BUDDHA SERIES

(Unit Wise Solved Question & Answers)

Course – B.Com 5th Sem

College – Buddha Degree College

(DDU Code-859)

Department: Commerce

Subject: Monetary Theory and Banking in Indian II

Faculty Name: Mr.Himanshu Shukla

Unit –I

1. Which of the following is a Development Bank in India?
   a) RBI
   b) SIDBI
   c) SBI
   d) LIC
2. Development Banks provide:
   a) Short-term credit
   b) Only consumer loans
   c) Medium and long-term credit
   d) Daily banking services
3. The main aim of Development Banks is:
   a) Encouraging savings
   b) Providing daily withdrawals
   c) Promoting industrial and economic development
   d) Offering insurance
4. Which institution primarily finances small-scale industries in India?
   a) NABARD
   b) SIDBI
   c) UTI
   d) RBI
5. IFCI was established in the year:
   a) 1945
   b) 1948
   c) 1950
   d) 1955
6. The full form of IDBI is:
   a) Industrial Development Bank of India
   b) Indian Department for Business and Industry
   c) International Development Bank of India
   d) Indian Development Banking Institution
7. Which of the following is an example of an NBFI?
   a) SBI
   b) LIC
   c) RBI
   d) Bank of Baroda
8. Non-Banking Financial Institutions:
   a) Accept demand deposits
   b) Are regulated by SEBI only
   c) Cannot accept demand deposits like banks
   d) Provide only agricultural loans
9. A major problem faced by Development Banks is:
   a) Surplus of funds
   b) Low interest rates
   c) High default rate on loans
   d) No demand for loans
10. One key difference between a bank and NBFI is:
    a) NBFIs do not provide loans
    b) Banks do not take deposits
    c) NBFIs cannot issue cheques
    d) Banks do not support infrastructure projects
11. NABARD was established to:
    a) Promote urban housing
    b) Fund transport projects

c) Support rural development and agriculture
d) Provide credit cards

12. Which financial institution deals primarily with housing finance?
a) NHB
b) IDBI
c) SIDBI
d) NABARD

13. Which sector is the major beneficiary of institutional credit in India?
a) Services
b) Industry
c) Agriculture
d) Retail

14. The allocation of institutional credit depends largely on:
a) Political influence
b) Commercial viability
c) Popular demand
d) Rural location

15. Development banks help in:
a) Reducing unemployment
b) Encouraging imports
c) Promoting speculative investments
d) Discouraging SMEs

16. Institutional credit in India is mostly directed towards:
a) Stock trading
b) Infrastructure, industry, and agriculture
c) Personal loans
d) Foreign travel

17. Industrial Finance Corporation of India (IFCI) mainly supports:
a) Cottage industries
b) Government offices
c) Medium and large-scale industries
d) Village panchayats

18. LIC is an example of:
a) Cooperative bank
b) Development bank
c) Insurance-based NBFI
d) Central bank

19. A challenge for NBFIs is:
a) Low competition
b) Over-regulation
c) Lack of depositor trust
d) None of the above

20. Which regulatory body governs most NBFIs in India?
a) RBI
b) SEBI
c) Ministry of Finance
d) IRDA

21. One of the policies to improve credit allocation is:
a) High tax on loans
b) Credit rationing
c) Ignoring small businesses
d) Eliminating subsidies

22. Development Banks contribute to:
a) Currency printing
b) Foreign exchange reserve

    c) Balanced regional development
    d) Export restriction
23. The problem of non-performing assets (NPAs) affects:
    a) Only commercial banks
    b) Only cooperatives
    c) Both banks and development financial institutions
    d) Insurance companies only
24. Which institution provides refinance support to rural banks?
    a) RBI
    b) NABARD
    c) SIDBI
    d) IDBI
25. Long-term loans provided by development banks are generally meant for:
    a) Daily business operations
    b) Purchase of consumer goods
    c) Investment in fixed capital
    d) Foreign tourism

Answers Key (1–25):

1. **b**
2. **c**
3. **c**
4. **b**
5. **b**
6. **a**
7. **b**
8. **c**
9. **c**
10. **c**
11. **c**
12. **a**
13. **c**
14. **b**
15. **a**
16. **b**
17. **c**
18. **c**
19. **c**
20. **a**
21. **b**
22. **c**
23. **c**
24. **b**
25. **c**

Unit – II

1. A major cause of conflict between the government and the commercial sector is:
   a) Transparency
   b) Policy inconsistency
   c) Credit availability
   d) High profits
2. Government delay in policy execution affects:
   a) Public trust
   b) Commercial efficiency
   c) Both a and b
   d) Only banks
3. Inter-sectoral problem arises when:
   a) All sectors grow equally
   b) One sector dominates resource allocation
   c) Policies favor only the government
   d) Exports decline
4. Inter-regional disparity refers to:
   a) Equal infrastructure
   b) Uneven development across regions
   c) Balanced education
   d) Agricultural growth
5. One major issue between large and small borrowers is:
   a) Higher employment
   b) Access to banking services
   c) Unequal access to institutional credit
   d) Strong collateral base
6. Small borrowers face credit challenges mainly due to:
   a) High repayment rate
   b) Limited collateral and formal records
   c) Government guarantees
   d) Low demand
7. Inter-sectoral imbalance can hinder:
   a) Rural migration
   b) Foreign trade
   c) Balanced economic growth
   d) Currency value
8. A large borrower usually enjoys:
   a) Higher interest rates
   b) Easier access to credit
   c) No documentation
   d) No repayment schedule
9. Inter-regional problem is a concern because:
   a) All regions are equally funded
   b) Backward regions receive excess credit
   c) Some regions remain underdeveloped
   d) All regions have urban infrastructure
10. Government-mandated interest rate ceilings affect:
    a) Loan repayment
    b) Bank profits
    c) Commercial lending decisions
    d) Agricultural output

11. A sector that often receives less credit compared to others is:
    a) Industry
    b) Agriculture
    c) Large corporate
    d) IT sector
12. The crowding out effect refers to:
    a) Increase in rural lending
    b) Government borrowing limiting private sector credit
    c) Corporate sector expansion
    d) NGO funding increase
13. Small borrowers are usually:
    a) Well-documented
    b) Ignored by NBFCs
    c) Credit-invisible in formal banking
    d) Favored by banks
14. Government funding preferences often lead to:
    a) Equal sectoral growth
    b) Disputes between sectors
    c) No impact
    d) Regional development
15. Inter-sectoral credit misallocation can result in:
    a) Growth of informal economy
    b) Export boost
    c) Reduced taxes
    d) Better literacy
16. Regional imbalance can be reduced by:
    a) Ignoring backward regions
    b) Providing targeted credit support
    c) Privatizing banks
    d) Removing government role
17. Large borrowers are prioritized due to:
    a) High employment
    b) High creditworthiness and security
    c) Micro-business benefits
    d) Subsidy needs
18. Small enterprises often depend on:
    a) Capital markets
    b) Informal credit
    c) Foreign aid
    d) Corporate finance
19. Government schemes like MUDRA are aimed at:
    a) Corporates
    b) Public sector undertakings
    c) Micro and small enterprises
    d) Urban real estate
20. A long-term solution to inter-regional disparity is:
    a) Urban-centric lending
    b) Centralized decision-making
    c) Infrastructure development in backward areas
    d) Higher taxes in metros
21. Banks avoid small borrowers due to:
    a) High profits
    b) Repayment guarantee
    c) Risk and cost of servicing
    d) RBI support

22. Unequal regional credit allocation can cause:
    a) More exports
    b) Regional migration and unrest
    c) Balance of trade
    d) Budget surplus
23. Government control over banking decisions may:
    a) Improve independence
    b) Reduce market efficiency
    c) Reduce NPAs
    d) Boost FDIs
24. Inter-sectoral conflict can be resolved by:
    a) Ignoring weaker sectors
    b) Balanced credit policies
    c) Only favoring services
    d) Central loans
25. Financial inclusion programs aim to:
    a) Promote private sector loans
    b) Exclude risky borrowers
    c) Expand access to formal credit for all groups
    d) Increase taxation

ANSWER 1-25

1) **b) Policy inconsistency**
2) **c) Both a and b**
3) **b) One sector dominates resource allocation**
4) **b) Uneven development across regions**
5) **c) Unequal access to institutional credit**
6) **b) Limited collateral and formal records**
7) **c) Balanced economic growth**
8) **b) Easier access to credit**
9) **c) Some regions remain underdeveloped**
10) **c) Commercial lending decisions**
11) **b) Agriculture**
12) **b) Government borrowing limiting private sector credit**
13) **c) Credit-invisible in formal banking**
14) **b) Disputes between sectors**
15) **a) Growth of informal economy**
16) **b) Providing targeted credit support**
17) **b) High creditworthiness and security**
18) **b) Informal credit**
19) **c) Micro and small enterprises**
20) **c) Infrastructure development in backward areas**
21) **c) Risk and cost of servicing**
22) **b) Regional migration and unrest**
23) **b) Reduce market efficiency**
24) **b) Balanced credit policies**
25) **c) Expand access to formal credit for all group**