Banks(IPPB) as a Public sector company. Which of the following statements are correct regarding IPPB?

1. IPPB is offering demand deposits such as savings and current accounts up to a balance of Rs 1 Lakh.
2. It provides access to third-party financial services such as insurance, mutual funds, pension, credit products, forex etc.
3. Government of India has 100% equity in IPPB.

Select the code from below:

a) 1 only
b) 2 and 3

c) 1 and 3
d) All of the above

Q.13) Solution (d)

India Post Payments Bank (IPPB)

The India Post Payments Bank (IPPB) has been incorporated as a public sector company under the Department of Posts with 100% GOI equity.

IPPB is offering demand deposits such as savings and current accounts up to a balance of Rs 1 Lac, digitally enabled payments and remittance services of all kinds between entities and individuals and also provide access to third-party financial services such as insurance, mutual funds, pension, credit products, forex, and more, in partnership with insurance companies, mutual fund houses, pension providers, banks, international money transfer organisations, direct benefit transfer, etc.

IPPBs objective is the last mile financial inclusion and connectivity to the remotest parts of the country with institutional finance for its people.

The four key features of IPPB are:

FINANCIAL LITERACY: Wealth creates wealth. Even a little saving can go a long way if channelized correctly. With trustworthy advice and services designed to include everybody, income can be invested correctly, more can be saved, and people can start moving forward, faster. IPPB aims to make India prosperous by ensuring that everyone has equal access to financial information and services, no matter who they are, what they earn and where they live.

STREAMLINING PAYMENTS: Beneficiaries can access income from government's DBT programs like MNREGA wages, Social Security Pensions and scholarships, directly from their IPPB bank account with near zero friction. They can also pay their utility bills, fees for educational institutions and much more from the same IPPB account. It ensures that wherever they are, they can make the most of the financial opportunities available to them.

FINANCIAL INCLUSION: Millions of Indians don't have access to banking facilities. They cannot avail of government benefits, loans and insurance, and even interest on savings. IPPB will reach the unbanked and the underbanked across all cross sections of society and geographies. Services offered by IPPB will help them take the first step towards prosperity.

EASE OF ACCESSIBILITY: IPPB is powered by the very postmen who deliver our letters. With over 1.54 lac post offices across the country, India Post enjoys the trust of Indians everywhere. The postal delivery system will make IPPB, India's most accessible banking network. IPPB will also offer services through the internet and mobile banking, and prepaid instruments like mobile wallets, debit cards, ATMs, PoS and MPoS terminals etc.

Q.14) Consider the following statements:

1. The sum total of all the foreign currencies an economy possesses at a particular time is its foreign currency assets/reserves.
2. Foreign exchange reserves act as the first line of defense for India in case of economic slowdown.
3. The foreign exchange reserves are managed by the Reserve Bank of India for the Indian government.

Which of the above statements is/are correct?

a) 1 and 2
b) 1 and 3
c) 2 and 3
d) 1, 2 and 3

Q.14) Solution (d)

FOREIGN CURRENCY ASSETS

The sum total of all the foreign currencies an economy possesses at a particular time is its foreign currency assets/reserves.

The total capacity of an economy to manage liquid foreign exchange is its foreign exchange (Forex) reserve.

This contains basically three components—the foreign currency assets, the total gold reserves and the total special drawing rights (SDRs) of an economy in the IMF.

The reserves are managed by the Reserve Bank of India for the Indian government and the main component is foreign currency assets.

Foreign exchange reserves act as the first line of defense for India in case of economic slowdown. Foreign exchange reserves facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

Q.15) Consider the following statements regarding credit bureaus in India:

1. Currently, there are four credit bureaus in India — Moody's, Experian, Equifax and Standard and Poor's.
2. They are regulated by the RBI under the Credit Information Companies (Regulation) Act, 2005.

Which of the statements given above is/are correct?

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

Q.15) Solution (b)

Currently, there are **four credit bureaus** in India — **Credit Information Bureau (India) Limited (CIBIL), Experian, Equifax and CRIF Highmark**. Hence, statement (1) is wrong.

These bureaus are regulated by the RBI under the Credit Information Companies (Regulation) Act, 2005.

They provide credit scores and allied reports and services. As of now, their analysis reports are used for issuing credit cards and for taking decisions mainly on retail loans.

Do you know?

Moody's, along with Standard & Poor's and Fitch Group, is considered one of the Big Three **credit rating agencies**, not credit bureaus.

Q.16) Match the following statements with the related terms given below:

1. It is rate at which scheduled banks can borrow funds overnight from RBI against government securities.
2. It is amount that banks have to maintain a stipulated proportion of their net demand and time liabilities (NDTL) in form of liquid assets.
3. It is amount of funds that banks have to keep with RBI.
4. It is rate at which banks lend funds to RBI.

Terms:

A. Reverse Repo Rate
B. Repo Rate
C. Marginal Standing Facility (MSF) Rate
D. Cash Reserve Ratio (CRR)

E. Statutory Liquidity Ratio (SLR)

Select the correct answer using the following codes:

a) 1-E; 2-C; 3-B; 4-A
b) 1-E; 2-C; 3-A; 4-B
c) 1-C; 2-E; 3-D; 4-A
d) 1-C; 2-E; 3-D; 4-B

Q.16) Solution (c)

Marginal Standing Facility (MSF) Rate: It is rate at which scheduled banks can borrow funds overnight from RBI against government securities. It is very short term borrowing scheme for scheduled banks.

Bank Rate: It is rate charged by central bank for lending funds to commercial banks. It influences lending rates of commercial banks. Higher bank rate will translate to higher lending rates by banks.

Cash Reserve Ratio (CRR): It is amount of funds that banks have to keep with RBI. The RBI uses CRR to drain out excessive money from system.

Statutory Liquidity Ratio (SLR): It is amount that banks have to maintain a stipulated proportion of their net demand and time liabilities (NDTL) in form of liquid assets like cash, gold and unencumbered securities, treasury bills, dated securities etc.

Repo rate: It is rate at which RBI lends to its clients generally against government securities.

Reverse Repo Rate: It is rate at which banks lend funds to RBI.

Q.17) Why maintaining Capital Adequacy Ratio (CAR) is/are must in banks?

1. Bank capital helps to prevent bank failure.
2. It acts as a cushion to lessen the chance of the bank turning insolvent.

Which of the above stated reasons is/are correct?

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

Q.17) Solution (c)

Why maintaining Capital Adequacy Ratio (CAR) is must in banks?

- Bank capital helps to prevent bank failure, which arises in case the bank cannot satisfy its obligations to pay the depositors and other creditors.
- The low capital bank has a negative net worth after the loss in its business. In other words, it turns into insolvent capital, therefore, acts as a cushion to lessen the chance of the bank turning insolvent.
- The amount of capital affects returns for the owners (equity holders) of the bank.

Q.18) With reference to regulation of pension products, consider the below statements:

1. Pension products floated by insurance companies or sold by mutual funds come under the purview of the Insurance Regulatory and Development Authority (IRDA).
2. The National Pension System (NPS) is a voluntary defined contribution pension system administered and regulated by the Pension Fund Regulatory and Development Authority (PFRDA).

Which of the statements given above is/are correct?

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

Q.18) Solution (b)

The Finance Ministry has set up a high-level committee to consolidate the regulation of pension products that is currently being done by three different watchdogs including the insurance and stock market regulators.

While the Pension Fund Regulatory and Development Authority (PFRDA) was set up with the intent of regulating all pension products, insurers and mutual funds continue to sell pension products outside its watch, creating confusion among consumers looking to build a retirement nest egg. The move to set up a panel was made after the issue was flagged at recent meetings of the Financial Stability and Development Council chaired by Finance Minister Arun Jaitley.

Pension products floated by insurance companies come under the purview of the Insurance Regulatory and Development Authority (IRDA) while those sold by mutual funds are overseen by the SEBI.

The National Pension System (NPS), which is a voluntary defined contribution pension system administered, is regulated by the Pension Fund Regulatory and Development Authority (PFRDA).

The Centre has formed a committee to look into the issue of bringing these companies which are offering pension plans under the purview of PFRDA.

The committee to be formed by the Department of Financial Services, would have representatives from all financial sector regulators — SEBI, IRDA, RBI and PFRDA.

Q.19) Which among the following is not SEBI regulated NBFC?

a) Venture Capital Fund
b) Merchant Banking companies
c) Stock Broking companies
d) Housing Loan companies

Q.19) Solution (d)

SEBI regulated NBFCs includes –

1. Venture Capital Fund
2. Merchant Banking companies
3. Stock Broking companies

Housing loan companies are regulated by **National Housing Bank**. Housing loan companies finance construction and purchase of house.

Q.20) Consider the following pairs:

1. Capital Adequacy Ratio (CAR) : : the ratio of liquid assets to net demand and time liabilities (NDTL)
2. Cash Reserve Ratio (CRR) : : minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank
3. Statutory Liquidity Ratio (SLR) : : expressed as a percentage of a bank's risk weighted credit exposures

Which of the pairs given above is/are *not* correct?

a) 1 only

b) 1 and 3 only
c) 2 only
d) None of the above

Q.20) Solution (b)

Statutory Liquidity Ratio (SLR)

- The ratio of liquid assets to net demand and time liabilities (NDTL) is called statutory liquidity ratio (SLR)
- Apart from Cash Reserve Ratio (CRR), banks have to maintain a stipulated proportion of their net demand and time liabilities in the form of liquid assets like cash, gold and unencumbered securities.
- Treasury bills, dated securities issued under market borrowing programme and market stabilisation schemes (MSS), etc also form part of the SLR. Banks have to report to the RBI every alternate Friday their SLR maintenance, and pay penalties for failing to maintain SLR as mandated.

Cash Reserve Ratio (CRR)

- CRR is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank. CRR is set according to the guidelines of the central bank of a country.
- The amount specified as the CRR is held in cash and cash equivalents, is stored in bank vaults or parked with the Reserve Bank of India.
- The aim here is to ensure that banks do not run out of cash to meet the payment demands of their depositors. CRR is a crucial monetary policy tool and is used for controlling money supply in an economy.
- CRR specifications give greater control to the central bank over money supply.
- Commercial banks have to hold only some specified part of the total deposits as reserves. This is called fractional reserve banking.

Capital Adequacy Ratio (CAR)

- The capital adequacy ratio (CAR) is a measure of a bank's capital. It is expressed as a percentage of a bank's risk weighted credit exposures.
- Also known as capital-to-risk weighted assets ratio (CRAR), it is used to protect depositors and promote the stability and efficiency of financial systems around the world.

Q.21) Consider the following statements about Aggregate Measurement of Support (AMS)

1. It is the measure for domestic subsidies for agriculture under the WTO Agreement of Agriculture
2. It consists of Amber Box
3. It is associated with product specific subsidies only

Select the correct statements

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

Q.21) Solution (a)

Aggregate measurement of support (AMS) is the indicator on which the domestic support discipline for the Uruguay Round Agreement on Agriculture is based. It is determined by calculating a market price support estimate for each commodity receiving such support, plus non-exempt direct payments or any other subsidy not exempted from reduction commitments, less specific agricultural levies or fees paid by producers.

The 'current aggregate measurement of support' (AMS) is the measure for domestic subsidies for agriculture under the WTO Agreement of Agriculture. It consists of the so-called Amber Box which includes all internal support measures considered to distort production and trade that are not excluded pursuant to other provisions of the Agreement.

AMS has two components viz., (i) 'product-specific' or the excess of price paid to farmers over international price or ERP (external reference price) multiplied by quantum of produce; (ii) 'non-product specific' or money spent on schemes to supply inputs such as fertilisers, seed, irrigation, electricity at subsidised rates.

Under Agreement on Agriculture (AoA), developing countries can give agricultural subsidies or aggregate measurement support (AMS) up to 10 per cent of the value of agricultural production.

Source: http://pib.nic.in/newsite/PrintRelease.aspx?relid=170392

Q.22) Consider the following statements about 'Hortinet'

1. It is developed by the Agricultural and Processed Food Products Export Development Authority (APEDA)
2. It allows farmers to apply online to facilitate their farm registration

3. It provides for testing and certification of vegetables meant for export from India to the European Union

Select the correct statements

a) 1 Only
b) 1 and 2
c) 1, 2 and 3
d) 2 and 3

Q.22) Solution (c)

The Centre has launched a new mobile app (Hortinet) for facilitating farm registration, testing and certification of grape, pomegranate and vegetables meant for export from India to the European Union.

The mobile app, hortinet, developed by the Agricultural and Processed Food Products Export Development Authority (APEDA), allows farmers to apply online to facilitate their farm registration. It also helps track the status of applications and approvals by States and sampling by authorised laboratories. "This new mobile app will also assist State horticulture/ agriculture department to capture real-time details of farmers, farm location, products and details of inspections such as date of inspection and name of inspecting agency directly from the field."

Source: http://pib.nic.in/newsite/PrintRelease.aspx?relid=170439

Q.23) Consider the following statements about 'Silai/Sal Tree'

1. It is found in both the Eastern Ghats and Western Ghats
2. The dry leaves of the tree are a major source for the production of leaf plates
3. Oil extracted from the seeds of the tree is used as edible oil

Select the correct statements

a) Only 2
b) 2 and 3
c) 1 and 2
d) 1 and 3

Q.23) Solution (b)

Sal seeds and fruit are a source of lamp oil and vegetable fat. The seed oil is extracted from the seeds and used as cooking oil after refining.

Sal is one of the most important sources of hardwood timber in India, with hard, coarse-grained wood that is light in colour when freshly cut, but becomes dark brown with exposure. The wood is resinous and durable, and is sought-after for construction, although not well suited to planing and polishing. The wood is especially suitable for constructing frames for doors and windows.

The dry leaves of sal are a major source for the production of leaf plates called as patravali and leaf bowls in northern and eastern India.

This tree is native to the Indian subcontinent, ranging south of the Himalaya, from Myanmar in the east to Nepal, India and Bangladesh. In India, it extends from Assam, Bengal, Odisha and Jharkhand west to the Shivalik Hills in Haryana, east of the Yamuna. The range also extends through the Eastern Ghats and to the eastern Vindhya and Satpura ranges of central India. It is often the dominant tree in the forests where it occurs.

Source: http://www.thehindu.com/news/national/other-states/odisha-villagers-grow-back-their-forest/article19615926.ece

Q.24) Consider the following statements about 'Kandariya Mahadeva Temple'

1. It was built during the reign of Vidyadhara of the Chandela dynasty
2. It was built to celebrate Vidyadhara's success over Mahmud of Ghazni
3. It is located in Khajuraho

Select the correct statements

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

Q.24) Solution (d)

Kandariya Mahadeva Temple is the largest among the group of temples at Khajuraho. As the name suggests, this temple is devoted to Lord Shiva. It means 'Great God of the Cave.'

It is one considered one of the best examples of temples preserved from the medieval period in India. The temple was built during the reign of Vidyadhara of the Chandela dynasty. It was built to celebrate his success over Mahmud of Ghazni, a powerful ruler.

Source: **http://www.thehindu.com/todays-paper/tp-in-school/kandariya-mahadeva-temple/article19627076.ece**

Q.25) 'Global Human Capital Index' is released by

a) World Economic Forum
b) International Labour Organization
c) World Bank
d) None of the above

Q.25) Solution (a)

Global Human Capital Index is compiled by Geneva-based World Economic Forum (WEF) takes into account "the knowledge and skills people possess that enable them to create value in the global economic system" to measure the 'human capital' rank of a country.

India was ranked at 103.

Source: **http://www.business-standard.com/article/current-affairs/india-at-103-rank-on-global-human-capital-index-lowest-among-brics-nations-117091300680_1.html**