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**Answer Script Details**  
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**Roll No.** 23072000277  
**Total Mark** 52/75.00

**Exam** BCOM-V\_ODD\_EXAM\_NOV\_2025  
**Subject** C010505T - Monetary Theory and Banking in India

**Question wise Mark Summary**

**Q.No Mark Q.No Mark Q.No Mark Q.No Mark**

1A 3/5 9 12/15

1B 3/5

1C 3/5

1D 3/5

1E 3/5

1F 3/5

1GI 2/2

1GII 2/2

1H 3/5

1I 3/5

2 12/15

3 0/15

4 0/15

5 0/15

6 0/15

7 0/15

8 0/15



### INSTRUCTIONS TO THE CANDIDATE FOR FILLING PART-I

1. Read the instructions carefully given on the answer script and admit card.
2. Write Date of Exam, Shift, Paper Code & Name of Subject Correctly.
3. Write Name & Roll No. Correctly.
4. Write Semester & Branch Correctly.

### INSTRUCTIONS TO THE CANDIDATE FOR FILLING PART-II

1. Use blue or black ball point pen for writing alphabets & numerals in  Boxes.
2. Carefully study the example before you start marking.
3. As shown in the example below blacken the circles completely.



4. Make no stray marks on this sheet.
5. **DO NOT WRITE OR MARK ON THE BAR CODE.**

### IN ORDER TO AVOID UFM (UNFAIR MEANS):

1. The Roll No. and Answer Book no. found elsewhere or any other symbol found in the answer book will be treated as unfair means.
2. Any tampering of Bar Code and Booklet no shall be treated as Unfair Means.
3. Do Not bring the materials like slip of paper/mobile/digital diaries/ study material/ revision notes in examination hall. Possession of the mobiles/ digital diaries/ electronic watch and any other electronic gadget except memory less scientific calculator shall be considered as UFM case.
4. Do not keep or paste currency note in answer script it shall be considered as UFM.

### अनुचित साधन से बचने हेतु:

1. उत्तर पुस्तिका के निर्देशों के अनुसार प्रश्नपत्र/उत्तर पुस्तिका का अंशक नहीं और न किसी तरह काटें/से चिप न बनाने चाहिए पर अनुचित साधन प्रयोग की शक्ति से बचना है।
2. उत्तर पुस्तिका को संशोधन अथवा उत्तर पुस्तिका काटने पर चिप बनने पर अनुचित साधन प्रयोग माना जाएगा।
3. परीक्षा कक्ष में निम्न वस्तुएं साथ न लाने, जैसे कि कोई हथकण्डा के टुकड़े, रीबॉर्निंग, डिजिटल डिवाइस, मोबाइल, पुराने या नए कलमों की अनुचित साधन के अन्वेषण आदि हैं। अन्यत्र संबंधित प्रश्नपत्र में ही केन्द्रीय वेब साइट/निका संशुद्धिकरण से जाने की अनुमति होगी।
4. उत्तर पुस्तिकाओं में कटौत न करें न ही उत्तर पुस्तिका में चिपकाएँ; ऐसा करना अनुचित साधन प्रयोग की शक्ति से माना है।

### परीक्षाओं के लिए निर्देश

1. प्रश्न पत्र एवं उत्तर पुस्तिका पर दिए गये निर्देशों को ध्यान से पढ़ें।
2. उत्तर पुस्तिका के दूसरी तरफ कुछ न लिखें।
3. उत्तर पुस्तिका के पृष्ठों पर दोषों/लफा लिखें।
4. प्रश्न पत्र पर अपने अनुकूलताक को अतिरिक्त कुछ न लिखें।
5. प्रश्न पत्र कोट एवं प्रश्न पत्र कोट काकाली पृष्ठक लिखें।
6. अपनी स्थिति स्पष्ट लिखें।
7. उत्तर पुस्तिका के पृष्ठों की संख्या देखें। उत्तर पत्र उत्तर पुस्तिका में पृष्ठ (1-24) से कम हो या बटे हुए हों, तो परीक्षा शुरू होने के पूर्व दूसरी तरफ उत्तरपत्र ले लें।
8. प्रश्नपत्र को देख, यदि प्रश्नपत्र को विषय संबंधित, विषय का नाम सही प्रश्न में कोई त्रुटि हो तो परतकी परीक्षा शुरू होने की 30 मिनट की अवधि में निर्देशक को लक्ष्मण सूचित करें, परतकी बाद किसी/किसी द्वारा न काट/काटी नहीं की जायेगी।
9. प्रश्नों के उत्तर लिखने के लिए कैंसिल का प्रयोग न करें।
10. B कोटी या अतिरिक्त पत्रक नहीं दिए जायेंगे।

### INSTRUCTIONS TO THE CANDIDATE

1. Read the instructions carefully given on the Question Paper Admit Card & Answer Script.
2. Do not write anything on back side of the cover page.
3. Write on both sides of pages of answer book.
4. Do not write anything on question paper except Roll number.
5. Write Paper Code & Question Paper Id carefully.
6. CHECK the number of pages (1-32) or any other kind of detail in your answer script, if found than change the answer script immediately before the commencement of examination.
7. CHECK the Question Paper for any kind of discrepancy of Subject Code, Subject Name and Question of the Question Paper during first THIRTY MINUTES of the commencement of the exam, so that it can be corrected in TIME. After that all corrections shall be entertained by the university.
8. Do not use pencil for answering the question.
9. Write status correctly e.g. those appearing in carry over paper should fill in status as Carry Over. Those appearing as 1st Students should fill in status as 1st.
10. No supplementary answer book & graph paper will be provided.

### INSTRUCTIONS TO THE CANDIDATE FOR FILLING PART-II

1. Use blue or black ball point pen for writing alphabets & numerals in  Boxes.
2. Use blue or black ball point pen for filling the circles.



Note - If your Roll No. is of 10 digits. Please leave first three column



Page Code

C010505T



01

Sec. A

Answer 1 (a) : Define Commercial Banks.

Commercial Banks are the financial institution which accept deposits and grants loans and advance and facilitate payments to general public or individual for earning profit.

Commercial Banks as name suggest the profit seeking institution.

Commercial Bank grants loans and advance to general public, corporation of firms, in return for interest rate.

Commercial Bank also provides the acceptance of deposits and facilitate payments of demand deposit or cheques on demand.

Commercial Bank is a financial institution that grants loans & advance, accept deposits, facilitate payments with the motive of Earning Profit.

Commercial Banks provides saving deposits rate to saving depositor's account, whereas Fixed deposits rate to time depositor's accounts.

Commercial Bank are of two types Scheduled Banks & Non-schedule Banks.

Commercial Banks have to keep reserves with the Central Bank of a country.



Answer 1 (b): Functions of A Bank

Bank is a financial institution which accept deposits and grants loan & advances to individuals, corporations or firms and also facilitate payments.

→ It performs certain functions as given below.

1) Accept Deposits :- Bank is the financial institution which accepts deposits of general public & can be withdrawl on specified deposits, if demand deposits (may withdraw deposits), if time deposits withdraw after specified term.

2) Facilitate payments

- Payments on Demand Deposits are highly liquidate assets which is payable on demand
- Payment on Time Deposits are less liquid assets which is payable after specific period.

3) Grants loans & advances

Banks provide loans to general public, institution, firms in exchange for interest rate charged.

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Secondary function

- 4) Monetary Policy: Banks also affects monetary policy of an economy as by various rates i.e. Bank Rate, Repo, Rate, Reverse Repo Rate etc.
- 5) Helps to Industrialist :-  
Banks provide term loans to corporation or firm or industrialist for expansion.
- 6) Inflation :-  
Banks also plays a role in managing inflation in economy by supply of money or credit lending capacity.
- 7) Money Multiplier  
Banks also plays a major role in money multiplier by lending credit after maintaining a reserve ratio.
- 8) Credit Creation  
Banks also plays role in credit creation by Money multiplier theory.



Answer 1(c) :-  
Role of Commercial Bank  
in the development of trade  
and industry

Commercial Banks plays a major role in development of trade and industry through availing various facilities like acceptance of deposits, Grants loans & advances, facilitate payments, facilitate deferred payment.

- ① Provide the facility of Demand Deposits or cheques which helps the industry to trade cash free payment in and which decrease the possibility of theft, robbery at industrial place.
- ② Grants loan and advances to Industries with interest rate fixed before issuance of loan.
- ③ Ease of Doing Business from one state to another state.
- ④ Facilities like NEFT helps the entrepreneurs to trade easily.

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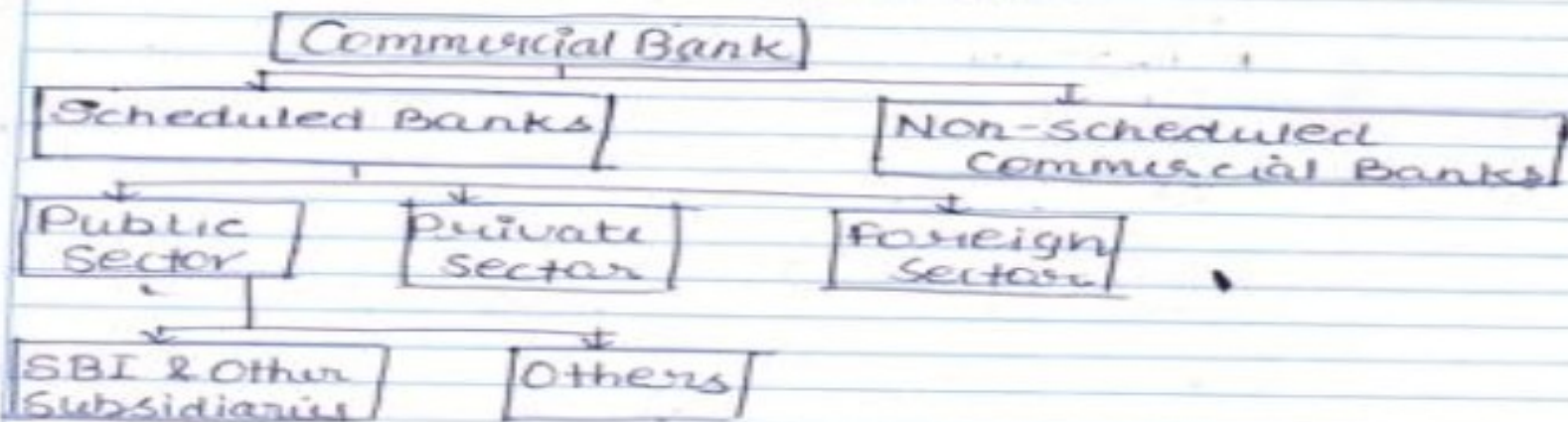


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05

• Answer 1(d): Structure of Commercial Banking System in India.



**Regional Rural Commercial Bank of India** is established by central government, state government, sponsoring Bank.

It is government owned scheduled commercial Bank of India which facilitate deposits acceptance & credit facility in rural & semi-urban areas to farmers, small business owners to finance their occupation.

• As commercial Bank plays a major role in determinants of money supply, money multiply, credit creation, Economic stability etc.

• c



Commercial Banks are structured or classified into two ways :-

- (a) Scheduled commercial Banks
- (b) Non-scheduled commercial Banks.

Further, scheduled commercial Banks divided into three sections.

(i) Public Sector

(ii) Private Sector

(iii) Foreign Banks.

✓ Among Public sectors are

- (i) SBI (State Bank of India)
- (ii) Its subsidiary.

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Answer 1 (e): Foreign Banks:

Foreign Banks is type of financial institution which is controlled, managed, regulated by respective foreign country.

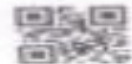
# Foreign Banks is also a type of commercial bank which accepts deposits, grants loan and advances, facilitate payments in foreign currency.

# The medium of grants loan and advance is in foreign currency.

# The Trade (International Trade) with foreign countries happened with currency of its traded country. The import of goods from foreign country will accept payments made in their foreign currency.

# Functions of foreign Banks

- (a) Acceptance of Deposits
- (b) Bank license
- (c) Grants loan & advance
- (d) Medium of Exchange in respective foreign currency
- (e) facilitate payment to easy trade doing.



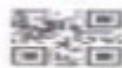
AnsweH(f): OBJECTIVES BEHIND  
ESTABLISHMENT REGIONAL RURAL  
BANKS -

Regional Rural Banks is a type of govern-  
-ment owned scheduled commercial  
Banks which established under  
Regional Rural Bank Act, 1976 by  
Central Government, state government  
& sponsoring Bank to provide  
credit facility to rural &  
semi-urban population and  
acceptance of deposits.

Objectives of Regional Rural Banks

- (1) Provide credit facility in  
backward Regional Rural & semi-  
-urban areas.
- (2) Development of Rural Areas with  
providing credit with lower  
interest rates.
- (3) Acceptance of Deposits helps  
rural people to induce the  
savings into saving & later  
on invest it in to something.
- (4) Encourages Economic Activity  
; Saving & Investment leads  
to Encouragement of  
Economic activity.

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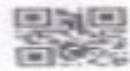


(5) Economic Growth:-

Providing Banking facility in regional / rural areas helps backward or underdeveloped areas to grow & develop which ultimately contributes to growth & development of the economy of a country.

(6) Stability

To ensure stability in finance & price, it is necessary to develop the Banking facility in regional / rural areas.



Answer 1

✓  
Note on NABARD

NABARD → National Bank for Agricultural & Rural Development

• NABARD is a type of Non-Banking financial Institution and Development Bank which provides medium term & long term loan to farmers and small scale entrepreneurs in rural areas for development of agriculture and rural areas, in respect of Trade and Commerce; Crop Production etc.

NABARD is an apex body / head body of Regional Rural Banks / Development Banks which facilitate the loans at lower interest rate to farmers and small scale entrepreneurs.

NABARD is established in 1986 for the development of Agriculture Department & Rural Areas as it provides credit facility with lower interest and repayable within specified period to small scale entrepreneurs & farmers.

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## Note on SIDBI (State Industrial Development Bank of India)

SIDBI (State Industrial Development Bank of India) performs the twin functions i.e. Provide long-term & medium term loans to small scale & medium sized entrepreneurs and promotion activity for national economic growth.

- It subscribes the issue of share, debenture of industrial concerns.
- It underwrites the issue of shares, debentures of industry concerns.
- It provides guarantee loan raised in currency (₹) from Scheduled Banks & Foreign currency from foreign Banks.
- It provides credit facility to small scale & medium scale entrepreneurs or industrialist to grow & develop their industry which ultimately leads to growth of an economy of respective country.
- SIDBI is type of Industrial Development Banks at state level.



Answer (h) : Functions of Non-Banking  
Financial Institution

Meaning : Non-Banking Financial  
Institution performs the  
function of transferring funds  
from savers to investors.

Non-Banking Financial Institution (NBCI)  
does not have Banking Licence  
& do not accept demand deposits

NBCI can transfer funds into 2  
ways (a) Direct financing (b)  
Indirect financing.

In direct financing, transfer  
of funds directly from savers  
to investors like stock market  
In indirect financing transfer funds  
through intermediary from  
savers to investors

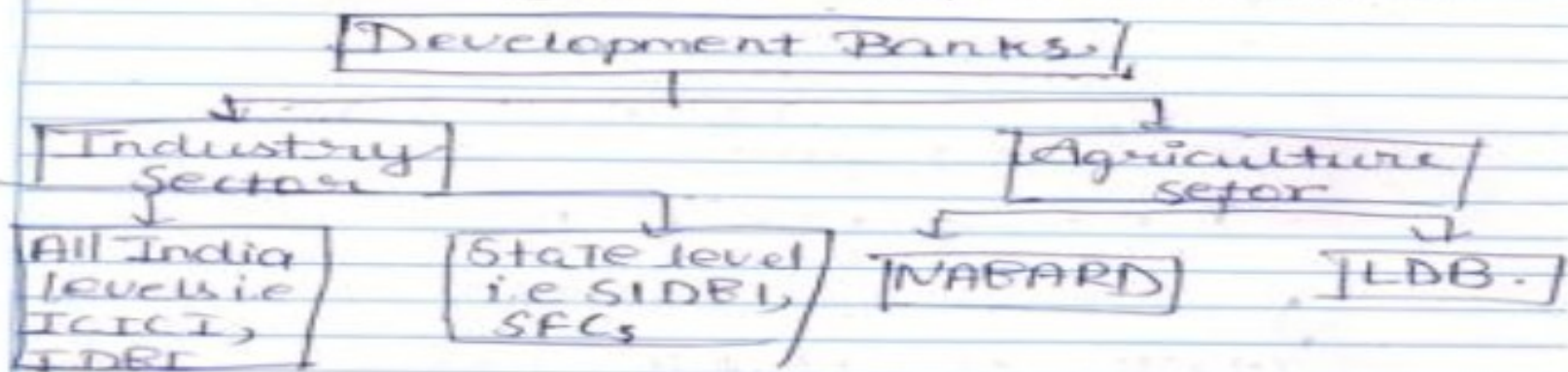
Functions of Non-Banking  
Financial Institution (NBCIs)

- (1) Act as Intermediary Between  
Savers & Investors
- (2) Provide loans and advances  
to private entrepreneurs,  
organised sector & unorganised  
sectors.
- (3) Economic Stability & Growth
- (4) Inflation

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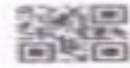
Answer 1(i): Development Banks.



Development Banks is the type of Non-Banking financial Institution which performs the twin function of providing medium term & long term loans to private enterprises and promotional Roles to National Economic Growth.

Functions of Development Banks:

- (a) Provide medium & long term loans
- (b) Inducement of saving
- (c) Investment
- (d) Economic Growth
- (e) Promotional Role.
- (f) Economic Activity
- (g) NOT a Ordinary Bank.

Answer

Reserve Bank of India is the apex body of Banking system. It regulates, controls, manage the Banking system in India.

Role / Functions of Reserve Bank of India in regulating development Banks NBFI's

- (1) Issuance of Note - Reserve Bank of India has the monopoly power to issue currency notes (Paper notes), if note & coins are issue by Ministry of finance & government of India
- (2) Banker's Bank - Reserve Bank of India is Banker's Bank as it provides loan & advances to commercial Bank in India
- (3) Bank to Government - RBI plays a major role in advising to government & do transaction on behalf of government.

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- (3) RBI (Reserve Bank of India) helps Development Banks & Non-Banking Financial Institution (NBFCs) to work efficiently in the promotion of economic growth of a respective country.
- (4) RBI also manages, controlled the Development Banks in order to check on their credit lending capacity to manage inflation in an economy.
- (5) Lender of Last Resort: RBI is the lender of last resort for all types of Development Banks & (NBFCs) in order to lend short term loans.
- (6) Control of Credit: RBI has the monopoly power to control the credit of Development Banks & Non-Banking financial Institutions in India.
- (7) Agent, Advisor to Development Banks & NBFCs: - RBI performs major role in giving advice to development banks & NBFCs in order



run smoothly.

Reserve Bank of India has huge impact on Development Banks & Non-Banking Financial Institutions.

Development Banks are type of non-banking financial institution who performs their function of provide medium & long term loans to private entrepreneurs & do promotional activity to growth of an economy.

NBCIs are Non-Banking Financial Institution which performs 2 functions i.e. Direct financing & Indirect financing from savers to investors.

Non-Banking Financial Institution is not an ordinary Bank financial institution as it does not have Banking license and do not have ability to accept demand deposits.

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Reserve Bank of India always have major impacts over development Bank & NBCIs as RBI provides fiscal advisory to development Banks, NBCIs, and also funds to operate and work efficiently & effectively at ground level & managing it to regulate its promotional act to generate economic growth of nation.

#### conclusion

RBI has significantly helps in numerous ways to development Banks & NBCIs (Non-Banking financial Institutions) as providing funds, loans, advances, and advises to development Banks & NBCIs to work & operate efficiently & effectively in India, at regional / Rural areas as it determines the challenges & critical crises in the creations & promotion & development of development Bank & NBCIs.



Answers

Changing Importance of Different components of Money supply in India

(a) Monetary Policy :-

Monetary policy plays a major role in changing money supply. It includes :-

- 1) Open Market Transaction
- 2) Repo Rate
- 3) Bank Rate
- 4) Reverse Repo Rate
- 5) Interest Rate

(b) Open Market Transaction -

Sell or purchase of Government security

Sell  $\rightarrow$  Govt. security  $\rightarrow$  Money Supply  $\downarrow$

Buy Govt. security  $\rightarrow$  Money supply  $\uparrow$

(c) Government Spending

Government  $\uparrow$  Expend  $\Rightarrow$  Money supply  $\uparrow$

Government  $\downarrow$  Expend  $\Rightarrow$  Money supply  $\downarrow$

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(d) Taxation

Tax  $\uparrow$   $\Rightarrow$  Money Supply  $\downarrow$   
Tax  $\downarrow$   $\Rightarrow$  Money Supply  $\uparrow$

(e) Inflation forecasting

Future Expectation of Inflation  $\Rightarrow$  Money Supply  $\downarrow$

Future Expectation of Deflation  $\Rightarrow$  Money Supply  $\uparrow$

(f) Demographic changes

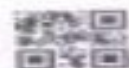
Population  $\uparrow$   $\Rightarrow$  Money Supply  $\uparrow$

Population  $\downarrow$   $\Rightarrow$  Money supply  $\downarrow$

(g) Global Influence

Global Influence  $\uparrow$   $\Rightarrow$  Money Supply  $\uparrow$

Influence  $\downarrow$   $\Rightarrow$  Money Supply  $\downarrow$



① Interest Rate (Rate at which loan lends)

Interest Rate of  $\uparrow$   $\Rightarrow$  Money Supply  $\downarrow$   
loan

Interest Rate of  $\downarrow$   $\Rightarrow$  Money Supply  $\uparrow$   
loan

② Bank Rate

Rate of central Bank to commercial Bank

Bank Rate  $\uparrow$  Money supply  $\downarrow$

Bank Rate  $\downarrow$  Money supply  $\uparrow$

③ Repo Rate

(Short term loan by central Bank to commercial Bank)

Repo Rate  $\uparrow$  Money Supply  $\downarrow$

Repo Rate  $\downarrow$  Money Supply  $\uparrow$

④ Volume of transaction

$\checkmark$  Higher transaction  $\rightarrow$  Money Supply  $\uparrow$

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Lower transaction



Money supply ↓

### Nature of Trade

Wholesale Trade



Money supply ↓  
of lower denomination  
currency

Retail Trade



Money supply ↑  
of lower denomination  
currency

### Methods of Payment

Cash Payment



Money supply ↑

Credit Payment



Money supply ↓

### Cash Reserve Ratio (CRR)

It is the proportion of Reserves that every commercial bank has to retained with central bank (RBI)

CRR ↑

Money supply ↓

CRR ↓

Money supply ↑

Conclusion

Every components has its own different impact on money supply in India like demographic change, global changes, Monetary policy, government spendings, taxation, Inflation forecast, nature of trade, volume of transaction etc.

To cope up with changing components the Reserve Bank of India plays a major role to making monetary policy with regards determinants of money supply.

Every components performs major impact on money supply in India to cope up with inflation & deflation of an economy etc.



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