

Banking Awareness Important Questions – 1

- 1) Which of the following is the most direct target of RBI's Open Market Operation?
- (A) Prices of essential commodities
 - (B) Liquidity in the banking system
 - (C) Bank profitability
 - (D) Currency design and printing

Correct Answer: B

- 2) Open Market Operations involve:
- (A) Buying and selling of government securities by RBI
 - (B) Adjusting repo rate only
 - (C) Printing more currency
 - (D) Fixing the CRR directly

Correct Answer: A

- 3) When multiple banks jointly provide credit to a single borrower under a formal agreement, the arrangement is called:
- (A) Consortium
 - (B) Multiple Banking
 - (C) Syndication
 - (D) Partnership Financing

Correct Answer: A

- 4) Which is the main advantage of consortium financing for banks?
- (A) Lower risk due to shared exposure
 - (B) Guaranteed higher interest rates
 - (C) Monopoly over lending to big clients
 - (D) No need for documentation

Correct Answer: A

- 5) In consortium lending, the bank responsible for coordinating and managing the loan among participating banks is called:
- (A) Lead Bank
 - (B) Anchor Bank
 - (C) Primary Bank
 - (D) Head Office Bank

Correct Answer: A

- 6) The main purpose of Open Market Operations by RBI is to:
- (A) Control credit expansion and liquidity in the economy
 - (B) Finance government's fiscal deficit
 - (C) Increase export incentives

(D) Boost foreign investments directly

Correct Answer: A

7) Which of the following is **NOT** a part of RBI's Open Market Operations?

(A) Selling government securities

(B) Buying government securities

(C) Adjusting the repo rate

(D) Managing liquidity levels

Correct Answer: C

8) Bank rate refers to the rate at which:

(A) Commercial banks lend to customers

(B) interest rate at which a central bank lends money to commercial banks.

(C) RBI borrows from commercial banks

(D) Customers borrow from RBI directly

Correct Answer - (B) interest rate at which a central bank lends money to commercial banks.

9) Which of the following statements is **FALSE** regarding bank rate?

(A) It is decided by the RBI

(B) It affects the overall interest rates in the economy

(C) It is the same as the repo rate in all cases

(D) It can be used to curb inflation

Correct Answer: C

10) An Indian Depository Receipt (IDR) is:

(A) A savings deposit with any Indian bank

(B) A fixed deposit issued by RBI

(C) A depository receipt created by an Indian depository against underlying equity shares of a foreign company

(D) A receipt for government bond purchase

Correct Answer: C

11) Which authority regulates the issuance of Indian Depository Receipts in India?

(A) RBI

(B) SEBI

(C) Ministry of Finance

(D) Indian Banks' Association

Correct Answer: B

12) Which of the following is a major benefit of IDRs for Indian investors?

(A) Opportunity to invest in foreign companies without directly trading in overseas markets

(B) Guaranteed high returns

- (C) Tax-free earnings in all cases
- (D) Investment only in government-owned firms

Correct Answer: A

13) An instrument whose value is based on an underlying asset like currency, gold, or stocks is called:

- (A) Hedge Fund
- (B) Derivative
- (C) Mutual Fund Unit
- (D) Factoring Instrument

Correct Answer: B

14) Fiscal deficit is defined as:

- (A) Total income less government borrowing
- (B) Total expenditure minus total receipts excluding borrowings
- (C) Capital expenditure minus capital receipts
- (D) Total payments minus tax revenue

Correct Answer: B

15) If the government's total expenditure is ₹30 lakh crore and total receipts (excluding borrowings) are ₹22 lakh crore, the fiscal deficit will be:

- (A) ₹8 lakh crore
- (B) ₹52 lakh crore
- (C) ₹30 lakh crore
- (D) ₹22 lakh crore

Correct Answer: A

16) Which of the following markets can have arbitrage opportunities?

- (A) Stock market
- (B) Foreign exchange market
- (C) Commodity market
- (D) All of the above

Correct Answer: D

17) Reverse repo rate refers to the rate at which:

- (A) RBI lends money to commercial banks
- (B) RBI borrows money from commercial banks by selling government securities
- (C) Commercial banks borrow from each other
- (D) Public deposits money with banks

Correct Answer: B

18) Which of the following statements is **TRUE** about reverse repo?

- (A) It is used to inject money into the market
- (B) It increases liquidity in the economy
- (C) It is used to absorb excess funds from banks

(D) It reduces RBI's borrowing

Correct Answer: C

19) A monetary policy stance aimed at controlling inflation but not hampering growth is known as:

(A) Hawkish policy

(B) Dovish policy

(C) Balanced or neutral stance

(D) Contractionary-only stance

Correct Answer: C

20) Which of the following can also be considered a part of RBI's monetary policy objectives?

(A) Improving credit quality in banks

(B) Strengthening credit delivery mechanisms

(C) Supporting investment demand

(D) All of the above

Correct Answer: D

21) When RBI maintains adequate liquidity while targeting low inflation, it is trying to achieve:

(A) Only monetary tightening

(B) Only monetary easing

(C) Both stability and growth

(D) Only high GDP growth

Correct Answer: C

22) A currency swap is primarily used to manage:

(A) Only interest rate risk

(B) Only currency risk

(C) Both currency and interest rate risk

(D) Stock market volatility

Correct Answer: C

23) One major benefit of a currency swap is:

(A) Avoiding any form of debt

(B) Reducing exposure to foreign exchange fluctuations

(C) Guaranteeing higher profits in the stock market

(D) Eliminating the need for banking channels

Correct Answer: B

24) In banking, the term '**sub-prime**' refers to:

(A) Loans offered at interest rates below PLR

(B) Lending to borrowers who do not meet normal credit appraisal standards

(C) Borrowing by banks below LIBOR rates

(D) Investment in government bonds

Correct Answer: B

25) Money laundering refers to:

- (A) Converting black money into legitimate money
- (B) Exchanging foreign currency at a bank
- (C) Depositing savings in a bank account
- (D) Issuing government securities

Correct Answer: A

26) In India, the law dealing with prevention of money laundering is:

- (A) FEMA Act
- (B) PMLA, 2002
- (C) Companies Act, 2013
- (D) SEBI Act, 1992

Correct Answer: B

27) Which of the following is a key role of the **International Monetary Fund (IMF)**?

- (A) Promoting long-term poverty reduction
- (B) Promoting international monetary cooperation
- (C) Financing large infrastructure projects directly
- (D) Issuing international passports

Correct Answer: B

28) The regulator of the capital market in India is:

- (A) RBI
- (B) IRDA
- (C) SEBI
- (D) BSE

Correct Answer: C

29) **SEBI** stands for:

- (A) Securities and Exchange Bank of India
- (B) Securities and Exchange Board of India
- (C) Stock Exchange Bureau of India
- (D) Securities Evaluation Board of India

Correct Answer: B

30) When was SEBI given statutory powers in India?

- (A) 1988
- (B) 1992
- (C) 2000
- (D) 2010

Correct Answer: B