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Q1. A specialized research organization in Lucknow is leveraging artificial intelligence to analyze soil health data for crop optimization. Under which sector of the economy should this intellectual and research-based activity be classified?

A) Tertiary Sector
B) Quaternary Sector
C) Quinary Sector
D) Secondary Sector

Correct Answer: B

The Quaternary sector involves knowledge-based activities such as research, information technology, and data analytics. AI-based soil research is a knowledge-intensive activity, making it Quaternary.

Q2. During the second wave of bank nationalisation in India, which took place in April 1980, how many commercial banks were nationalised, and what was the minimum deposit threshold requirement?

A) 14 banks with deposits ₹50 Crore
B) 6 banks with deposits ₹50 Crore
C) 6 banks with deposits ₹200 Crore
D) 14 banks with deposits ₹200 Crore

Correct Answer: C

In the second wave of nationalisation in April 1980, 6 more commercial banks with deposits of ₹200 crore or more were nationalised, bringing the total of nationalised banks to 20.

Q3. Under the historical consolidation and amalgamation strategy of Public Sector Banks, which of the following pairs of banks were merged into the Bank of Baroda?

A) Oriental Bank of Commerce and United Bank of India
B) Dena Bank and Vijaya Bank
C) Syndicate Bank and Canara Bank
D) Allahabad Bank and Indian Bank

Correct Answer: B

Dena Bank and Vijaya Bank were merged into Bank of Baroda effective April 1, 2019 as part of the PSB consolidation strategy announced by the Government of India.

Q4. An international telecommunications enterprise decides to establish an entirely new operational subsidiary in India by constructing fresh physical offices, laying independent networks, and building data centers from scratch. This mode of entry is defined as:

A) Brownfield FDI
B) Portfolio Investment
C) Greenfield FDI
D) Joint Venture Capitalization

Correct Answer: C

Greenfield FDI involves establishing a new enterprise from scratch in a foreign country, including building new facilities and infrastructure, as opposed to acquiring existing ones.

Q5. According to the statutory mandates governing Corporate Social Responsibility (CSR) within the Companies Act, what is the minimum percentage of average net profits made during the three immediately preceding financial years that a qualifying company must spend?

A) 1%
B) 2%
C) 3%
D) 5%

Correct Answer: B

Section 135 of the Companies Act, 2013 mandates that qualifying companies must spend at least 2% of the average net profits of the preceding three financial years on CSR activities.

Q6. Which of the following describes a Giffen good, constituting a distinct exception to the standard Law of Demand?

A) An upscale consumer good whose demand increases as its price rises because of its status symbol value.
B) An inferior good for which the negative income effect outweighs the substitution effect, causing demand to rise as the price increases.
C) A normal good whose demand drops dramatically when price fluctuations trigger a shift toward close substitutes.
D) A complementary good whose consumption is tied directly to the price movements of its primary counter-product.

Correct Answer: B

A Giffen good is an inferior good with no close substitutes; when its price rises, the income effect (reducing real income) dominates the substitution effect, paradoxically increasing demand.

Q7. The economic principle stating that as an individual consumes additional units of a specific commodity, the utility derived from each successive unit decreases is known as:

A) The Law of Equi-Marginal Utility
B) The Law of Diminishing Marginal Utility
C) The Law of Supply and Demand
D) The Principle of Consumer Surplus

Correct Answer: B

The Law of Diminishing Marginal Utility states that as a consumer consumes more units of a good, the additional satisfaction (marginal utility) obtained from each successive unit decreases.

Q8. Under the Keynesian Liquidity Preference Theory, when an investor holds liquid cash to take advantage of anticipated future drops in bond prices (or rises in interest rates), they are acting on which motive?

A) Transaction motive
B) Precautionary motive
C) Speculative motive
D) Regulatory motive

Correct Answer: C

The Speculative motive for holding money involves holding cash to exploit future investment opportunities — specifically, anticipating a fall in bond prices (rise in interest rates) to buy bonds more cheaply later.

Q9. In the calculation of Money Supply, which components directly comprise the Narrow Money (M1) aggregate?

A) Currency with the public + Demand deposits with the banking system + 'Other' deposits with the RBI
B) Currency with the public + Time deposits with the banking system
C) M1 + Post office savings bank deposits
D) M1 + Total time deposits with the banking system

Correct Answer: A

M1 (Narrow Money) = Currency with the public + Demand deposits with the banking system + 'Other' deposits with the RBI. It represents the most liquid form of money supply.

Q10. Using the expenditure approach to compute the Gross Domestic Product at Market Price, what does the expression (X - M) signify within the standardized formula GDP = C + I + G + (X - M)?

A) Gross Capital Formation
B) Total Transfer Payments
C) Net Factor Income from Abroad
D) Net Exports

Correct Answer: D

(X - M) represents Net Exports, where X is total exports and M is total imports. This component captures the trade balance contribution to GDP from the external sector.

Q11. An economy characterized by the co-existence of a vibrant private market economy operating alongside state-owned public sector enterprises and heavy government strategic planning is defined as a:

A) Socialist Economy
B) Capitalist Economy
C) Mixed Economy
D) Laissez-faire Economy

Correct Answer: C

A Mixed Economy combines elements of both capitalism (private ownership and market mechanisms) and socialism (state ownership and planning), allowing both sectors to coexist. India is a classic example.

Q12. The GDP Deflator is conceptually utilized by macroeconomic policy analysts to measure which of the following?

A) The change in employment rates relative to output shifts.
B) The rate of inflation or price level changes of all new, domestically produced, final goods and services in an economy.
C) The inequality spread of national income distributions.
D) The fiscal deficit as a percentage of real industrial growth.

Correct Answer: B

The GDP Deflator measures the price level of all domestically produced goods and services relative to a base year. It is used to convert nominal GDP to real GDP and captures economy-wide inflation.

Q13. Which of the following personnel profiles fits best within the Quinary sector classification of an economy?

A) A senior research scientist formulating a new chemical compound in a laboratory.
B) A software engineer designing user interface protocols for a retail application.
C) A top-tier government cabinet committee member formulating national security and economic strategy.
D) A regional operations supervisor managing a cluster of retail supply houses.

Correct Answer: C

The Quinary sector represents the highest level of decision-making in an economy, including top executives, government officials, and policy-makers who shape the direction of nations and large organizations.

Q14. When an overseas entity acquires an existing domestic pharmaceutical firm in India rather than building a factory from scratch, the investment is categorized as:

A) Greenfield FDI
B) Portfolio Investment Diversification
C) Brownfield FDI
D) Qualified Foreign Institutional Placement

Correct Answer: C

Brownfield FDI involves a foreign investor acquiring or leasing an existing production facility to launch a new production activity in a host country, rather than building new facilities from scratch.

Q15. If the nominal GDP growth rate of a country is 12% in a year while the GDP deflator reflects an inflation index of 4%, what is the approximate Real GDP growth rate?

A) 16%
B) 3%
C) 8%
D) 48%

Correct Answer: C

Real GDP growth rate ≈ Nominal GDP growth rate − Inflation rate = 12% − 4% = 8%. This formula gives the approximate real growth by removing the price-level effect.

Q16. Under the provisions of Section 135 of the Indian Companies Act, which criteria mandate that a corporate firm establish a dedicated CSR committee?

A) Net worth of ₹100 crore or more
B) Turnover of ₹500 crore or more
C) Net profit of ₹5 crore or more during any financial year
D) Annual wage expenditures exceeding ₹50 crore

Correct Answer: C

Section 135 mandates CSR compliance for companies having net worth ≥ ₹500 crore, turnover ≥ ₹1,000 crore, or net profit ≥ ₹5 crore. Net profit of ₹5 crore is one standalone qualifying threshold.

Q17. Which of the following correctly reflects the relationship to derive Net Domestic Product (NDP) at Market Price from Gross Domestic Product (GDP) at Market Price?

A) NDP = GDP + Net Factor Income from Abroad
B) NDP = GDP - Depreciation
C) NDP = GDP - Subsidies
D) NDP = GDP - GDP Deflator

Correct Answer: B

NDP = GDP − Depreciation (Consumption of Fixed Capital). NDP reflects the net value of output after accounting for the wear and tear of capital assets used in production.

Q18. The monetary aggregate (M3) is widely monitored by central banks as an indicator of broad liquidity. What is the formulation for M3?

A) M1 + Savings deposits with Post Office savings banks
B) M1 + Time deposits with the banking system
C) M2 + National Savings Certificates (NSC)
D) Currency with public + Cash reserves held by banks

Correct Answer: B

M3 (Broad Money) = M1 + Time deposits with the banking system. M3 is the most commonly used measure of money supply by RBI for monetary policy assessment.

Q19. According to John Maynard Keynes, the precautionary motive for holding cash balances is primarily driven by:

A) The desire to speculate on equity price drops.
B) Regular, predictable daily consumer outlays like food and transportation.
C) The necessity to provide for unexpected contingencies, emergency shortfalls, or unplanned future obligations.
D) Arbitrage opportunities arising across international currency desks.

Correct Answer: C

The Precautionary motive involves holding cash as a buffer against unforeseen expenses or emergencies — medical bills, sudden job loss, etc. It is driven by uncertainty about future needs.

Q20. While both Veblen goods and Giffen goods violate the standard Law of Demand by displaying upward-sloping demand curves, they differ because Veblen goods are:

A) Inferior staple items purchased by low-income groups.
B) Luxury status symbols whose utility arises from high prices and social conspicuousness.
C) Basic agricultural commodities whose prices fluctuate with seasonal supply shocks.
D) Public utilities strictly managed by central planning entities.

Correct Answer: B

Veblen goods are luxury items (jewellery, luxury cars) whose demand rises with price because the high price itself confers social status and prestige, unlike Giffen goods which are inferior staples.

Q21. A mining firm extracting iron ore from an open-cast mine facility in Odisha operates within which primary structural sector of the Indian economy?

A) Primary Sector
B) Secondary Sector
C) Tertiary Sector
D) Quaternary Sector

Correct Answer: A

The Primary sector encompasses activities involving the extraction and harvesting of natural resources, including agriculture, mining, fishing, and forestry. Iron ore extraction is a classic primary sector activity.

Q22. Which of the following was a primary policy driver behind the structural consolidation of Public Sector Banks (PSBs) implemented by the Ministry of Finance and the RBI over the past decade?

A) To completely eliminate private banking competition from the retail sector.
B) To build banks with enhanced capital cushions, broader credit lending capacities, and global scale efficiencies.
C) To convert commercial scheduled banks into localized regional rural cooperatives.
D) To decouple commercial asset allocation entirely from corporate clients.

Correct Answer: B

PSB consolidation aimed to create fewer but stronger banks with larger capital bases, better risk management, enhanced lending capacity, operational synergies, and the ability to compete globally.

Q23. A purely market-driven economy where all capital assets are privately owned, and production allocation and pricing decisions are determined entirely by the uncoordinated interactions of buyers and sellers is known as a:

A) Socialist Command Economy
B) Capitalist or Free-Market Economy
C) Democratic Collectivist Economy
D) Closed Mercantilist Economy

Correct Answer: B

A Capitalist or Free-Market Economy is characterized by private ownership of means of production, free market pricing, and resource allocation driven by the price mechanism without government intervention.

Q24. If a company fails to fully spend its unallocated CSR budget during a specific financial year, what is the legal requirement regarding these unspent funds under current Indian corporate regulations for an ongoing project?

A) The unspent amount is credited back to the firm's general operational revenue account.
B) The funds must be transferred to a special bank account titled 'Unspent CSR Account' within 30 days of the end of the financial year.
C) The board members face immediate automatic disqualification from governance.
D) The corporate entity must issue bonus shares equal to the deficit amount.

Correct Answer: B

Under the Companies (CSR Policy) Amendment Rules 2021, unspent CSR funds for ongoing projects must be transferred to a designated 'Unspent CSR Account' within 30 days of the end of the financial year.

Q25. What is the primary difference between Gross National Product (GNP) and Gross Domestic Product (GDP)?

A) Depreciation charges on capital assets.
B) Net Factor Income from Abroad (NFIA).
C) Retained corporate earnings.
D) Indirect taxes minus production subsidies.

Correct Answer: B

GNP = GDP + Net Factor Income from Abroad (NFIA). NFIA represents the difference between factor incomes earned by residents abroad and factor incomes paid to non-residents within the domestic territory.

Q26. Consider the following statements regarding the historic phases of bank nationalisation in India: (1) The first major wave occurred in July 1969 under the Banking Companies Ordinance, targeting 14 major commercial banks. (2) The primary criterion for nationalisation in 1969 was a demand and time liabilities threshold exceeding ₹50 Crore. (3) The 1980 nationalisation wave targeted banks with deposits exceeding ₹100 Crore. (4) One primary objective of nationalisation was to redirect credit to neglected areas like agriculture and small-scale industries. Which combinations are correct?

A) 1 and 3 only
B) 1, 2, and 4 only
C) 2, 3, and 4 only

D) 1, 2, 3, and 4

Correct Answer: B

Statements 1, 2, and 4 are correct. The 1980 wave targeted banks with deposits exceeding ₹200 crore (not ₹100 crore), making statement 3 incorrect. The 1969 threshold was ₹50 crore in demand and time liabilities.

Q27. Analyze these statements concerning economic sector dynamics: (1) The secondary sector processes raw inputs from the primary sector into finished industrial products. (2) Tourism, hospitality, and banking are categorized under the Quaternary sector. (3) The Quinary sector includes top-level executive decisions made by heads of state, central bank governors, and corporate boards. (4) As an economy advances, there is typically a structural shift in output and employment share away from agriculture toward services. Which options accurately reflect structural economic sector realities?

A) 1, 2, and 3 only
B) 2 and 4 only
C) 1, 3, and 4 only
D) 1 and 2 only

Correct Answer: C

Statements 1, 3, and 4 are correct. Statement 2 is incorrect — tourism, hospitality, and banking belong to the Tertiary (service) sector, not the Quaternary sector.

Q28. Review the following assertions concerning Foreign Direct Investment (FDI) paths into India: (1) Greenfield FDI brings fresh capital and adds directly to the physical capital stock. (2) Brownfield investments involve acquiring existing facilities. (3) Automatic Route FDI requires prior regulatory clearance from FIPB. (4) Total foreign investment limits in key sectors like telecommunications have been expanded to 100% under the automatic route. Which combinations are correct?

A) 1, 2, and 4 only
B) 2 and 3 only
C) 1 and 3 only
D) 1, 2, 3, and 4

Correct Answer: A

Statements 1, 2, and 4 are correct. Statement 3 is incorrect — Automatic Route FDI does NOT require prior regulatory clearance; it is the Government/Approval Route that requires prior clearance. FIPB was abolished in 2017.

Q29. Examine the following statements about liquidity measures: (1) M1 is highly liquid and is often termed 'Narrow Money.' (2) M4 is the most liquid broad monetary aggregate. (3) Post office savings bank deposits are included in M2 but excluded from M1. (4) The money multiplier effect expands broad money when commercial banks increase credit through fractional reserve lending. Which analytical observations are true?

A) 1, 2, and 3 only
B) 1, 3, and 4 only
C) 2 and 4 only
D) 1 and 4 only

Correct Answer: B
Statements 1, 3, and 4 are correct. Statement 2 is incorrect — M4 is the broadest (most illiquid) monetary aggregate, not the most liquid. M1 is the most liquid aggregate.

Q30. Consider aspects of Keynes' Liquidity Preference Theory: (1) The transaction demand for money is determined primarily by an individual's level of income. (2) The precautionary demand for cash changes inversely with market equity performance. (3) The speculative demand for money shares an inverse relationship with the prevailing market rate of interest. (4) When interest rates drop to historic lows, the speculative demand for cash becomes perfectly elastic, creating a 'Liquidity Trap.' Which options are correct?

A) 1, 2, and 3 only
B) 3 and 4 only
C) 1, 3, and 4 only
D) 1 and 2 only

Correct Answer: C
Statements 1, 3, and 4 are correct. Statement 2 is incorrect — Precautionary demand is driven by uncertainty about future needs and income variability, not by equity market performance.

Q31. Identify the necessary economic conditions for a consumer product to qualify as a Giffen good: (1) The good must be an inferior good with limited close substitutes. (2) The item must form a substantial proportion of the consumer's total basic consumption budget. (3) A price reduction triggers a major increase in its consumption. (4) The positive substitution effect of a price hike must be weaker than the negative income effect. Choose the correct option:

A) 1, 2, and 4 only
B) 1 and 3 only
C) 2 and 3 only
D) 1, 2, 3, and 4

Correct Answer: A
Conditions 1, 2, and 4 are correct. Condition 3 is incorrect — for a Giffen good, a price INCREASE (not decrease) leads to higher demand. When price falls, demand falls (inverse of normal Giffen behavior).

Q32. Review these statements regarding CSR frameworks under Indian corporate law: (1) Corporate entities meeting statutory criteria must create a CSR committee comprising at least three board directors including at least one independent director. (2) Errant corporate units failing to transfer unspent CSR funds face financial penalties. (3) Spending on general business advertisements or employee training can be labeled as CSR compliance outlays. (4) Eligible activities include eradicating hunger, promoting rural education, healthcare, and environmental conservation projects. Which statements are correct?

A) 1 and 4 only
B) 1, 2, and 4 only
C) 2 and 3 only
D) 1, 2, 3, and 4

Correct Answer: B

Statements 1, 2, and 4 are correct. Statement 3 is incorrect — CSR expenditure explicitly excludes activities done in the normal course of business, employee benefit programmes, and general advertising.

Q33. Which of the following items are excluded from the formal calculation of a nation's GDP? (1) Unpaid domestic labor and household services. (2) Government financial outlays for old-age pensions and student scholarships (transfer payments). (3) Profits generated by a domestic firm operating a production plant overseas. (4) The market value of newly constructed commercial office real estate. Select the correct combination:

A) 1 and 2 only
B) 1, 2, and 3 only
C) 3 and 4 only
D) 1, 2, 3, and 4

Correct Answer: B

Items 1, 2, and 3 are excluded from GDP: unpaid domestic labor (non-market), transfer payments (not production), and overseas profits of domestic firms (GDP covers domestic territory). New construction (item 4) IS included in GDP as investment.

Q34. Examine comparative statements about different economic systems: (1) In a command socialist economy, resource distribution, production, and prices are determined by central planning. (2) Capitalist economies rely on Adam Smith's 'invisible hand' to coordinate supply and demand. (3) India's mixed economy involved state control over strategic sectors through licensing while allowing a private sector. (4) Mixed economies completely eliminate business cycle fluctuations and structural inflation. Which combinations are true?

A) 1, 2, and 3 only
B) 2 and 4 only
C) 1 and 3 only
D) 1, 2, 3, and 4

Correct Answer: A

Statements 1, 2, and 3 are correct. Statement 4 is incorrect — mixed economies do NOT eliminate business cycles or inflation; they moderate them through government intervention but cannot fully eliminate them.

Q35. Analyze statements regarding the GDP Deflator and standard price indexes: (1) The GDP Deflator reflects the prices of all goods and services produced domestically. (2) The CPI tracks price changes in a fixed basket of goods purchased by typical urban and rural households. (3) Imported consumer goods are included directly in calculations of the domestic GDP Deflator. (4) The GDP Deflator allows the weightings to change automatically over time as consumption patterns shift. Select the correct combination:

A) 1, 2, and 3 only
B) 1, 2, and 4 only
C) 3 and 4 only
D) 1 and 4 only

Correct Answer: B

Statements 1, 2, and 4 are correct. Statement 3 is incorrect — imported goods are NOT included in the GDP Deflator because GDP measures only domestically produced goods and services.

Q36. [Case Study] An economy has: Private Consumption (C) = ₹6,000 Cr; Gross Investment (I) = ₹2,500 Cr; Government Outlays (G) = ₹1,800 Cr; Exports (X) = ₹1,200 Cr; Imports (M) = ₹1,500 Cr; Depreciation = ₹400 Cr; NFIA = (-)₹200 Cr; Nominal GDP = ₹11,000 Cr.
Based on the expenditure approach data, what is the computed Gross Domestic Product at Market Price (GDPMP)?

A) ₹11,500 Crore
B) ₹10,000 Crore
C) ₹11,200 Crore
D) ₹9,800 Crore

Correct Answer: B
GDP = C + I + G + (X - M) = 6,000 + 2,500 + 1,800 + (1,200 - 1,500) = 6,000 + 2,500 + 1,800 - 300 = ₹10,000 Crore.

Q37. [Case Study - Same data as Q36] What is the valuation of the Net Domestic Product (NDP) at Market Price?

A) ₹9,600 Crore
B) ₹10,400 Crore
C) ₹9,400 Crore
D) ₹10,000 Crore

Correct Answer: A
NDP = GDP − Depreciation = ₹10,000 − ₹400 = ₹9,600 Crore.

Q38. [Case Study - Same data as Q36] Calculate the country's Gross National Product (GNP) at Market Price:

A) ₹10,200 Crore
B) ₹9,800 Crore
C) ₹10,000 Crore
D) ₹9,600 Crore

Correct Answer: B
GNP = GDP + NFIA = ₹10,000 + (−₹200) = ₹9,800 Crore.

Q39. [Case Study - Same data as Q36] Given that the GDPMP via expenditures is the Real GDP baseline and Nominal GDP is ₹11,000 Crore, what is the value of the GDP Deflator index?

A) 90.90
B) 105.50
C) 110.00
D) 120.00

Correct Answer: C
GDP Deflator = (Nominal GDP / Real GDP) × 100 = (11,000 / 10,000) × 100 = 110.00.

Q40. [Case Study - Same data as Q36] If the central bank notes that the GDP deflator has risen from 100 (base year) to 110, what structural shift does this reveal about the economy?

A) Real industrial production expanded by exactly 10%, while price levels remained static.
B) The overall price level of domestically produced goods and services

increased by 10%.
C) Aggregate employment fell by 10% due to capital asset depreciation.
D) The net export trade deficit narrowed by 10%.

Correct Answer: B

A GDP Deflator rising from 100 to 110 indicates a 10% increase in the overall price level of domestically produced goods and services — i.e., a 10% inflation rate in the economy.

Q41. [Case Study] Vedic Systems Ltd. recently bought an existing shipping hub and warehouse facility in Chennai from an overseas maritime operator for ₹450 Crore. The acquisition of this existing facility is classified under which foreign investment category?

A) Greenfield FDI
B) Portfolio Investment Diversification
C) Brownfield FDI
D) Sovereign Asset Divestment

Correct Answer: C

Brownfield FDI involves acquisition of an existing facility rather than building a new one. Buying an existing shipping hub qualifies as Brownfield investment.

Q42. [Case Study - Vedic Systems Ltd.] Given a net profit of ₹8 Crore and annual turnover of ₹650 Crore, is Vedic Systems Ltd. legally obligated to formulate a CSR policy under Section 135 of the Companies Act?

A) No, because its annual turnover is below the ₹1,000 Crore threshold.
B) Yes, because its net profit exceeded the statutory threshold of ₹5 Crore during the financial year.
C) No, because both turnover and net profit criteria must be met simultaneously.
D) Yes, but only if its net worth exceeds ₹1,000 Crore.

Correct Answer: B

Section 135 of the Companies Act uses an 'OR' condition — meeting ANY one threshold (net worth ≥ ₹500 cr, turnover ≥ ₹1,000 cr, or net profit ≥ ₹5 cr) triggers CSR obligation. Net profit of ₹8 cr exceeds ₹5 cr threshold.

Q43. [Case Study - Vedic Systems Ltd.] The newly established AI and data science analytics division in Lucknow operates in which sector of the economy?

A) Primary Sector
B) Secondary Sector
C) Tertiary Sector
D) Quaternary Sector

Correct Answer: D

The Quaternary sector consists of knowledge-based services including research, information technology, artificial intelligence, and data analytics activities.

Q44. [Case Study - Vedic Systems Ltd.] If Vedic Systems recorded average net profits of ₹6 Crore over the three immediately preceding financial years, what is its minimum annual statutory expenditure obligation for CSR projects?

A) ₹12 Lakh
B) ₹18 Lakh
C) ₹5 Lakh
D) ₹24 Lakh

Correct Answer: A

Minimum CSR spend = 2% of average net profit = 2% × ₹6 Crore = ₹12 Lakh.

Q45. [Case Study - Vedic Systems Ltd.] If the board decides to delay investing the unspent CSR budget for an ongoing project, how long do they have to move those funds into a specialized 'Unspent CSR Account' at a scheduled bank?

A) Within 7 days from the close of the financial year.
B) Within 30 days from the close of the financial year.
C) Within 90 days from the date of the annual general audit meeting.
D) Exactly 12 months from the date the project started.

Correct Answer: B

Under the Companies (CSR Policy) Amendment Rules, 2021, unspent CSR amounts related to ongoing projects must be transferred to the Unspent CSR Account within 30 days of the end of the financial year.

Q46. [Case Study] Trend 1: Due to a sudden increase in cost of basic grains, lower-income households spend a larger portion of daily wages on coarse grains while cutting back higher-quality foods. This behavior is an example of what type of good?

A) Veblen Good
B) Normal Good
C) Giffen Good
D) Complementary Good

Correct Answer: C

The behavior — increasing consumption of a cheaper inferior good despite rising prices due to severe income constraint — is the defining characteristic of a Giffen good.

Q47. [Case Study] Trend 2: Market interest rates have fallen to 2.25% historic lows. Investors are holding cash instead of buying bonds, expecting interest rates to rise in future. This illustrates which macroeconomic concept?

A) The Crowding-Out Effect
B) A Liquidity Trap
C) Stagflation
D) Capital Flight

Correct Answer: B

A Liquidity Trap occurs when interest rates are so low that monetary policy becomes ineffective — investors hoard cash expecting future rate increases (bond price decreases), making the speculative demand for money perfectly elastic.

Q48. [Case Study] The study of individual consumer choices regarding specific food products (Trend 1) and specific investor behavior regarding bond portfolios (Trend 2) falls under which branch of economics?

A) Macroeconomics
B) Microeconomics
C) Econometrics
D) Development Economics

Correct Answer: B

Microeconomics studies individual economic agents — consumers, firms, and investors — and their decision-making regarding specific goods, services, and assets.

Q49. [Case Study - Trend 2 Liquidity Trap] In a Liquidity Trap, the speculative demand for money curve becomes:

A) Perfectly Inelastic
B) Unitary Elastic
C) Perfectly Elastic
D) Negatively Sloped

Correct Answer: C

In a Liquidity Trap, the speculative demand for money becomes perfectly elastic (horizontal) at very low interest rates — any further fall in interest rates does not reduce money demand as everyone prefers holding cash.

Q50. [Case Study - Trend 2] Which specific motive from Keynesian theory explains why investors hold liquid cash when they expect asset prices to drop?

A) Transaction motive
B) Precautionary motive
C) Speculative motive
D) Operational motive

Correct Answer: C

The Speculative motive drives investors to hold cash when they expect bond prices to fall (interest rates to rise), allowing them to buy bonds cheaply later at a more favorable price.

Q51. As per current norms, the maximum FDI allowed in the insurance sector in India is:

A) 49%
B) 74%
C) 100%
D) 26%

Correct Answer: C

As per the Insurance Amendment Act 2021, the FDI limit in the insurance sector in India was raised to 100%, up from the earlier cap of 74%, subject to conditions prescribed by IRDAI.

Q52. Consider the following statements regarding the Central Board of Directors of the Reserve Bank of India: (1) The Central Government may issue directions to the Central Board in public interest after consultation with the Governor. (2) Four directors are nominated by the Central Government, one each from the Local Boards. (3) The directors nominated from Local Boards hold office for a fixed term of four years irrespective of their Local Board membership. (4) The Governor and Deputy Governors are whole-time officials of RBI. Which of the above statements are correct?

A) Only 1, 2 and 4
B) Only 1 and 3
C) Only 2 and 4
D) All are correct

Correct Answer: A

Statements 1, 2, and 4 are correct. Statement 3 is incorrect — directors nominated from Local Boards hold office for a term of four years but their tenure may be linked to their membership of the Local Board.

Q53. An investor analyses: Bond P (15-year maturity, 6% coupon), Bond Q (15-year maturity, 10% coupon), Bond R (5-year maturity, 6% coupon). Interest rates in the market suddenly increase. Which observation is MOST likely correct?

A) Bond Q will show more price sensitivity than Bond P because of higher coupon.
B) Bond R will be more sensitive to interest rate changes than Bond P because of shorter maturity.
C) Bond prices and interest rates move in the same direction.
D) Bond P will show greater price fall than Bond Q because lower coupon

bonds are more price sensitive.

Correct Answer: D

Lower coupon bonds have greater duration and thus higher price sensitivity to interest rate changes. Bond P (6% coupon) is more price-sensitive than Bond Q (10% coupon) for the same maturity. Bond prices and yields move inversely.

Q54. Which of the following statements is correct regarding the EASE agenda in banking reforms?

A) EASE was introduced for private sector banks only.
B) EASE aims to improve performance and service excellence in Public Sector Banks.
C) EASE was introduced to increase the number of PSU banks.
D) EASE focuses only on foreign exchange operations.

Correct Answer: B

EASE (Enhanced Access and Service Excellence) is a reform agenda introduced by the Indian Banks' Association for Public Sector Banks (PSBs) to improve their performance, governance, and customer service.

Q55. Which of the following statements regarding the Central Board of the Reserve Bank of India is correct?

A) The Governor is appointed for a term exceeding 10 years.
B) The Central Government cannot issue directions to RBI.
C) The Governor and Deputy Governors are whole-time officials of RBI.
D) All directors of the Central Board are elected.

Correct Answer: C

Under Section 8 of the RBI Act, 1934, the Governor and Deputy Governors are whole-time officials of the RBI. The Governor's term is typically 3 years and directors are nominated, not elected.

Q56. Regarding Monitoring Agency under SEBI guidelines: (1) Appointment of Monitoring Agency is mandatory for public issues exceeding ₹500 crore. (2) Only Financial Institutions are permitted to act as Monitoring Agencies. (3) Monitoring Agency submits quarterly reports to RBI. (4) Monitoring Agency tracks utilisation of issue proceeds and project implementation. Which statements are correct?

A) Only 1 and 2
B) Only 1, 2 and 4
C) Only 2 and 3
D) All are correct

Correct Answer: B

Statements 1, 2, and 4 are correct. Statement 3 is incorrect — the Monitoring Agency submits quarterly reports to the audit committee of the issuer, not to RBI.

Q57. Consider the following statements regarding Primary Dealership (PD) business: (1) A bank undertaking PD business departmentally must register with RBI (DNBR). (2) Standalone Primary Dealers are registered as NBFCs. (3) Banks applying for PD business should first approach IDMD directly for in-principle approval. Which statement(s) is/are correct?

A) Only 1
B) Only 2

C) Only 3
D) 1 and 3 only

Correct Answer: B

Only statement 2 is correct — Standalone Primary Dealers are indeed registered as NBFCs with RBI. Statement 1 is incorrect (banks register with IDMD, not DNBR). Statement 3 is incorrect (banks apply through DBR for in-principle approval).

Q58. Which of the following bonds will have the highest price sensitivity to interest rate changes?

A) Long-term bond with low coupon
B) Long-term bond with high coupon
C) Short-term bond with high coupon
D) Short-term bond with low coupon

Correct Answer: A

Bond price sensitivity (duration) increases with longer maturity and lower coupon rate. A long-term bond with a low coupon has the highest duration and therefore the greatest price sensitivity to interest rate changes.

Q59. Regarding the EASE reforms agenda for Public Sector Banks: (1) EASE was introduced exclusively for private sector banks. (2) EASE reforms began after PSB Manthan held in 2021. (3) EASE Banking Reforms Index measures performance of PSBs on only 20 parameters. (4) EASE focuses mainly on reducing rural banking branches. Which statements are correct?

A) Only 1 and 2
B) Only 2 and 3
C) Only 3 and 4
D) None of the above

Correct Answer: D

None of the statements is correct. EASE is for PSBs (not private), it began after PSB Manthan in 2018, it covers multiple parameters (not 20), and it does not focus on reducing rural branches.

Q60. Which of the following is a minimum eligibility criterion for a bank to undertake Primary Dealership (PD) business?

A) Minimum CRAR of 5%
B) Net NPAs more than 5%
C) Minimum Net Owned Fund of ₹1,000 crore
D) Losses in the last three years

Correct Answer: C

RBI mandates that banks undertaking PD business must have a minimum Net Owned Fund of ₹1,000 crore, adequate capital ratios (CRAR ≥ 9%), and must not have suffered losses in the past three years.

Q61. Sunrise Finance Ltd. approached XYZ Bank for a large term loan. A CIC could not find details of certain past borrowings from another NBFC. Following a committee's recommendations, RBI issued fresh guidelines to improve credit data sharing. In this context, which statement(s) is/are correct? (1) Earlier, incomplete borrower information arose because CICs could access data only from their member institutions. (2) RBI later directed all banks and eligible financial institutions to become

members of all CICs. (3) The committee that recommended these changes was headed by Aditya Puri. (4) CICs are now free to determine membership fees without RBI restrictions.

A) 1, 2 and 3 only
B) 1 and 2 only
C) 2 and 4 only
D) 1, 3 and 4 only

Correct Answer: B

Statements 1 and 2 are correct. The committee was headed by M. Rajeshwar Rao (not Aditya Puri), and RBI now regulates/caps CIC membership fees — so statements 3 and 4 are incorrect.

Q62. Consider the following statements regarding Exempted Funds under EPFO substitute schemes: (1) Exempted Funds can be set up without approval from EPFO if employees agree to participate. (2) Employers and employees may contribute at rates lower than EPFO contribution rates. (3) Trustees of Exempted Funds can invest up to 50% of assets in private sector bonds since 1998. Which statement(s) is/are correct?

A) 1 only
B) 2 and 3 only
C) 1 and 3 only
D) None of the above

Correct Answer: D

All three statements are incorrect. Exempted Funds require EPFO approval (not just employee consent). Contribution rates must be at least equal to EPFO rates (not lower). Trustees follow government investment guidelines which limit private sector bond investment to prescribed limits.

Q63. Primary Dealers can borrow up to what percentage under Call Money Market regulations?

A) 150%
B) 225%
C) 300%
D) 100%

Correct Answer: C

As per RBI guidelines, Primary Dealers (PDs) can borrow up to 300% of their net owned funds from the Call Money Market.

Q64. Under a Hire Purchase Agreement, identify the statement that does NOT align with the usual features of the arrangement:

A) The hirer gets possession of goods immediately after the agreement is executed.
B) The owner has the right to repossess the goods in case of non-payment of installments.
C) Transfer of ownership generally takes place only after payment of the final installment.
D) The agreement necessarily requires a very large compulsory upfront payment in all cases.

Correct Answer: D

Option D does NOT align with hire purchase features. While a down payment may be required, there is no universal rule mandating a 'very large compulsory upfront payment in all cases.' The hirer typically pays a reasonable initial deposit.

Q65. Arrange the following stock exchanges in the correct chronological order of their establishment: (1) NSE IFSC Ltd, (2) OTCEI, (3) Bombay Stock Exchange (BSE), (4) India International Exchange (India INX)

A) 3 → 2 → 1 → 4
B) 2 → 3 → 4 → 1
C) 3 → 1 → 2 → 4
D) 2 → 1 → 3 → 4

Correct Answer: A

BSE was established in 1875, OTCEI in 1990, India INX in 2017, and NSE IFSC Ltd in 2017 (though INX was earlier in 2017). The correct order is BSE (1875) → OTCEI (1990) → India INX (Jan 2017) → NSE IFSC (Nov 2017).

Q66. SOFR is mainly used as a replacement for which benchmark interest rate?

A) Repo Rate
B) MCLR
C) Bank Rate
D) LIBOR

Correct Answer: D

SOFR (Secured Overnight Financing Rate) was developed by the Federal Reserve Bank of New York as the preferred replacement for LIBOR (London Interbank Offered Rate), which was phased out by June 2023.

Q67. Consider the following statements: (1) Green shoe option refers to the option of allotting shares in excess of the shares offered in a public issue for post-listing price stabilization. (2) A Self-certified Syndicate

Bank (SCSB) is any commercial bank that provides loan facilities to IPO investors. (3) Green shoe option is used only before listing of shares and has no role after listing. Which statement(s) is/are correct?

A) 1 only
B) 2 and 3 only
C) 1 and 2 only
D) 1, 2 and 3

Correct Answer: A

Only statement 1 is correct. Statement 2 is incorrect — an SCSB is a bank registered with SEBI that offers ASBA (Application Supported by Blocked Amount) services, not general loans. Statement 3 is incorrect — the Green Shoe Option operates for up to 30 days AFTER listing.

Q68. Consider the following statements regarding Real Estate Investment Trusts (REITs): (1) Sponsors of a REIT are required to hold at least 10% of total units after the initial offer for a minimum period of one year. (2) REITs can invest more than 50% of their assets in under-construction projects. (3) SPVs under REITs are allowed to invest freely in other SPVs. (4) If borrowing of a REIT exceeds 25% of the value of its assets, any further borrowing requires a credit rating. Which statement(s) is/are correct?

A) 1 and 2 only
B) 2 and 3 only
C) 4 only
D) 1, 2 and 3 only

Correct Answer: C

Only statement 4 is correct. Statement 1 is incorrect (sponsor must hold ≥ 15% for 3 years). Statement 2 is incorrect (REITs must invest at least 80% in complete, revenue-generating assets). Statement 3 is incorrect (SPVs cannot invest in other SPVs).

Q69. The Permanent Retirement Account Number (PRAN) issued under NPS consists of:

A) 10-digit unique number
B) 11-digit unique number
C) 12-digit unique number
D) 16-digit unique number

Correct Answer: C

PRAN (Permanent Retirement Account Number) under the National Pension System (NPS) is a 12-digit unique number allotted to each subscriber upon registration.

Q70. Industrial Finance Corporation of India (IFCI) was established in:

A) 1947
B) 1948
C) 1955
D) 1964

Correct Answer: B

The Industrial Finance Corporation of India (IFCI) was established on July 1, 1948 under the Industrial Finance Corporation Act, 1948 as India's first Development Finance Institution (DFI).

Q71. Consider the following statements regarding eligibility conditions for making an IPO: (1) The issuer must have net tangible assets of at least ₹3 crore in each of the preceding three full years. (2) Monetary assets cannot exceed 50% of net tangible assets even when the IPO is entirely through an OFS. (3) If eligibility conditions are not fulfilled, the issuer can still make an IPO through book-building by allotting at least 75% of the net offer to QIBs. (4) For NSE listing, post-issue paid-up equity capital should not be less than ₹5 crore. Which statement(s) is/are correct?

A) 1 and 3 only
B) 1, 2 and 4 only
C) 2 and 3 only
D) 1, 3 and 4 only

Correct Answer: A

Statements 1 and 3 are correct. Statement 2 is incorrect — the 50% monetary assets cap does not apply when the IPO is entirely through OFS. Statement 4 is incorrect — for NSE listing, the post-issue paid-up capital must be at least ₹10 crore.

Q72. SOFR (Secured Overnight Financing Rate) is primarily based on:

A) Unsecured interbank lending transactions
B) Overnight borrowing backed by U.S. Treasury securities
C) Gold reserve transactions
D) Foreign exchange swap transactions

Correct Answer: B

SOFR is a broad measure of the cost of borrowing cash overnight backed by U.S. Treasury securities collateral (i.e., Treasury repos), making it a secured rate unlike the unsecured LIBOR.

Q73. Which department of the Reserve Bank of India gives the final authorisation for banks to undertake Primary Dealership (PD) business departmentally?

A) Department of Banking Regulation (DBR)
B) Internal Debt Management Department (IDMD)
C) Department of Financial Services (DFS)
D) Deposit Insurance and Credit Guarantee Corporation (DICGC)

Correct Answer: B

The Internal Debt Management Department (IDMD) of RBI is responsible for managing government debt and gives final authorisation for banks to undertake Primary Dealer business departmentally.

Q74. OSOWOG means:

A) One Student One World One Goal
B) One Sun One World One Grid
C) One Sector One World One Growth
D) One State One World One Grid

Correct Answer: B

OSOWOG stands for 'One Sun, One World, One Grid' — an initiative to create a globally interconnected solar energy grid for optimally harnessing renewable solar energy across nations.

Q75. With reference to India's commitments at COP26 and its updated NDCs: (1) OSOWOG initiative aims at creating a globally interconnected solar power grid. (2) The 'Plastic Hackathon 2021' was launched to promote recycling without any restriction on single-use plastics. (3) The concept of 'LIFE – Lifestyle for Environment' emphasizes sustainable living. (4) The enhanced NDCs indicate India's intention to delink economic growth from greenhouse gas emission growth. Which statement(s) is/are correct?

A) 1, 3 and 4 only
B) 1 and 2 only
C) 2 and 3 only
D) 1, 2, 3 and 4

Correct Answer: A

Statements 1, 3, and 4 are correct. Statement 2 is incorrect — Plastic Hackathon 2021 promoted innovation to reduce plastic use and was associated with India's single-use plastic restrictions, not a blanket promotion of recycling without restrictions.

Q76. With reference to the National Bank for Financing Infrastructure and Development (NaBFID): (1) NaBFID can accept demand deposits from the public. (2) The primary objective of NaBFID is to provide long-term, non-recourse financing for infrastructure. (3) Under the NaBFID Act, the Central Government's shareholding may be reduced below 26%. (4) NaBFID is the fifth AIFI after EXIM Bank, NABARD, NHB and SIDBI. Which statement(s) is/are correct?

A) 2 and 4 only
B) 1 and 2 only
C) 2, 3 and 4 only
D) 1, 2, 3 and 4

Correct Answer: A

Statements 2 and 4 are correct. Statement 1 is incorrect — NaBFID cannot accept public deposits. Statement 3 is incorrect — Government shareholding cannot be reduced below 26% as per the NaBFID Act.

Q77. With reference to the differences between Factoring and Forfaiting: (1) Factoring suits on-going open account sales; forfaiting suits one-off transactions backed by LCs or bills of exchange. (2) Factoring is medium to long-term; forfaiting is essentially short-term. (3) Factoring may be with or without recourse; forfaiting is generally without recourse. (4) In factoring, all sales are routed through the factor; in forfaiting, transactions are on a deal-to-deal basis. Which statement(s) is/are INCORRECT?

A) 1, 3 and 4 only
B) 1 and 2 only
C) 2 and 3 only
D) 2 only

Correct Answer: D

Only statement 2 is incorrect — Factoring is typically a SHORT-term financing arrangement, while Forfaiting is a MEDIUM to LONG-term arrangement for export receivables. Statements 1, 3, and 4 are all correct.

Q78. The maximum limit up to which the Insurance Ombudsman can award compensation (including relevant expenses, if any) is:

A) ₹10 lakh
B) ₹20 lakh
C) ₹30 lakh
D) ₹50 lakh

Correct Answer: C

The Insurance Ombudsman can award a maximum compensation of ₹30 lakh (inclusive of legal expenses and other charges) to settle disputes between policyholders and insurance companies.

Q79. What is the maximum percentage of equity contribution that a bank acting as sponsor of IDF-NBFC can contribute?

A) 10%
B) 25%
C) 49%
D) 51%

Correct Answer: C

As per RBI guidelines, a bank acting as sponsor of an Infrastructure Debt Fund — Non-Banking Financial Company (IDF-NBFC) can contribute a maximum of 49% of the equity of the IDF-NBFC.

Q80. Consider the following statements regarding reinsurance in India: (1) Mandatory cessions under Section 101A of the Insurance Act, 1938 require insurers to transfer a specified percentage to Indian reinsurers. (2) The General Insurance Corporation (GIC) continues to hold a monopoly on reinsurance in India. (3) Post-liberalisation, private and foreign reinsurers including FRBs and Lloyd's India are allowed to operate in the Indian reinsurance market. Which statement(s) is/are correct?

A) 1 and 3 only
B) 2 and 3 only
C) 1 and 2 only
D) All 1, 2 and 3

Correct Answer: A

Statements 1 and 3 are correct. Statement 2 is incorrect — GIC no longer holds a monopoly; since liberalisation, private and foreign reinsurers including Lloyd's India and Foreign Reinsurers' Branches (FRBs) have been permitted to operate.

Q81. With reference to conditions for commencing business as an NBFC under Section 45-IA of the RBI Act: (1) An NBFC can commence business without obtaining a Certificate of Registration (CoR) from RBI if it has sufficient capital. (2) An NBFC is required to have a minimum Net Owned Fund of ₹5 crore to be eligible for registration. Which statement(s) is/are correct?

A) 1 only
B) 2 only
C) Both 1 and 2
D) Neither 1 nor 2

Correct Answer: D

Neither statement is correct. Statement 1 is incorrect — ALL NBFCs must obtain a CoR from RBI before commencing business, regardless of capital sufficiency. Statement 2 is incorrect — the minimum Net Owned Fund for most NBFCs is ₹10 crore (revised upward), not ₹5 crore.

Q82. ABC Ltd. plans to set up a TReDS platform with paid-up equity capital of ₹20 crore, a foreign investor holding 15% equity, one non-promoter institutional investor holding 12% equity, and the platform will not assume any credit risk. Based on RBI guidelines for setting up TReDS, which is the most appropriate conclusion?

A) The proposal is acceptable as foreign shareholding is allowed and promoters are financially sound.
B) The proposal is not acceptable because paid-up capital is below the prescribed minimum and non-promoter shareholding exceeds the permitted limit.
C) The proposal is not acceptable because foreign investment is not allowed in TReDS.
D) The proposal is acceptable as long as the platform does not assume any credit risk.

Correct Answer: B

RBI requires TReDS operators to have a minimum paid-up capital of ₹25 crore (₹20 crore is insufficient) and non-promoter single entity shareholding should not exceed 10% (12% exceeds this limit), making the proposal unacceptable.

Q83. The EASE (Enhanced Access and Service Excellence) agenda was launched for calibrating the performance and fostering competition among which category of banks?

A) Private Sector Banks
B) Regional Rural Banks
C) Public Sector Banks
D) Co-operative Banks

Correct Answer: C

EASE was launched by the Government of India and IBA for Public Sector Banks (PSBs) to benchmark their performance across key reform themes and drive service excellence and governance improvements.

Q84. With reference to Prime Minister Jeevan Jyoti Bima Yojana (PMJJBY): (1) The scheme provides a life cover of ₹2 lakh for one year from 1st June to 31st May, renewable annually for persons aged 18 to 50 years. (2) The life cover under PMJJBY continues up to the age of 60 years, provided premium is regularly paid and the bank account remains operative. Which statement(s) is/are correct?

A) 1 only
B) 2 only
C) Both 1 and 2
D) Neither 1 nor 2

Correct Answer: C

Both statements are correct. PMJJBY covers persons aged 18-50 years with ₹2 lakh life cover annually from June 1 to May 31. A subscriber can continue until age 60 by paying annual premium, as long as the savings account is active.

Q85. Appointment of a Monitoring Agency is mandatory for a public issue if the issue size is:

A) More than ₹100 crore
B) More than ₹250 crore
C) More than ₹350 crore
D) More than ₹500 crore

Correct Answer: D

As per SEBI (ICDR) Regulations, appointment of a Monitoring Agency is mandatory when the issue size (fresh issue component) exceeds ₹500 crore.

Q86. Under which sections of the respective Acts are the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) governed?

A) CRR - Section 42 of RBI Act; SLR - Section 24 of Banking Regulation (BR) Act
B) CRR - Section 24 of BR Act; SLR - Section 42 of RBI Act
C) CRR - Section 42 of RBI Act; SLR - Section 18 of RBI Act
D) CRR - Section 24 of RBI Act; SLR - Section 42 of BR Act

Correct Answer: A

CRR is governed under Section 42 of the Reserve Bank of India Act, 1934, while SLR is governed under Section 24 of the Banking Regulation Act, 1949.

Q87. Narrow Banking in the context of NBFCs refers to:

A) Providing only agricultural loans
B) Investing funds primarily in safe and liquid assets
C) Offering only long-term loans to industries

D) Focusing on foreign exchange transactions

Correct Answer: B

Narrow Banking refers to a model where financial institutions invest funds primarily in safe, liquid, low-risk assets like government securities, rather than in risky credit expansion activities.

Q88. Consider the following statements regarding a Command Economy: (1) In a command economy, the government owns most of the means of production such as land and capital. (2) The private sector has significant control over production and distribution decisions. (3) In a command economy, the government plays a major role in deciding how goods and services are distributed. Which statement(s) is/are INCORRECT?

A) Only 1 and 2
B) Only 1 and 3
C) Only 2 and 3
D) 2 only

Correct Answer: D

Only statement 2 is incorrect. In a Command Economy, the GOVERNMENT (not the private sector) controls production and distribution decisions. Statements 1 and 3 are correct descriptions of a command economy.

Q89. Which committee is credited with recommending the creation of venture capital in India?

A) Narasimham Committee (1991)
B) Padmanabhan Committee (1996)
C) Bhatt Committee (1972)
D) Verma Committee (1998)

Correct Answer: C

The Bhatt Committee (1972), formally known as the Committee on Development of Small and Medium Enterprises, is credited with first recommending the creation of venture capital institutions in India.

Q90. With reference to NaBFID: (1) NaBFID has been established as a Development Financial Institution to provide long-term financing for infrastructure with both developmental and financial objectives. (2) NaBFID, like commercial banks, is permitted to accept deposits from the general public, and the Government's shareholding cannot be reduced below 51%. Which statement(s) is/are correct?

A) 1 only
B) 2 only
C) Both 1 and 2
D) Neither 1 nor 2

Correct Answer: A

Only statement 1 is correct. Statement 2 is incorrect on two counts: NaBFID cannot accept public deposits, and the Government's minimum shareholding threshold is 26% (not 51%) under the NaBFID Act.

Q91. Which of the following statements correctly identifies the model under which Self Help Groups are promoted by NGOs but are directly financed by banks, without NGOs acting as financial intermediaries?

A) Model II – NABARD–Bank–SHG (NGO as facilitating agency)
B) Model I – NABARD–Bank–SHG
C) Model III – NABARD–Bank–NGO–SHG (NGO as financial intermediary)
D) Both Model I and Model III

Correct Answer: A

Under Model II of the SHG-Bank Linkage Programme, NGOs play only a facilitative/promotional role (not financial), while banks directly finance the SHGs. NGOs promote and guide SHGs but do not intermediate the funds.

Q92. With reference to the recommendations of the Malegam Committee on Microfinance, which is the INCORRECT statement?

A) The Committee recommended creation of a separate category of NBFCs to be designated as NBFC-MFIs with norms for qualifying assets and capital adequacy.
B) The Committee opposed any ceiling on interest rates and margin caps, permitting MFIs to determine lending rates freely.
C) The Committee emphasized transparency in interest charges, regulation of recovery practices, prevention of multiple lending and establishment of a grievance redressal mechanism.
D) None of the above

Correct Answer: B

Statement B is incorrect. The Malegam Committee actually RECOMMENDED margin caps and interest rate ceilings for NBFC-MFIs, not the opposite. The Committee proposed specific limits on interest rates and margins to protect microfinance borrowers.

Q93. Choose the correct statement(s) about the Export-Import Bank of India (Exim Bank): (1) Exim Bank was established in terms of the Export-Import Bank Act, 1981 and commenced operations in March 1982. (2) The Bank is wholly owned by the RBI and was set up for financing, facilitating, and promoting foreign trade in India. (3) The Bank provides 360-degree support to export-oriented units, catering to long-term loan requirements.

A) 1 only
B) 2 only
C) 1 & 3
D) All of the above

Correct Answer: C

Statements 1 and 3 are correct. Statement 2 is incorrect — Exim Bank is wholly owned by the GOVERNMENT OF INDIA (not RBI). The Government of India holds 100% of Exim Bank's equity.

Q94. Choose the INCORRECT statement(s) about life insurance and pension products: (1) Life insurance protects from premature death; pension products address the risk of living too long with inadequate resources. (2) Vesting stage: When one pays a specific amount regularly until the person's retirement. (3) Accumulation stage: Once the individual retires, he gets a steady flow of income for the rest of his life.

A) 1 & 2

B) 1 & 3
C) 2 & 3
D) Only 1

Correct Answer: C

Statements 2 and 3 are incorrect — the terms are reversed. The ACCUMULATION stage is when premiums are paid regularly until retirement (building up the corpus). The VESTING stage is when the individual retires and receives annuity/pension income.

Q95. Consider the following statements regarding Urban Cooperative Banks (UCBs): (1) UCBs are included in the Second Schedule of the RBI Act, 1934 if their NDTL is at least ₹500 crore. (2) RBI regulates both banking and managerial aspects of UCBs. (3) Multi-State UCBs operate in more than one state. Which statement(s) is/are correct?

A) 1 and 2 only
B) 2 and 3 only
C) 1 and 3 only
D) 3 only

Correct Answer: D

Only statement 3 is correct. Statement 1 is incorrect — inclusion in Second Schedule depends on paid-up capital and reserves meeting RBI criteria, not NDTL threshold alone. Statement 2 is incorrect — UCBs have dual regulation (RBI for banking; Registrar of Cooperative Societies for managerial/administrative aspects).

Q96. Which of the following bond theorems is NOT correct?

A) The price of a bond is inversely related to the change in interest rate.
B) The increase in the price of a bond when the interest rate goes down by a certain percentage, is greater than the decrease in its price when the interest rate goes up by the same percentage.
C) Longer the term to maturity of a bond, lower will be its price sensitivity.
D) Between two bonds of same maturity but different coupons, the bond with the lower coupon will experience more price sensitivity than the one with higher coupon.

Correct Answer: C

Option C is the incorrect theorem. The correct principle is the OPPOSITE: longer the term to maturity, the HIGHER (not lower) the price sensitivity to interest rate changes, as more cash flows are discounted over a longer period.

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