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(CBCS)

(6th Semester)

ECONOMICS

ELEVENTH PAPER

(Financial Institutions and Market)

Full Marks : 75

Time : 3 hours

INSTRUCTIONS TO CANDIDATES

(Please read the instructions carefully before you start writing your answers)

1. Questions should be attempted as per instructions.
2. Do not copy the Questions. Indicate the Section and Question No. clearly while attempting the answer.
3. For Multiple choice answer, candidate should indicate the **Question No., Sub. No., (if any) and the correct answer. For example :**

1. *Name the State capital of Mizoram.*

(a) *Lunglei*

(b) *Aizawl*

(c) *Champhai*

Candidate should provide answer as—Q. No. 1 : *(b) Aizawl*

[Candidate should **avoid** writing only *(b)*]

4. The figures in the margin indicate full marks for the questions.

(SECTION : A—OBJECTIVE)

(Marks : 10)

Choose the correct answer from the options provided :

1×10=10

1. Which of the following is not a primary function of a bank?
 - (a) Granting loan
 - (b) Collecting drafts/cheques of customers
 - (c) Facilitating import of goods
 - (d) Issuing bank drafts

2. Bank rate is defined as the
 - (a) rate of interest charged by commercial banks from borrowers
 - (b) rate of interest allowed by commercial banks on their deposits
 - (c) rate of interest allowed by the RBI on sales of government securities
 - (d) rate at which the RBI purchases or rediscounts bill of exchange of commercial banks

3. Market for borrowing and lending of short-term funds is called
 - (a) money market
 - (b) capital market
 - (c) derivative market
 - (d) forex market

4. Which of the following is an asset for a bank?
 - (a) Capital
 - (b) Reserve fund
 - (c) Loans and advances
 - (d) Bills payable

- 5.** A loan for a very short period is called
- (a) call loan
 - (b) cash loan
 - (c) treasure bill
 - (d) None of the above
- 6.** Which of the following are unregulated credit agencies?
- (a) Non-banking financial institutions
 - (b) Cooperative banks
 - (c) Indigenous bankers and money lenders
 - (d) Commercial banks
- 7.** The gilt-edged market as the market in government securities includes securities of
- (a) the Government of India and of the State Government
 - (b) the Government of India as a Central Government
 - (c) all financial institutions under the Government of India
 - (d) All non-banking financial institutions

8. LIC was established in

(a) 1955

(b) 1956

(c) 1957

(d) 1958

9. Which of the following is not a function of the Securities and Exchange Board of India (SEBI)?

(a) Supervising the work of the stock exchanges

(b) Underwriting new capital issues

(c) Regulating merchant banks and mutual funds

(d) Promoting the development of healthy capital market

10. Which of the following gives finance to young start-up companies?

(a) Venture capital firm

(b) Finance company

(c) Small-business finance company

(d) capital-creation company

(SECTION : B—SHORT ANSWER)

(Marks : 15)

Write short notes on the following :

3×5=15

UNIT—I

1. (a) Cash reserve ratio

OR

- (b) Limitations of monetary policy

UNIT—II

2. (a) Liabilities and assets of commercial banks

OR

- (b) Three functions of commercial banks

UNIT—III

3. (a) General Insurance Corporation (GIC)

OR

- (b) Mutual Funds

UNIT—IV

4. (a) Unregulated credit markets

OR

- (b) Financial sector reforms in India

UNIT—V

5. (a) Concept of hedging

OR

- (b) Spot exchange rate

(SECTION : C—DESCRIPTIVE)

(Marks : 50)

Answer the following questions :

10×5=50

UNIT—I

1. (a) What is Central Bank? Explain the functions of the Reserve Bank of India. 2+8=10

OR

- (b) Describe the various instruments of credit control of Central Bank. 10

UNIT—II

2. (a) What is money? Describe the functions of money. 3+7=10

OR

- (b) Explain the process of credit creation by commercial banks. 10

UNIT—III

3. (a) What is a Cooperative Bank? Describe the structure of Cooperative Banks in India. 3+7=10

OR

- (b) Define development banks. Describe the structure of development banks in India. 3+7=10

UNIT—IV

4. (a) What is a financial market? Describe the structure of the Indian financial market. 3+7=10

OR

- (b) Define stock market. What are the functions of stock market? 3+7=10

UNIT—V

5. (a) What is foreign exchange rate? Explain the determination of exchange rates under fixed exchange rate regime. 3+7=10

OR

- (b) What is Euro-Dollar market? Describe its role and significance. 3+7=10
