Banking and Financial Awareness Questions for SBI Clerk Mains

Banking and Financial Awareness Quiz 6

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

1. The Asset Reconstruction Companies (ARCs) in India are established as per the provision of which among the following?

A. Banking Regulation Act 1949

B. Reserve Bank of India Act 1934

C. Negotiable Instruments Act 1881

D. SARFAESI Act 2002

E. None of the above

2. The Basel III guidelines have been implemented in India in phases starting from –

A. April 01, 2014 B. April 01, 2011 C. April 01, 2013

D. April 01, 2015 E. None of the above

3. ____________ of the Negotiable Instrument Act 1881 deals with the dishonor of cheques and the consequences, thereon.

A. Section 6 B. Section 138 C. Section 139

D. Section 7 E. Section 120

4. A stale is cheque is such that it is presented after ____________ from the date of its issue, at the bank.

A. Three months B. Six months C. Nine months

D. Twelve months E. None of the above

5. Which among the following is issued in order to meet any future obligation for payment to a person?

A. Self cheque B. Post-dated cheque C. Bearer cheque

D. Crossed Cheque E. None of the above

6. In the banking parlance, CTS stands for –

A. Cheque Truncation System B. Cheque Transfer System C. Cheque Traditional System

D. Cheque Tracking System E. None of the above

7. For the small finance banks, ____________ of the Adjusted Net Bank Credit should be towards the priority sectors as identified by the RBI.

A. 75 percent B. 80 percent C. 85 percent

D. 90 percent E. 40 percent

8. The committee that recommended setting up Small Finance Banks in India was headed by –

A. Shymala Gopinath B. Raghuram G Rajan C. Urjit Patel

D. Usha Thorat E. None of the above

9. Which among the following is NOT correctly matched?

A. Capital Small Finance Bank – Jalandhar, Punjab

B. Au Small Finance Bank – Jaipur, Rajasthan

C. ESAF Small Finance Bank – Thiruvananthapuram, Kerala

D. Utkarsh Small Finance Bank – Varanasi, UP

E. All are correctly matched

10. The payments banks in India are required to invest ____________ of funds in the government securities.

A. 75 percent B. 50 percent C. 60 percent

D. 80 percent E. There is no such criterion

Correct answers:

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

Explanations:

1. The Asset Reconstruction Companies (ARCs) are formed as per the provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002. Any loan with an outstanding amount of Rs 1 lakh or more will come under the purview of ARCs. RBI has the authority to issue licenses to such companies. Asset Reconstruction Company of India Limited (ARCIL) is the first asset reconstruction company in India.

Hence, option D is correct.

2. The Basel III norms were devised by the Basel Committee on Banking Supervision in order to take care of the systemic risks facing the banking sector of the country. These norms were first brought into public in 2010 by the BCBS. There are three main pillars of Basel III guidelines – capital adequacy requirements, supervisory review and market discipline. In India, this came into effect from April 01, 2013.

Hence, option C is correct.

3. The NI Act 1881 is mainly concerned regarding the negotiable instruments such as cheques, demand drafts etc. Such instruments can be defined as the written orders or unconditional promises to pay a certain sum of money on demand or at a certain point of time. Section 138 of this act deals with the cheque dishonor cases and the subsequent issues whereas Section 6 of this act is regarding the cheques and demand drafts.

Hence, option B is correct.

4. A cheque is a negotiable instrument that is used for payment and settlement in India. A stale cheque is such that it is presented for payment after three months from the date of such cheque. Such an instrument is honoured by the bank. In such case, the instrument has to be re-issued from the issuer of the cheque.

Hence, option A is correct.

5. A post-dated cheque is issued to the beneficiary in order to meet any future obligation for payment. The cheque remains valid from the date of the cheque till three months. A self cheque is such that it can be used by the account holder to withdraw money whereas a bearer cheque is such that it is paid to any person who presents the instrument at the bank. A crossed cheque is defined as an instrument which can be issued to transfer funds directly to the account of the payee.

Hence, option B is correct.

6. CTS is a project undertaken by the RBI to ensure that faster clearing of cheques. In this method, the physical instrument does not move but the images are forwarded along with the MICR line of the cheque. Such cheques compliant with the CTS standards are less prone to any kind of frauds because of involvement of computer verification.

Hence, option A is correct.

7. Small Finance Banks have been established in India as per the approval given by the Reserve Bank of India in order to achieve financial inclusion. Such banks have to extend at least 75 percent of the ANBC to the priority sectors only. Loans upto Rs 25 lakhs extended to the micro enterprises should constitute at least 50% of the total credit portfolio of such banks.

Hence, option A is correct.

8. The Committee on Small Banks, headed by Usha Thorat, recommended setting up of the small finance banks in the country. The main objective is to achieve financial inclusion and also to extend credit to the rural unbanked areas of the country. The minimum capital requirement to set up such a bank is Rs 100 crores whereas for the first three years, at least 25% of the branches are required to be in the unbanked areas only. The promoter shareholding has been pegged at 40% minimum for the first five years of operation for such banks.

Hence, option D is correct.

9. The ESAF Small Finance Bank is based in Thrissur, Kerala. The tagline of the bank is 'Joy of Banking'. It was established in 2017 after getting license to open a small finance bank and the present MD-CEO of the bank is K Paul Thomas.

Hence, option C is correct.

10. The payments banks in India were established in order to achieve financial inclusion and these banks can only accept deposits. They cannot undertake lending activities. The RBI has given the approval to open such banks as per Section 22(1) of the Banking Regulation Act 1949. Payment banks have been set up as per the recommendations of the Nachiket Mor committee and they can only accept deposits upto Rs 1 lakh per individual. These banks have to invest at least 75% of its funds in the government securities.

Hence, option A is correct.