D3AEC2404 **(3 Pages)** **Name.......................**
Reg. No...................

THIRD SEMESTER M. A. DEGREE EXAMINATION, NOVEMBER 2025
(Regular/Improvement/Supplementary)

ECONOMICS
FECO3E01 - BANKING THEORY AND PRACTICE

Time: 3 Hours **Maximum Weightage: 30**

Part A: Multiple choice questions. Answer *all* questions. Each carries $^{1}/_{5}$ weightage.

1. The Monetary Policy Committee is the body responsible for setting interest rates for which central bank?
   a) European Central Bank b) Reserve Bank of India
   c) Bank of England d) Federal Reserve System

2. Which of the following is an example of an expansionary monetary policy?
   a) Increasing the policy interest rate
   b) Selling government securities in the open market
   c) Increasing the cash reserve ratio (CRR)
   d) Buying government securities in the open market

3. In India, the government's power to issue directions to the RBI in the public interest impacts which of the following?
   a) The RBI's ability to issue currency
   b) The RBI's autonomy
   c) The RBI's role as a banker to the government
   d) The RBI's management of foreign reserves

4. The process by which commercial banks expand the money supply by creating new deposits from the loans they issue is known as:
   a) Deposit mobilization b) Credit allocation
   c) Credit creation d) Priority sector lending

5. Which of the following is a Non-Banking Financial Company (NBFC)?
   a) State Bank of India b) A mutual fund company
   c) A foreign bank d) A cooperative bank

6. Which scheme designates a particular bank to take the lead role in coordinating banking activities and development efforts in a specific district?
   a) Regional Rural Banks b) Lead Bank Scheme
   c) Land Development Banks d) Social Banking

7. What does the acronym MICR stand for in the context of bank cheque processing?
   a) Magnetic Ink Character Recognition
   b) Micro-chip and Credit Reserve
   c) Monetary Information and Credit Reporting
   d) Mobile Information and Communication Resources

8. A customer using a telephone to get their account balance or transfer funds is an example of:
   a) Internet Banking b) Mobile Banking
   c) Tele-banking d) Home Banking

9. The recommendations of which committee formed the basis for the first phase of banking sector reforms in India?
   a) The K.C. Chakrabarty Committee b) The Raghuram Rajan Committee
   c) The P.J. Nayak Committee d) The Narasimham Committee

10. The Credit Information Bureau of India Limited (CIBIL**)** was established to:
    a) Provide credit ratings to large corporations.
    b) Act as a financial regulator for banks.
    c) Collect and maintain credit records of individuals and companies.
    d) Resolve disputes between banks and customers.

11. The SARFAESI Ac**t** of 2002 was enacted to empower banks to:
    a) Provide loans to the agricultural sector.
    b) Conduct direct elections for their board members.
    c) Recover non-performing assets without the intervention of the court.
    d) Offer new financial products to customers.

12. Which institution is known as the 'central bank for central banks' and works to foster international monetary and financial cooperation?
    a) International Monetary Fund b) Asian Development Bank
    c) Bank for International Settlements d) World Bank

13. The Asian Development Bank focuses on providing financial assistance to which region?
    a) Latin America and the Caribbean b) Africa
    c) Asia and the Pacific d) North America

14. Which type of banking operation is often associated with lower tax burdens and less stringent regulation?
    a) National banking b) Retail banking
    c) Offshore banking d) Commercial banking

15. The World Bank and the Asian Development Bank are examples of:
    a) Multinational banks b) Commercial banks
    c) Development banks d) Private sector banks

(15 × $^{1}/_{5}$= 3 weightage)

Part B: Very short answer questions. Answer any *five* questions. Each carries *one* weightage.

16. What are the primary causes of NPAs in Indian banks?

17. What does the term 'social banking' refer to?

18. How does the Lead Bank Scheme help in the development of a specific district?

19. What is the role of a Banking Ombudsman?

20. If a bank decides to open a new branch in a previously unbanked village, what are the specific steps it can take to mobilise deposits from the local population?

21. Evaluate how the introduction of virtual payment systems has influenced consumer spending habits.
22. Examine the security challenges posed by the rise of digital payment systems and the measures taken to mitigate them.
23. What is the purpose of the MSF facility, and how do banks utilise it?

(5 × 1 = 5 weightage)

Part C: Short answer questions. Answer any *seven* questions. Each carries *two* weightage.

24. How does MUDRA contribute to financial inclusion and entrepreneurship development in India?
25. How does NABARD support agricultural and rural development initiatives in India?
26. What were the key findings and recommendations of the Narasimham Committee I regarding banking sector reforms?
27. How do Basel norms address capital adequacy, risk management, and regulatory compliance in banks?
28. What are the important functions of the Reserve Bank of India (RBI) in the Indian financial system?
29. Critically evaluate the potential benefits and risks associated with offshore banking.
30. Examine how international banking facilitates cross-border trade and investment.
31. How does the Bank for International Settlements (BIS) support global financial stability?
32. Explain the process of 'credit creation' by commercial banks.
33. What are the functions of the Board for Financial Supervision?

(7 × 2 = 14 weightage)

Part D: Essay questions. Answer any *two* questions. Each carries *four* weightage.

34. How did the second banking reforms ensure greater autonomy and accountability in public sector banks?
35. Give a detailed account on the role and importance of specialized investment institutions in India.
36. Describe Federal Reserve system.
37. Explain the importance of international banking in the current scenario.

(2 × 4 =8 weightage)