Banking and Financial Awareness Questions for SBI Clerk Mains

Banking and Financial Awareness Quiz 2

Directions: Study the following the information carefully and answer the questions given below,

1. Which among the following is the minimum amount that can be borrowed under the Liquidity Adjustment Facility system of the RBI?

A. Rs 1 Crore B. Rs 2 Crores C. Rs 5 Crores

D. Rs 10 Crores E. There is no minimum amount

2. What is the maximum amount that can be borrowed by banks under the Marginal Standing Facility route?

A. 1% of the Net Demand and Time Liabilities (NDTL) B. 2% of NDTL

C. 5% of NDTL D. 10% of NDTL E. None of the above

3. If a bank has to borrow funds from RBI for a long term, which among the following will be applicable?

A. Repo Rate B. Reverse Repo Rate C. Bank Rate

D. Liquidity Adjustment Facility Rate E. None of the above

4. Which among the following is NOT a qualitative measure of monetary policy undertaken by the RBI in India?

A. Moral Suasion B. Direct Action

C. Reduction in Repo and Reverse Repo Rates D. Both A and B

E. All A, B and C

5. The Marginal Cost of Funds-Based Lending Rate (MCLR) System came into force in India from –

A. April 01, 2017 B. April 01, 2016 C. April 01, 2018

D. April 01, 2019 E. None of the above

6. The Monetary Policy Committee (MPC) has _____________ members who decide the policy rates.

A. Six members B. Five members C. Four members

D. Three members E. Seven members

7. The Regional Rural Banks were formed in India on the basis of the recommendations of –

A. CV Raja Committee B. UC Garg Committee C. M Narasimhan Committee

D. YC Sinha Committee E. None of the above

8. What is the minimum capital requirement for the new private banks to start operation in India?

A. Rs 200 crores B. Rs 300 crores C. Rs 100 crores

D. Rs 500 crores E. Rs 250 crores

9. Which among the following is/are NOT supervised by the National Bank for Agriculture and Rural Development?

A. District Central Cooperative Banks B. State Cooperative Banks

C. Regional Rural Banks D. Both A and B

E. All are supervised by NABARD

10. The Forward Markets Commission was merged with which among the following in September 2015?

A. Reserve Bank of India B. Securities and Exchange Board of India

C. National Stock Exchange D. Bombay Stock Exchange E. None of the above

Correct answers:

1	2	3	4	5	6	7	8	9	10
C	B	C	C	B	A	C	D	D	B

Explanations:

1. The LAF is the facility offered by the RBI through which banks can borrow money through the repurchase agreements such as the repo and the reverse repo mechanisms. All the clients of the RBI are eligible to utilize this quota whereas the maximum amount that can be borrowed can be any amount. The minimum bidding amount is Rs 5 Crores under the LAF quota.

Hence, option C is correct.

2. The MSF was introduced by the Reserve Bank of India in 2011 in order to help banks manage the cash flow mismatch on overnight basis. The banks can approach RBI for loan under MSF facility in an interest rate that will be higher than the repo rate. Banks can borrow upto 2% of the total NDTL under this route whereas the minimum amount is Rs 1 crore.

Hence, option B is correct.

3. Bank Rate is defined as the rate of interest that is applicable to the long term loans extended to the commercial banks by the RBI. These loans are generally provided for a period of 90 days to 1 year. The main difference of bank rate and repo rate is that bank rate is mainly for long term loans whereas repo rate is applicable for short term loans up to a period of 90 days.

Hence, option C is correct.

4. Qualitative Measures are also adopted by the RBI to control the money supply in the economy. There are various measures for this: Margin Requirement, Rationing of Credit, Moral Suasion, Direction Action etc. Repo Rate and Reverse Repo Rate, LAF, MSF etc are quantitative measures adopted by RBI for this purpose.

Hence, option C is correct.

5. The MCLR system replaced the old base rate system of the banks with the objective to rationalize the lending rate system in banks. The main aim was to make the rates more sensitive to the changes in the key policy rates of the RBI. This came into effect from April 01, 2016. MCLR is the minimum rate of interest below which a bank cannot lend money.

Hence, option B is correct.

6. The MPC was formed by the government in order to assist the RBI in taking a call regarding the important policy rates. The MPC has six members – three each from the RBI and the central government. The governor of RBI is the chairman of the Monetary Policy Committee and he has a casting vote in the whole process.

Hence, option A is correct.

7. The RRBs were created in 1975 on the recommendations of the M Narasimhan Committee in order to serve the unbanked population of the country. Prathama Bank in Uttar Pradesh was the first ever RRB set up in India. The RRBs are administered by a sponsor bank, central government and the concerned state government in the ratio of 35:50:15.

Hence, option C is correct.

8. Private Sector Banks in India are such that the majority stake is held by private shareholders and not the government. The minimum capital required to set up such a bank in India is Rs 500 crores whereas the FDI investment has been restricted to 74% for such entities.

Hence, option D is correct.

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Hence, option D is correct.

10. The Forward Markets Commission was the regulator of the commodities market in India. It was merged with SEBI in September 2015. SEBI is the regulator of the capital market in India and it was established in 1988 though it became an autonomous body by an act of the Parliament in 1992. SEBI is based in Mumbai, Maharashtra.

Hence, option B is correct.