Set-1: recruitment of probationary officers: General Awareness / Economy/ Banking Knowledge

1	The Reserve Bank of India was established in which year?	1930	1935	1947	1949	1926	**(b) 1935**	RBI commenced operations on 1 April 1935.
2	The RBI was established under which Act?	Banking Regulation Act, 1949	RBI Act, 1934	Companies Act, 1913	Government of India Act, 1935	Negotiable Instruments Act, 1881	**(b) RBI Act, 1934**	RBI functions under the Reserve Bank of India Act, 1934.
3	The RBI was nationalised in which year?	1935	1947	1949	1955	1969	**(c) 1949**	RBI was nationalised on 1 January 1949; fully owned by Government of India since then.
4	The headquarters of the RBI is located in:	New Delhi	Kolkata	Mumbai	Chennai	Nagpur	**(c) Mumbai**	RBI headquarters is at Mint Road, Mumbai.
5	The RBI was originally headquartered in which city before moving to Mumbai in 1937?	New Delhi	Kolkata	Kanpur	Lahore	Shimla	**(b) Kolkata**	RBI's first central office was in Kolkata; it shifted permanently to Mumbai in 1937.
6	Who was the first Governor of the RBI?	C D Deshmukh	Osborne Smith	James Braid Taylor	Benegal Rama Rau	John Mathai	**(b) Osborne Smith**	Sir Osborne Smith was the first Governor (1935-37).
7	Who was the first Indian Governor of the RBI?	C D Deshmukh	K G Ambegaonkar	H V R Iyengar	B Rama Rau	L K Jha	**(a) C D Deshmukh**	C D Deshmukh became the first Indian Governor in 1943; later Union Finance Minister.
8	The design of the RBI was based on recommendations of which commission?	Hilton Young Commission	Chamberlain Commission	Fowler Committee	Herschell Committee	Macmillan Committee	**(a) Hilton Young Commission**	Hilton Young Commission (Royal Commission on Indian Currency and Finance, 1926) recommended a central bank for India.
9	Monetary policy in India is decided by which body?	Finance Ministry	Monetary Policy Committee	NITI Aayog	SEBI Board	Cabinet Committee on Economic Affairs	**(b) Monetary Policy Committee**	Since 2016, the six-member MPC decides the policy repo rate by majority vote.
10	How many members are there in the Monetary Policy Committee (MPC)?	4	5	6	8	7	**(c) 6**	MPC has 6 members: Governor, Deputy Governor (monetary policy), one RBI officer and three external members.

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11	The MPC was constituted under which amendment/framework?	Banking Regulation (Amendment) Act	Finance Act, 2016 amending the RBI Act, 1934	FRBM Act, 2003	Companies Act, 2013	Payment and Settlement Systems Act, 2007	**(b) Finance Act, 2016 amending the RBI Act, 1934**	The Finance Act, 2016 amended the RBI Act, 1934 to create the statutory MPC.
12	Under the flexible inflation targeting framework, the CPI inflation target for RBI is:	2 percent with a band of +/- 1 percent	4 percent with a band of +/- 2 percent	5 percent with a band of +/- 1 percent	6 percent fixed	3 percent with a band of +/- 1 percent	**(b) 4 percent with a band of +/- 2 percent**	The notified target is 4 percent CPI inflation with a tolerance band of 2 to 6 percent.
13	Who chairs the Monetary Policy Committee?	Finance Minister	RBI Governor	Deputy Governor in charge of monetary policy	Chief Economic Adviser	Senior-most external member	**(b) RBI Governor**	The RBI Governor chairs the MPC and has a casting vote in case of a tie.
14	How often does the MPC ordinarily meet?	Every month	At least four times a year (in practice bi-monthly)	Once a year	Every week	Every quarter only	**(b) At least four times a year (in practice bi-monthly)**	The RBI Act requires at least four MPC meetings a year; in practice it meets bi-monthly (six times).
15	Repo Rate is the rate at which:	Banks lend to RBI	RBI lends short-term funds to banks against securities	Banks lend to each other	RBI lends to the Government	RBI absorbs surplus funds from banks	**(b) RBI lends short-term funds to banks against securities**	Repo means repurchase: banks borrow short-term from RBI against G-Secs at the repo rate.
16	Reverse Repo Rate is the rate at which:	RBI borrows/absorbs funds from banks	RBI lends to banks	Banks lend to NBFCs	Government borrows from RBI	Rate for long-term loans to the Government	**(a) RBI borrows/absorbs funds from banks**	Reverse repo is the rate at which RBI absorbs surplus liquidity from banks.
17	The Standing Deposit Facility (SDF), introduced in April 2022, allows RBI to absorb liquidity:	With collateral of G-Secs	Without any collateral	Only from foreign banks	Only overnight from primary dealers	Only with gold as collateral	**(b) Without any collateral**	SDF lets banks park surplus funds with RBI overnight without collateral; it replaced fixed reverse repo as the corridor floor.
18	Marginal Standing Facility (MSF) allows banks to borrow from RBI:	At a rate below the repo rate	Overnight, at a rate above the repo rate, by dipping into SLR	Only for 14 days	Interest free	A 90-day refinance facility	**(b) Overnight, at a rate above the repo rate, by dipping into SLR**	MSF is an overnight emergency window priced above the repo rate; banks may dip into SLR holdings up to a limit.

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19	Cash Reserve Ratio (CRR) is maintained by banks as:	Gold with RBI	Cash balances with RBI as a percentage of NDTL	Government securities	Deposits with SBI	Bonds of state governments	**(b) Cash balances with RBI as a percentage of NDTL**	CRR is a percentage of Net Demand and Time Liabilities kept as cash balance with RBI.
20	Statutory Liquidity Ratio (SLR) is maintained in the form of:	Cash with RBI only	Liquid assets such as cash, gold and approved securities	Equity shares	Foreign currency only	Balances kept with NABARD	**(b) Liquid assets such as cash, gold and approved securities**	SLR must be held in liquid assets like cash, gold and approved (mainly government) securities.
21	Banks do NOT earn any interest on which of the following?	SLR securities	CRR balances with RBI	MSF lending	Reverse repo deposits	Call money lending	**(b) CRR balances with RBI**	RBI pays no interest on CRR balances; SLR securities earn coupon interest.
22	Open Market Operations (OMO) refer to:	RBI buying/selling government securities to manage liquidity	Buying shares in the open market	Auction of PSU shares	Foreign exchange swaps only	RBI intervention in equity markets	**(a) RBI buying/selling government securities to manage liquidity**	Through OMO, RBI buys G-Secs to inject liquidity and sells them to absorb liquidity.
23	When RBI wants to reduce inflation, it is most likely to:	Cut the repo rate	Raise the repo rate	Reduce CRR	Buy G-Secs aggressively	Increase WMA limits	**(b) Raise the repo rate**	Raising the repo rate makes credit costlier, cooling demand and inflation.
24	The Liquidity Adjustment Facility (LAF) consists mainly of:	Repo and reverse repo operations	CRR and SLR	Bank rate only	Priority sector norms	Priority sector refinance	**(a) Repo and reverse repo operations**	LAF is the day-to-day liquidity window comprising repo (injection) and reverse repo/SDF (absorption).
25	Bank Rate is the rate at which RBI:	Accepts deposits from banks	Lends long-term funds / discounts bills for banks, aligned with MSF	Lends to state governments only	Buys foreign exchange	Rate on savings deposits	**(b) Lends long-term funds / discounts bills for banks, aligned with MSF**	Bank Rate is the standard long-term/discount rate and is aligned with the MSF rate.
26	The 'policy corridor' in India currently has which rate as its floor?	MSF rate	Bank rate	SDF rate	Repo rate	Reverse repo rate	**(c) SDF rate**	SDF forms the floor and MSF the ceiling of the policy corridor, with repo in between.

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27	Which function is NOT performed by RBI?	Banker to the Government	Issuer of currency notes	Accepting deposits directly from the general public	Lender of last resort	Managing foreign exchange reserves	**(c) Accepting deposits directly from the general public**	RBI is a banker to banks and the Government; it does not accept deposits from the general public.
28	Currency notes of Rs 2 and above are issued by RBI under which system?	Proportional reserve system	Minimum Reserve System	Full gold backing	Currency board system	Fixed fiduciary system	**(b) Minimum Reserve System**	Since 1956 India follows the Minimum Reserve System for note issue.
29	Under the Minimum Reserve System, RBI maintains minimum reserves of:	Rs 500 crore, of which Rs 115 crore in gold	Rs 200 crore, of which Rs 115 crore in gold	Rs 1000 crore in gold only	Rs 350 crore in foreign securities	Rs 115 crore, all in gold	**(b) Rs 200 crore, of which Rs 115 crore in gold**	RBI keeps minimum reserves of Rs 200 crore, of which Rs 115 crore must be gold.
30	The one rupee note bears the signature of:	RBI Governor	Finance Secretary, Government of India	President of India	Finance Minister	Deputy Governor, RBI	**(b) Finance Secretary, Government of India**	The Re 1 note is issued by the Government of India and signed by the Finance Secretary; all other notes are signed by the RBI Governor.
31	Coins in India are minted under the authority of:	RBI Act, 1934	Coinage Act, 2011 (Government of India)	Banking Regulation Act	Currency Ordinance, 1940	SBI Act, 1955	**(b) Coinage Act, 2011 (Government of India)**	Coins are minted by the Government of India under the Coinage Act, 2011; RBI only distributes them.
32	Ways and Means Advances (WMA) are given by RBI to:	Commercial banks	Central and State Governments to meet temporary mismatches	NBFCs	Exporters	Primary dealers	**(b) Central and State Governments to meet temporary mismatches**	WMA are temporary advances by RBI to the Centre and States to bridge cash-flow mismatches.
33	The RBI publishes its Financial Stability Report:	Monthly	Twice a year	Once in five years	Weekly	Quarterly	**(b) Twice a year**	The Financial Stability Report is published half-yearly, usually in June and December.
34	Which committee recommended the flexible inflation targeting framework in India?	Urjit Patel Committee	Narasimham Committee	Bimal Jalan Committee	Nachiket Mor Committee	Tarapore Committee	**(a) Urjit Patel Committee**	The Urjit Patel Committee (2014) recommended CPI-based flexible inflation targeting.

35	The Bimal Jalan Committee (2019) was related to:	Economic Capital Framework / RBI surplus transfer	Small finance banks	NPA resolution	Digital lending	Currency demonetisation design	**(a) Economic Capital Framework / RBI surplus transfer**	The Bimal Jalan Committee framed the Economic Capital Framework governing RBI's surplus transfer to Government.
36	Quantitative tools of monetary policy include all EXCEPT:	CRR	SLR	OMO	Moral suasion	Repo rate	**(d) Moral suasion**	Moral suasion is a qualitative (persuasive) tool; CRR, SLR and OMO are quantitative tools.
37	Section 7 of the RBI Act deals with:	Currency issue	Central Government directions to RBI in public interest	CRR maintenance	Bank licensing	Appointment of Deputy Governors	**(b) Central Government directions to RBI in public interest**	Section 7 of the RBI Act empowers the Centre to issue directions to RBI in public interest after consulting the Governor.
38	A rise in CRR by RBI leads to:	Increase in lendable resources of banks	Reduction in lendable resources of banks	No impact on liquidity	Increase in SLR automatically	Reduction in SLR requirement	**(b) Reduction in lendable resources of banks**	Higher CRR locks more bank funds with RBI, reducing money available for lending.
39	The term 'NDTL' in banking stands for:	Net Demand and Time Liabilities	National Deposit and Treasury Ledger	Net Domestic Term Lending	Nominal Demand for Term Loans	Net Daily Transaction Limit	**(a) Net Demand and Time Liabilities**	NDTL is Net Demand and Time Liabilities, the base for computing CRR and SLR.
40	The RBI's supervision of banks is carried out primarily under:	SEBI Act, 1992	Banking Regulation Act, 1949	Negotiable Instruments Act, 1881	FEMA, 1999	SARFAESI Act, 2002	**(b) Banking Regulation Act, 1949**	Licensing, branch policy and supervision of banks flow mainly from the Banking Regulation Act, 1949.
41	A savings bank account is primarily meant for:	Business transactions	Encouraging savings of individuals	Foreign trade	Corporate treasury operations	Overdraft-based trading	**(b) Encouraging savings of individuals**	Savings accounts promote thrift among individuals with interest on balances.
42	Current accounts are generally opened by:	Minors	Businesses and firms needing frequent transactions	Only NRIs	Only trusts	Only government departments	**(b) Businesses and firms needing frequent transactions**	Current accounts suit traders and firms; no interest is paid and transactions are unrestricted.
43	CASA in banking refers to:	Current Account and Savings	Cash and Security Assets	Credit and Savings Association	Capital Adequacy and	Cash Adjusted Savings Average	**(a) Current Account and**	CASA is the sum of Current Account and Savings Account deposits.

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		Account deposits			Solvency Assessment		**Savings Account deposits**	
44	A higher CASA ratio indicates:	Higher cost of funds for the bank	Lower cost of funds for the bank	Higher NPAs	Lower profitability always	Higher SLR requirement	**(b) Lower cost of funds for the bank**	CASA deposits carry nil or low interest, so a high CASA ratio lowers a bank's cost of funds.
45	A fixed deposit is also known as:	Demand deposit	Term deposit	Hybrid deposit	Flexi current deposit	Call deposit	**(b) Term deposit**	A fixed deposit is a term deposit placed for a fixed period at a contracted rate.
46	A recurring deposit involves:	A one-time lump sum deposit	Fixed monthly instalments for a chosen period	Daily withdrawal facility	Deposits only by companies	Deposits withdrawable by cheque anytime	**(b) Fixed monthly instalments for a chosen period**	In a recurring deposit the customer deposits a fixed sum every month for a chosen tenure.
47	Under DICGC, bank deposits are insured up to:	Rs 1 lakh per depositor per bank	Rs 2 lakh per depositor per bank	Rs 5 lakh per depositor per bank	Rs 10 lakh per account	Rs 3 lakh per depositor per bank	**(c) Rs 5 lakh per depositor per bank**	DICGC cover was raised from Rs 1 lakh to Rs 5 lakh per depositor per bank in February 2020.
48	DICGC is a wholly owned subsidiary of:	SBI	Government of India	RBI	NABARD	LIC	**(c) RBI**	Deposit Insurance and Credit Guarantee Corporation is a wholly owned subsidiary of RBI.
49	An account becomes a Non Performing Asset (NPA) when interest or instalment remains overdue for more than:	30 days	60 days	90 days	180 days	120 days	**(c) 90 days**	An asset turns NPA when interest or principal remains overdue for more than 90 days.
50	NPAs are classified into which categories?	Standard, Substandard, Doubtful, Loss	Substandard, Doubtful, Loss	Good, Bad, Ugly	Prime, Subprime, Junk	Watchlist, Default, Writeoff	**(b) Substandard, Doubtful, Loss**	NPAs are graded as substandard, doubtful and loss assets; standard assets are performing.
51	The SARFAESI Act was enacted in:	1993	2002	2016	1985	1991	**(b) 2002**	SARFAESI - Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act - came in 2002.
52	SARFAESI Act empowers banks to:	Waive all loans	Enforce security	Print currency	Fix interest rates	Arrest the defaulters	**(b) Enforce security interest**	Under Section 13, secured creditors can take

			interest without court intervention				**without court intervention**	possession and sell security without court intervention.
53	The Insolvency and Bankruptcy Code (IBC) was enacted in:	2013	2015	2016	2018	2014	**(c) 2016**	The Insolvency and Bankruptcy Code was enacted in May 2016 for time-bound resolution.
54	Under IBC, corporate insolvency cases are adjudicated by:	High Courts	NCLT	SEBI	Debt Recovery Appellate Council	Company Law Board	**(b) NCLT**	NCLT is the adjudicating authority for corporate insolvency; NCLAT hears appeals.
55	The Negotiable Instruments Act was passed in:	1872	1881	1934	1949	1935	**(b) 1881**	The Negotiable Instruments Act dates to 1881 and covers notes, bills and cheques.
56	Dishonour of cheque due to insufficient funds is punishable under which section of the NI Act?	Section 6	Section 118	Section 138	Section 45	Section 131	**(c) Section 138**	Section 138 of the NI Act makes cheque dishonour for insufficiency of funds a criminal offence.
57	A cheque is defined under which section of the NI Act?	Section 4	Section 5	Section 6	Section 13	Section 85	**(c) Section 6**	A cheque is defined in Section 6 as a bill of exchange drawn on a specified banker, payable on demand.
58	A promissory note is defined under which section of the NI Act?	Section 4	Section 5	Section 6	Section 10	Section 13	**(a) Section 4**	Section 4 defines a promissory note; Section 5 defines a bill of exchange.
59	A cheque is valid for how long from the date of issue?	1 month	3 months	6 months	12 months	9 months	**(b) 3 months**	Since April 2012, cheques and drafts are valid for 3 months from the date of the instrument.
60	Two parallel transverse lines on the face of a cheque indicate:	Post-dated cheque	General crossing	Stale cheque	Dishonour	Special crossing	**(b) General crossing**	Two parallel transverse lines constitute a general crossing; payment goes only through a bank.