

## **Money and Banking Long Questions**

### **Module 1: What is Money?**

1. What are the different functions of money? How are they related to 'motives' to hold money?
2. What are the criteria that money should fulfil to serve as an effective medium of exchange?
3. What is value of money? Is price of money different from value of money?
4. Sketch the historical development of money from gold coins to the present system of paper currency and metallic coins.
5. Define fixed payment loan, coupon bond, zero coupon bond, discount bond, consol and indexed bond.
6. How 'yield to maturity' is calculated?
7. How is price of bond related to its yield to maturity?
8. How is return on bond calculated?

### **Module 2: Money Supply**

1. Define M0, M1, M2, M3 and M4.
2. What is high-powered money? Is it different from reserve money and monetary base?
3. How is narrow money different from broad money?
4. Define 'public' in monetary aggregates.
5. What are the various institutions in the Indian banking system?
6. What constitutes Currency in Circulation?
7. Why were the new monetary aggregates conceptualised? Define the three new monetary aggregates.
8. Is Irving Fisher's Equation of Exchange different from the Cambridge equation?
9. What determines velocity of money?

10. How is 'use' of monetary base different from 'source' of monetary base?
11. What are the various sources of Indian monetary base? Trace their relative importance over the last two decades.
12. What is credit multiplier? What are the restrictive assumptions used in its derivation.
13. Derive narrow and broad money multiplier.
14. Trace the empirical movements of the two money multipliers and their various components over the past two decades.

### **Module 3: Money Market**

1. What is a financial system? Describe the Indian financial system as it exists today.
2. How are intermediaries different from non-intermediaries?
3. Cite examples of non-banking intermediary institutions and non-banking non-intermediary institutions from the Indian economy.
4. What are Other institutions?
5. What are securities markets? Are they different from stock markets and gilt-edged market?
6. What is the role of an underwriter? Do secondary markets require underwriters?
7. What are the different kinds of money transacted in the call market? Who participates in the Indian inter-bank call market?
8. How many types of call rates exist in India today?
9. What are the RBI guidelines for Commercial Paper? Are they different for Certificate of Deposit?
10. Examine the CP and the CD rates in the last 20 years.
11. What are the different kinds of Treasury Bills in India? Do they only differ in terms of maturity?
12. How is Repo different from Reverse Repo? With whom does Repo market compete in India?

13. Explain the 'interest rate corridor' that RBI wishes to create in the Indian money market.
14. What is a Commercial Bill? Examine the different kinds of CBs that exist in India.
15. Distinguish between a clean bill and a documentary bill. What are the different types of documentary bills?
16. Distinguish between an usance bill and a demand bill.
17. What is a Hundi? Are there different types of Hundis in India?
18. What is required to develop the bill market in India?
19. Distinguish between bills purchased and bills discounted.

#### **Module 4: Reserve Bank of India**

1. What is 'managed paper currency standard'?
2. What is legal tender? Distinguish between limited and unlimited legal tender?
3. How is currency issued and put into circulation by the RBI?
4. What are the traditional functions of the RBI?
5. What are 'ways and means' advances?
6. What are the traditional monetary policy instruments of the RBI?
7. What are the non-traditional functions of the RBI?
8. How is the Statutory Liquidity Ratio different from the Cash Reserve Ratio?
9. What were the Selective Credit Control measures of the RBI?
10. What are the three concepts of liquidity?
11. What is LAF? How is it different from ILAF?
12. What is a Primary Dealer? How many PDs are there in India?
13. What are the functions of a PD? Explain the underwriting commitment of PDs.

## **Module 5: Banking Institutions**

1. What are scheduled banks? Do scheduled banks enjoy some privileges over non-scheduled banks? Are scheduled banks only commercial banks?
2. Name the various groups of Indian commercial banks with example.
3. Describe the Lead Bank Scheme.
4. Explain the Service Area Approach under LBS. Is SEA different from the Action Plan initiated by the RBI in the mid-1980s?
5. How are Regional Rural Banks created?
6. What are the three broad groups of assets of commercial banks? Describe them. Which is/are the dominating group (s)?
7. Where do Indian commercial banks prefer to invest?
8. Is cash credit different from loan? Compare and contrast the cash credit system with loan.
9. What is primary security? Why is it important under the cash credit system?
10. What are current assets of firms?
11. Why do Indian commercial banks prefer cash credit over loan?
12. What are the three broad groups of liabilities of commercial banks? Describe them. Which is/ are the dominating group (s)?
13. How do commercial banks borrow from the RBI?
14. What constitute 'other demand and time liabilities' of banks?
15. Are co-operative banks of the branch-banking type or unit-banking type? Do they only lend credit or undertake other economic activities as well?
16. Compare and contrast co-operative banks with commercial banks.
17. Who is the licensing authority of rural co-operative banks? Is the licensing authority of urban co-operative banks different? Are co-operative banks scheduled banks?
18. Explain the structure of co-operative banks that lend short term rural credit. How is the structure different for co-operative banks who lend long term rural credit?
19. Explain the two-way flow of funds between rural co-operative banks.
20. Which are the co-operative banks that operate in urban areas. How does the business of urban co-operative banks differ from their rural counterpart?