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Money and Banking

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Q.1) Define money? Explain its functions.
There is much difference in opinions of scholars regarding the 'definition of money'. Someone has based the definition of money on the universal attribute; whereas someone else has taken its function as the central issue in the definition. So, for the convenience of study, definitions of money can be classified as follows on the basis of their nature.

Definitions based on the nature of money can be classified into following three groups:—
1) Descriptive or functional definitions:— This category includes definitions of these scholars who started functions of money in their

definitions some important definitions of this category are given below:

a) As to location, "money is anything that is commonly used and generally accepted as means of exchange and store of value".

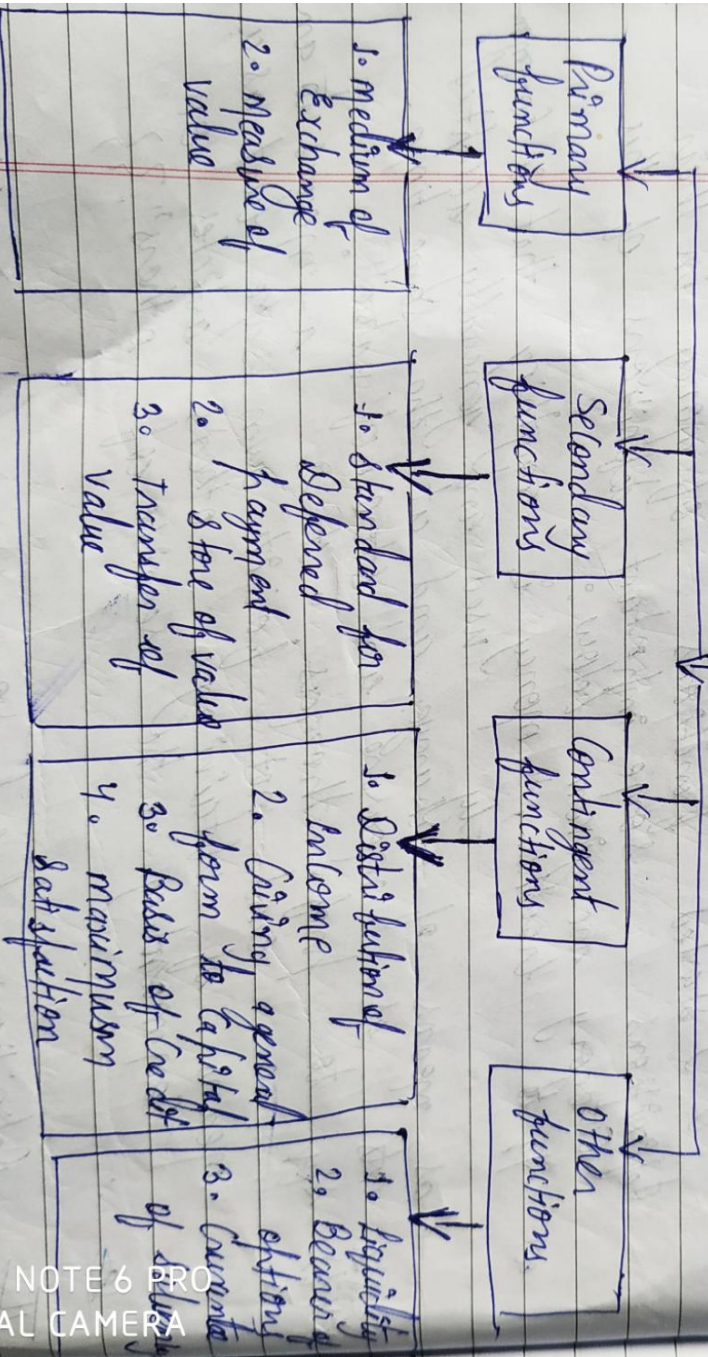
b) As to prob. Thomas "it is a medium to an end not for its own sake but as a means of obtaining the service of others".
c) As to prob. Thomas "it is a medium to an end not for its own sake but as a means of obtaining the service of others".

Definitions based on common attribute:—
It is an essential characteristics of money that it is commonly accepted by the common people in return for the goods and services.

III broken functions :- on making a careful study of various definitions, we come to find that some economists have extended their attention on the acceptance of money while some others have tried their definition, on functions what it does.

Functions of money are —

Functions of money.



primary functions. — primary functions of money applicable in any country in every time and circumstances, following the functions come in this category.

medium of exchange: Once upon a time before many different systems of exchange was in practice, these days, measuring the value of goods and the need of double coincidence of wants were big difficulties. Exchange has become very easy with the invention of money. Today, any goods or services can be sold in exchange of money. Today any goods or services can be sold in exchange of money and the commodities and services can be purchased with money. Thus money is the convenient means of exchange.

measure of value. — It was a problem with the barter system that how many units of a certain commodity should be given in exchange for a certain unit of a certain commodity. Now, every commodity and every service can be measured in money. Being a medium of exchange, money is also a medium of measure of value. It means that of money is the only unit of measurement of exchanging ratio between two commodities.

(i) Secondary functions :- Functions which are the primary functions of money are called secondary functions. They come in this category.

1) standard for deferred payments :- The present credit plays an important role in the progress of any business. Credit is a system in which goods and services are exchanged or money is loaned on the promise of future payments.

ii) store of value :- no body knows what the future stores for him/her. So, people want to do saving considering the needs to meet the expenses in. disasters, emergency, old age etc.

iii) Transfer of value: Transfer of value plays an important role in the progress of economic development of a country. Today, the scope of exchange is very vast. People are getting at a place and purchasing on the other. Economic pace has increased with this function of money.

- (1) Contingent functions :- Finley has stated that functions besides primary functions and secondary functions, ~~some~~ some of such functions are :-
- 1) Distribution of income :- The work of production complex in the present era. various services contribute in the work of production.
 - 2) Giving a general form in capital :- Liquidity among all forms of capital. That is why a capital in the form of money can be brought into any use. But the liquidity of money & capital can be drawn from the less productive areas into more productive areas.
 - 3) Basis of credit :- Credit instruments for payments are increasingly being used.
 - 4) Maximum satisfaction :- Every lender wants to get maximum satisfaction.
 - 5) Other functions :- Besides the functions stated above, money does some, be used for any purpose.

- 1) Liquidity :- Money due gives to liquidity to assets. Money can be used for any purpose.
- 2) Range of option :- We know that money has purchasing power. This purchasing power is of both kinds - present and future. People store money to meet future needs and use that money in future according to their own wishes.
- 3) Guarantee of solvency :- Every person in whom firm keeps sufficient money in above to maintain the ability of solvency.

(v) What do you mean by paper money? explain its merits and demerits.

Ans) Paper money refers to that paper notes which are issued by the central bank or the govt. and promises to pay the holder an amount of money.

1) money passes through four stages:-
In the 1st stage, a certificate was being given to the depositors against their deposits. Depositors could get back the money after a gap of time by showing that certificate.

ii) In the second stage, some of the reputed banks had got the right by the govt. to issue paper notes, notes were issued by these banks only to their depositors.

iii) In the third stage some banks had got the right to print money even more than what they had deposited.

iv) The fourth stage is the present stage of note issue. In this stage only the central bank of the country has the right to issue notes. In India notes are issued only by Reserve Bank of India.

The merits and demerits are —>

Merits are —

i) Economical: paper is required instead of metal for manufacturing paper money. So, the manufacturing expenses are very less. There is no fear of depreciation or seignage.

expenses are required.

1) Portability :- Since it is light in weight, so easy for paper money having any value is transportation.

3) Elasticity in money supply :- As to the demand for paper money can be changed, but in case of metallic money it is not possible because metal money in a country is always in a limited quantity.

(4) Assistant in emergency :- In case of emergency when the government needs additional money and the amount of gold and silver is not available in sufficient quantity then the government circulates paper money.

Disadvantages of paper money.

1) Danger of inflation :- The biggest disadvantage of paper money is that there is always a fear of inflation. When the govt. faces economic problems, in order to solve them additional paper money is introduced.

2) Lack of internal value :- From the public point of view paper money is nothing but a faith on the govt. Its intrinsic value is zero and it is true worth only when

people have faith on the govt.

3) Freshback :- paper money is not durable. there are many chances that it gets worn, torn and if they finish rapidly then a lot of problems can be created during their exchange.

4) Speculation :- Since the value of paper money is not stable and fluctuates in its value, it takes place an international trade, therefore it encourages speculation.

Q15) Explain the factors affecting money supply? (3)
Ans) The factors affecting money supply are -

(i) Monetary policy of central bank plays an important role in the supply of money. When central bank of a country adopts cheap monetary policy then the public can avail loan at a lower rate of interest. As a result supply of money will increase. On the contrary, if the central bank of the country increases rate of interest or CRR Cash Reserve Ratio or purchases the securities in open market then it means expensive money policy is adopted. In such a way supply of money will decrease.

Q1 Commercial Bank's Capacity and policy of credit creation :- Bank creates credit & policies on the basis of their deposits. In banking system credit depends on quantity of money available in the funds. If government of lead to ~~create~~ an increase in supply of money on the contrary, quantity of credit will decrease if ~~expensive~~ deposits decrease, apart from this, expansion or contraction of credit also depends on the CRR of Reserve Bank.

Q1 Government's fiscal policy :-
It increases the public supply of money. On the other hand if the supply of money, on the policy of surplus budget, follows the supply of money. It decreases the

Q1 public desire :-
Credit creation capacity of commercial banks also depends on whether the public wants to keep maximum money in the form of currency with them or deposit them in banks. If the public desire to keep maximum money in commercial banks the capacity of credit creation of banks will increase along with an increase in the supply of money. On the other hand if the public desired to keep currency with them, maximum money in the form of currency from the credit creation capacity of banks will decrease and this will also lead to decrease in the supply of money.

Q2 Explain Bagehot's law. Also describe its limitations.

Ans -> According to Sir Thomas Gresham, "Bad money drives good money out of circulation".
Gresham's law was introduced by Sir Thomas Gresham, an English businessman of England and well-known financial adviser of Queen Elizabeth I during the reign of Queen Elizabeth, the laws which

were in use had depreciated. So new and full
gold coins were introduced in the market
in place of old and depreciated
coins. But it didn't happen. However
new coins were put into circulation, they
were not accepted by the market. They
it was a ~~great~~ great matter of thought
and consideration for Queen Elizabeth.
While after a deep and thorough
thinking he came to the conclusion
that "Bad money drives good money
out of circulation." In order to
understand gresham's law it is necessary
to understand the meaning of good
money and bad money.
Good money means that money which is
full value and depreciation in it doesn't
affect its economic value. Good money
is usually bimetallic. Similarly in lentil
to paper money, good money is that
which is not worn in form.
On contrary, bad money means the money
which loses its original value due to depreciation
on any other causes. According to
bimetallism the money whose value is
that its internal value, it is called bad
money. That paper money which is
worn and torn paper is also considered
Money.

limitations or exceptions of cashman's law.

Cashman's law is not applicable in all situation there are certain limitations or exceptions to it. The following are the limitations or exceptions of cashman's law:

When demand of money is more than its supply: something in a country when the demand of money is more than its supply then cashman's law is not applicable. This reason behind this is that for exchange both good as well as bad money is required and if there good as well as bad money are not available then choice doesn't exist.

When banking system is developed in a country: When a country has a well developed banking system the people generally prefer to keep their money deposits in a bank and while depositing they are depositing the concerned whether they are depositing the good money or bad money in a bank.

When the public receive the bad money: If the bad money is received by the public then good money will be circulated in the market. During the period of paper money in the war in America, greenbacks (paper money) were issued which were rejected in every

by the general public of any extra, as a result gold coins acquired in circulation in the market.

(4) When bad money is ~~devalued~~ devalued according to the theory of a remnant economist, paper money is devalued in such a way that it becomes valueless to the public when automatically good money will start pouring in the market and gresham's law will not be applicable.

(5) When Bimetallism is adopted on international level: — When the system of bimetallic is accepted by a particular country then there is a point where the mint house rate and market rate may differ at a time but when the same system is adopted by all the nations at a time when it becomes easier to say both the notes similar in such a case the law of gresham's is not applicable.

(6) When token coins are in circulation: — as discussed earlier, the printed notes of the token coins is less than their internal value. When the token coins are in circulation is a particular country then due to the reasons that their quality is inferior gresham's law is not applicable.

1) When public has faith in the government, then the public has faith in the govt. Reason being this is not that applicable. The believe that the govt. will have simple works with good and bad incentives.

Q. 71 What is an index number? How is it

constructed? Constructed numbers is really the language of the index number. This is such a statistical idiom. Statistical tool by which the value of money may be judged by in two different periods. This mathematical tool was used for the first time by statistics expert developed by Jevons, Fisher, Marshall and many other economic experts. In modern times, this is accepted as economic opinion, it is made apply clearly that there is an opposite relationship between the value of commodity and that of money itself. Along with this we have also seen that the value of money goes on changing. It can't or never remain constant on the bases of this we can actually say in a particular year the value of both the commodity and the services has increased.

According to Prof. Chandle, "The index number of prices is a figure showing the height of average prices at one time relative to their heights at some other time that is takes any base period".

As to H. Secrist, "Index numbers are denoted of number which shows variations in price level with these in the value money. There are relative numbers with a

enable us to compare the purchasing power of money at different periods of time and measure the movements in the level of price.

Methods of construction of index number.

· First to prepare the index number it is necessary to determine first as to why this index number is being prepared. In other words, the aim and objects for preparing the index number should be determined. Generally there are two obvious objects for preparing the index number. First, it is prepared in order to know the changes happening in the price level and secondly, to calculate on anticipate the effect of rising on the different categories people. While preparing the index number these two facts should always be kept in mind.

- 1) Selection of the base year :- The base year means the year taken as the standard of one year with others, studies the price level of various commodities. So, one should the base year. In fact the base year ought to mean the base year should remain about from the time of independence and like warfare, flood, political upheavals and famine as well as serious drought. While preparing the index number should be taken for the comparisons shouldn't be repeated for the years.

(2) Selection of the base year :- While preparing the index number on the selection of commodities should be based on the time. It should always be kept in mind that such a set of selection should represent the attitude and taste of the maximum people.

(3) Selection of index :- The selection of the index of goods is also an important factor to prepare the index number. We know that there are two kinds of values i.e. commodity price and second the wholesale value. If it is easy to make the selection of the wholesale value and there is usual as uniformity in the different sphere.

(4) To represent prices in percentages :- While preparing the index number the value of the representative commodities is expressed in terms of percentage. So, the value of every representative commodity of the base year is accepted as 100 only and all the other values of the commodities are expressed in terms of percentage. In the example, if the price of rice is ₹ 450 per quintal, then it should be expressed as 300 only in the base year because of the fact that the price had been a 3 times increase in the

Same year because of the fact that there had been a 3 time increase in the price of the mile. This is also called as price relative.

- 5) To find out the average $\frac{0}{0}$ — the way of is by adding the relative prices of the last year separately and then the number of commodity is divided so as to know the average. If the average price is more than the average price in the base year then we can say that there has been an increase in the price level. On the other hand, if the situation appears to be opposite, then we can say that there has been a fall in the price level.

Q1) What do you mean by inflation? Explain its different types. (3)

Ans) The literal meaning of the term inflation is "spread" or "expansion". But in reality it is called monetary inflation. Its cause is that it is always a monetary situation when the compo level of goods and services increases and the value of money decrease it is regard to as inflation. (2)

But there has been much controversy among economists regarding the definition of inflation. Different economists have defined it differently. For the sake of convenience of study, these definitions can be classified as follows: (4)

Definition of inflation.

A) - Definitions based on quantity of money:

(1) As to whether "inflation is a state in which the value of money is falling" or "price is rising", there is no doubt. This definition is complete and easy definition but if can't be used satisfactorily. As to this definition, every increase in the price level of goods or services should be considered inflation. (1)

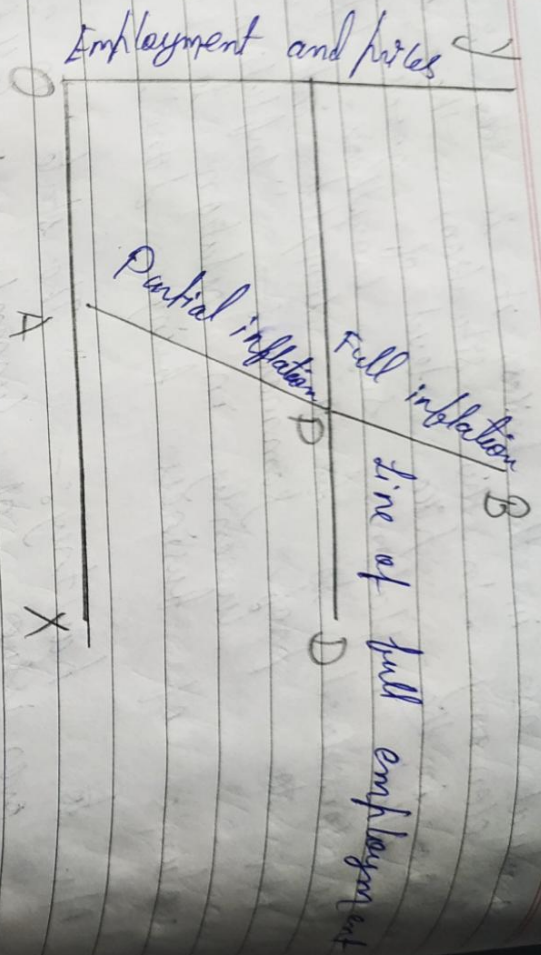
While it is not so in reality. Even when the price level can't be called inflation. For example, when the period of depression in the economy ends, there is

gradual rise in the prices, it is seen in the interest of economy. In this situation, there is a rise in the price level of goods but it can't be called inflation. So, Keynes's definition can't be considered to be a complete ~~in~~ definition.

3-1 A/c to Prof. Kamman:- "Inflation is too much currency in relation to the physical volume of business being done".

1 A/c to Fisher, "Inflation is taking place when money income is expanding relatively to the output of work by production to income earning activities".

1 Definition based on Demand and Surplus:- Prof. Keynes has associated inflation with the employment condition making demand surplus its basis. A/c to Prof. Keynes, "If there is expansion in the amount of money before reaching full employment, one part of it will expand employment and the other part will increase prices by increasing the cost of production. Keynes has regarded the situation before full employment as semi-inflation".



Quantity of money.

Type 8 of Inflation.

(i) Commodity inflation :- It refers to general type of inflation. As to the Keynes, the rise of commodities rise in a general way in this kind of inflation.

Q1) Define the gold standard and decide its forms.

Ans) There is a long on longt about the gold standard that in this system it is essential that gold currency just it is not so in reality. It will be clarified by following definitions.

1) According to Robertson, "Gold standard is a system under which a country maintains the same value of a unit of its currency and a definite quantity of gold".

(2) As to Hawtrey, "under gold standard the value of gold is fixed in currency and in this way a relation between gold and currency is established".

(3) As to Coulson, "Gold standard is a system under which a unit of the money is interchangeable with a definite quantity of a certain variety of gold".

(4) As to Coatsworth, "when a currency is convertible to gold by any law, such a currency system is called gold standard".

After the study of above definitions, it is clear that following are the fundamental elements of gold standard:

(i) It is essential in gold standard that gold currency of the country with it must continue in circulation.

- There should be some relation of the currency with gold standard.
- i) The currency of the country should be convertible into gold.
 - ii) The country should have the right to sell and purchase gold beyond a certain limit.
 - iii) There is no restriction of the govt. on the import and export of gold.

Terms of gold standard.

The terms of gold standard change with time and circumstances. In the modern age, following are the main terms of gold standard.

- i) Gold currency standard :- Gold currency form of gold standard. It is also called as twin standard, traditional gold standard, orthodox gold standard and bull gold standard.

- ii) Gold bullion standard :- Gold bullion is the most of the currencies of the world were, but it was not possible to maintain it during the war. So, a new system was adopted in which it was not essential to keep gold coins.

under this system currency remained paper currency and symbolic currency was required in use and the value of the currency was fixed in gold. The govt. would sell gold at that rate of gold. This selling and purchasing of currency got fixed in gold and the price of gold was set by the govt. people could get certain amount of gold from the government for a fixed rate.

Gold exchange standard -> why gold exchange standard evolved? Both gold and silver standard systems because both of these need a lot of gold for currency system, the main cause of the special need of gold is that the govt. is compelled to give gold for both domestic use and foreign payments.

Gold reserve standard -> There was a stable rate of foreign exchange after all the countries abandoned gold standard. To solve this difficulties exchange equalisation fund was established by england in 1932 to maintain stability in foreign exchange by sell and purchase of foreign currencies.

V. Gold party Standard.

in the modern time, it is very difficult to adapt any should be directly dependent on the system gold or in which there should be the system of giving gold in return for extreme scarcity of gold with most of the countries of the world.

(v)

 (v_i)

11) Explain the characteristics of international gold standard and explain its function.

- 1) It was not essential to keep gold currency but the value of the price currency was fixed in gold.
- (2) The government provided gold at the certain rate for the foreign payment.
- (3) Due to the dependency of the currency on the country gold, the amount of currency had to be increased in the case of import of gold and decreased in the case of export of gold.
- (4) There was no fear of inflation in this system but the amount of currency in circulation as compared to the needs of the country.

countries adopting 'Gold Standard'.

(v) Gold Standard was generally automatic, but

it was managed by the central bank.

(vi)

People retained faith in currency, under gold standard because there was not much fluctuations in the internal and external value of currency.

Functions of International Gold Standard.

(i)

Convenience in International Payments :-

The most important function of the international gold standard was that it made for the import and export because the payment made without any difficulty. The countries having gold standard could make their transactions very easily.

(2) Fixation and stability in exchange rates :-

It was very easy way not to determine the rates of their ~~was not such fluctuation~~ currencies for the countries adopting 'Gold Standard'. The values of their currencies were fixed in gold. The exchange rates of the currencies were fixed in the equivalent amount of gold and there were not fluctuations in these.

3. International stability :- It was essential for the countries adopting gold standard to keep a gold reserve for to keep currency. So, if it was possible to have to inflation be kept in more gold had to more currencies. There was not more fluctuations in the value of currencies of the countries adopting gold standard and there also remained sufficient stability in the price of gold.

Difficulty in the performances of the above mentioned functions :- However, all the three functions (fulfilling the foreign payments, fixing the ~~exchange~~ exchange rates of currencies and maintaining the internal values of currency) were very important but it was not easy to perform these functions. In the general circumstances, there was not much difficulty.

Q12) What do you mean by financial market.
Define its functions.

Ans - Financial market refers to that market in which equity shares, loans, bonds, treasury bills, long term papers etc. financial assets are created and exchanged. Financial market doesn't need a particular place or geographical area. It denotes only financial transactions. It includes both money market and capital market thus, financial market is a system in which credit giving institutions, people sell and purchase of short term, medium term and long-term securities through mutual transactions. It is an important part of the financial system of any economy. This market encourages savings and investments. Defining the financial market, Grant has said, "A financial market is a mechanism which makes it possible for borrowers to find obtain funds and for lenders to find suitable outlets for their finance". Thus, financial market refers to that complex area where financial assets are sold and purchased.

Functions of financial market are -

1) Mobilisation of savings :- It is the saving of the total income and saved the money. If they keep their savings with them, it is called passive or inactive savings.

ii) Pricing of financial instruments :- like the prices of financial instruments are determined by the forces of demand and supply. The investors consider their investment safe and also can gain ~~profit~~ profit.

iii) Liquidity of financial assets :- Financial assets can be sold in the financial market to obtain liquid money. Similarly, long-term securities can be purchased with the help of liquid money.

iv) Reducing the cost of transactions :- Financial market is an arrangement through which the payable sellers and purchasers of financial assets & long-term securities can purchase and sell in contact with one another and reduce the purchase; they can provide their important services at the minimum commission.

Q13) Distinguish between primary market and secondary market

Basis of Difference	Primary market	Secondary market
Nature	It is the market of new issues of securities.	It is the market of resale and purchases of securities issued earlier.
Object	Its object is ensuring the flow of funds from savers to industries.	Its object is providing liquidity to securities.
Period	It has long-term investment.	It has short-term, medium-term and long term investment.
Location	There is no certain location of primary market.	It has a certain location where the stock exchange is centered.
Sequence of dealing	It has dealing before secondary market.	However these days there is online trading also. It has dealing after primary market.
Rule Determination	The rules of security are determined by	The rules are determined by laws of the country.

Secondary Market

Primary market

Entrance	any company can enter in it according to the rule.	There is no sale and purchase of securities of companies only.
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Distinguish between shares and Debentures

Basis of Difference	Shares	Debentures
1) Part	Share is a part of Capital.	A debenture is a part of loan.
2) Ownership	Its holder is called owner.	Its holder is called creditor.
3) Dividend/Past interest.	Dividend is paid on shares.	Interest is paid on debentures.
4) Certainty of Income	The income is indefinite because the profit of income is profit.	There is interest on a certain rate unit.
5) Security	Shares are generally insured.	Debentures are generally secured.

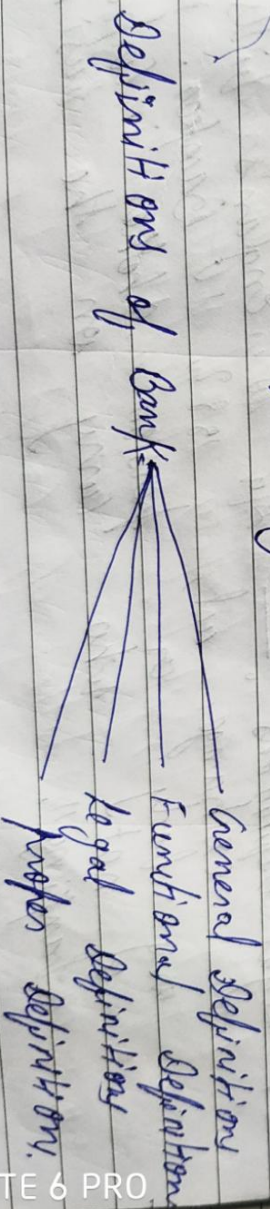
holding management. Shareholders generally participate in management.

The holders of debentures are not participate in the management of the company.

Basis of Diff.		
7). Voting Right	Shares The shareholders have the voting right in the company.	Debentures The holders of debentures don't have voting right in the company.
8). Types	There are two types of share	There are many types of debentures.

15) What is Bank? Explain the functions of Commercial Banks.

16) 'Bank' is an English word. The history of the use of the term bank is very old. Even at present, the term is very popular, but there is no evidence as to time and place associated with the origin of this term. Today the term 'Bank' simply means commercial banks. The definitions of banks can be classified as follows for the convenience of study:



17) General Definition - As to H.L. Hart, "A drawing of his business receives deposit and he pays by

monetary cheques".

- (2) As to money, "Bank of England" establishes such a money which makes the individuals such as money and to which of money safely entrust money when not required by them for use".

(B) Functional Definitions :-

- (i) As to kindly shines, "A banker or bank is having a fund of business where credit and opened by the deposit or collect on of money or currency subject to be paid or remitted before draft, cheques advanced or loaned on money is ~~present~~ bonds, will on and bills of stock, exchange and promissory notes are received for discount and sale."

(C) Legal Definitions :- As to England's bills of exchange act, 1882, "A Banker is any body or person who carries on the business of banking".

Q1) Proper Definition :- In a nutshell, it can be said the work of Bank is an institution that performs money and credit.

While the functions

Banks perform two primary functions are :-
 (a) Receiving Deposits :- The first and foremost.

Money from people in the form of deposits. People deposit big and small savings in various accounts with banks. Various deposit accounts are as follows.

- (i) Fixed Deposit accounts
- (ii) Saving bank accounts
- (iii) Current account
- (iv) Recurring Deposit account

(v) Advancing loans :- The second important ~~aspect~~ task of commercial bank is ~~advance~~ advancing loans. Bank has to be kept with the RBI and the remaining returned by banks as liquid money.

- (vi) Loans and advances
- (vii) Cash credit
- (viii) Overdraft
- (ix) Discounting of bills.
- (x) Agency of bill and short notice
- (xi) Educational loan.

- (B) Agency functions → Banks are also agents of their customers. Thus, banks perform many of their functions for their customers on their demand. Bank take some commission in return for these functions.
- (i) To make payments on behalf of customers.
- (ii) To collect payments on behalf of customers.
- (iii) Purchase and sale of securities. Banks also perform the transfer of funds. → Banks also perform the job of transferring money from one place to another. Banks adopt following methods for these :-
- (i) Issuing bank overdraft/ CBS - Core banking solution
- (ii) (RTGS) - Real time gross settlement
- (iii) NEFT - National electronic fund transfer
- (iv) Payment of Cheques, Bills etc.
- (v) Underwriting of securities.

(C) General utility functions →

- (i) State custody of valuables :- Commercial banks provide their customers better facility for the safety of gold and other precious metals, important documents etc.

(ii) To issue letters of credit :- Banks issue letters of credit to help in trade activities. The customers get help in dealing with foreign trade and strangers.

live information about credit. Commercial banks keep information about the credit of their customers. They can give this information to their request to help in transactions.

iv) Financial advice :- Commercial banks also give financial advice to their customers. Such advice from banks turns out to be helpful in establishing industries, safe investment of money and purchase of shares and debentures etc.

i) Collection and publication of electronic statistics like the central bank, big commercial banks too, collect statistics about trade and commerce, industries, banking etc.

provision of foreign exchange :- Banks manage foreign exchange for traders associated to imports and exports.

ATM - Automated teller machine facility. The bank provides to their customers in return for their deposit. Customers can purchase goods and services with the help of their credit, provided and sufficient amount is deposited in their account.

Credit Card :- This is also called 'plastic money'. This is also called 'plastic money'. This is also called 'plastic money'. This is also called 'plastic money'.

purchase with this card. It is not mandatory that the

Q1 What is credit card? How does it differ from debit card?

Ans - Credit cards are also called plastic money. This card is also issued by bank.

But it is not necessary that the cardholder should have sufficient amount in the bank. It is a loan of credit money. Commercial banks limit the maximum amount of credit according to the financial position of the cardholder. It means that the card can't be used for the amount exceeding that amount. Generally, three kinds of cards are issued by banks:

(i) Gold credit card

(ii) Silver credit card

(iii) Bronze credit card

The value of gold credit card is up to 1 lakh rupees, while the values of silver credit card and bronze credit card are up to fifty thousand rupees

and twenty five thousand rupees respectively. Using this card, the cardholder can withdraw

the cash up to the limit from the authorised banks or can purchase goods and services. The cardholder has to repay the withdrawn money within 30 to 45 days.

Banks charge high interest for this service.

Difference between Debit and Credit Card.

Basis of Difference	Debit Card	Credit Card
Holding an account	For obtaining a debit card it is essential to have a saving account or a current account.	For obtaining a credit card, it is not essential to have a current account in the bank.
Maximum limit	The maximum limit of withdrawing money or purchasing goods is equal to the deposit in the account.	The maximum limit of withdrawing money or purchasing goods and services is fixed by issuing bank of the card.
Payment of interest	No interest is charged on the use of this card.	High rate of interest is charged on this card.
Popularity	Debit card is comparatively more popular.	Credit card is comparatively less popular.
Financial condition.	Debit card is issued to people with kind of strong financial position.	Credit card is issued only to people with strong financial position.

- Q) What do you mean by RTGS and NEFT? Explain the different real time Gross Settlement is a modern mechanism of fast money transfer through banking medium. money transfer send on the basis of 'Real time' and 'Gross' through RTGS. 'Real time' means sending money instantly without any delay or similarly 'Gross' means completing transaction one by one. It means that this amount is sent without waiting for other transactions. The customer sending the money through RTGS has to provide the money bank's following information.
- (i) Amount to be remitted
 - (ii) The number which is to be debited
 - (iii) Name of the beneficiary Bank.
 - (iv) Name of the beneficiary customer.
 - (v) A/c no. of the beneficiary customer.
 - (vi) Indian Financial System Code - IFSC of the receiving branch.

While NEFT is National Electronic fund transfer to is also an electronic way of sending money from one bank to other through the banking medium, but it can't be sent instantly. The main reason for it is a credit point of time in this transaction. In the system of all the defauling similar RTGS have to be given to banks.

Difference between RTGS and NEFT.

RTGS	NEFT
1) Time of transaction The time of transaction is from Monday to Friday 9:00 am to 4:30 pm and on Saturday it is from 9:00 am to 1:30 pm.	The time of transaction from Monday to Friday is from 9:00 am to 7:00 pm and on Saturday, it is from 8:00 am to 1:00 pm.
2) Time of payment The payment is done without any delay - because all by one during the RTGS period.	There are 6 fixed time of payment. In the meantime all transactions are delayed till the next fixed time. eg example after 9:00 am all transactions are withheld till 10:00 am.
3) minimum amount	There is no fixed, the bank sets the minimum limitation, can't be sent through RTGS.
4) minimum amount	There is similarity between NEFT and RTGS in this aspect. In NEFT as well as in RTGS, there is no maximum limit.

Feed/Charge	There is a charge of ₹ 25 per transaction	₹ 5 million per 1
	for an amount of ₹ 5 lakhs.	for an amount up to ₹ 5 lakh ₹ 15 in
	it is ₹ 5	changed per transaction up to ₹ lakhs.

Explain the functions of NABARD.

NABARD's main functions are follows:
 providing refinancing :- Resources like short term loan, medium term loan and long term loan are provided to different institutions by NABARD.
 Short term loan :- short term loan's maximum duration is of 15 months.

NABARD extends loans to co-operative banks, regional rural banks and other financial structures approved by the Reserve bank, for small scale industries, agriculture, handicrafts and small scale industries, handicrafts and arts, sericulture etc.

medium term loan :- These loans are for 1-7 years. NABARD provides. This loan duration is more than 15 years but not more than 7 years.

Long term loan :- These loans are for 25 years. NABARD provides.

these four to commercial banks, Regional and state co-operative banks and other financial institutions approved by the Reserve Bank for land development, housing, poultry farms, sheep rearing, pig rearing, agriculture-mechanisation, fish farming, storage, honey-bee rearing, optional sources of energy etc.

(4) Development Functions :- NABARD performs many development of functions for giving instructions, to help the government, Reserve Bank and other institutions in their work of rural development efforts, to make arrangements for the training of employees of regional rural banks, state co-operative banks and development banks etc. Besides NABARD provide all types of information related to banking and rural development.

(3) Regulatory functions :- NABARD also fulfills the responsibility of regulatory function, under this function, it inspects the working method, models, schemes and co-operative of regional rural banks and co-operative banks.

4) Other functions :- Beside the above mentioned functions, too, agricultural and non-agricultural sectors are included in it. NABARD pays special attention to the problems of rural development and the needs of the weaker classes. For this 'Research and Development Fund' has been established by NABARD - (National Bank for Agriculture and Rural Development).

Q1) What is Central bank? Discuss its main functions?

Ans: The central bank of any country has an important role to play in the financial system. It has been defined by keeping this point of view in mind. The important definitions of the central bank are as follows:-

(i) According to Hartley :- "Central bank is the bank of the country because it works as a lender of last resort of other banks."

(ii) According to Prof. Kent, "It may be defined as an institution charged with the responsibility of managing the expansion and contraction of the volume of money in the interest of the general public welfare."

After the study of the above definitions of the central bank it becomes clear that the central bank is different from other banks in the light of the above definitions its appropriate definition can be given as follows.

"The central bank is a bank which controls and regulates the monetary system and credit system of the country so that the proper development of the country can be in proper direction." of the central bank is the bank in part it doesn't work with the objective of earning profits. Its ownership and control lies with the government.

Functions of Central Bank.

1) monopoly of note issue :- (Central bank retains monopoly of issuing notes, defrayed which issues notes and coins to commercial banks.

2) Government's banker, agent and advisor :- In every country, the central bank works as the Government's banker, agent and advisor. As the Government keeps with it money interest deposits of the central and state government.

3) Subodian of cash reserves of commercial banks :- It is mandatory for every commercial bank to keep a certain part of their deposits with the central bank. In the initial days, it depended on the will of commercial banks but now it has become essential for every commercial bank to keep the banking laws.

4) Clearing house for transfers and settlements :- Clearing house is such an arrangement in the banking system in which the mutual transaction of various banks is done by making netting entries in account only.

1) Controlled credit :- A proper credit regulation is laid in the country. The need is felt for the economy. So, it is essential that the amount of credit should be maintained fixed and within a proper limit.

2) Lender of last resort :- When the commercial banks don't have sufficient liquid fund to meet the cash demands of the customers, they draw help from the central bank.

3) Intervention of foreign exchange reserve :- The govt. authorises the central bank for keeping gold and foreign money. The central bank performs the task of foreign transactions for being the member of the international monetary fund.

Q) Explain the measures adopted by the reserve bank of India for controlling money.
 Ans -> The RBI has adopted many measures for the credit control. Now, there is a question regarding the success of these measures in the direction of credit control.
 Following are the reasons of the failure of the credit control policy of the RBI as per the views of the critics :-

1) No. Central or non-Banking institutions :-
 A major portion of the countries banking system is controlled by non-banking institutions. The native banks have much contribution in the trade and industries of the country. But despite this, the RBI has no control over these institutions, due to it, the RBI has not got much success in its credit control policy.

2) Lack of co-ordination between monetary and financial policy :- The monetary, ~~the~~ RBI, while the fiscal policy, ~~by~~ the is operated by the government. There is a lack of co-ordination between these two policies.

Lack of organised bill market :- There is lack of organised bill market in India ~~every~~ even today. As a result

The discounting of bills has remained ineffective. It is also the main cause of the unpopularity of the bank note.

(iii) Excess cash reserve with banks :- The scheduled banks of the country have so much deposits with them that even after the RBI they have sufficient cash with them. With the help of it, they keep on forming up credit in their own ways.

(iv) Lack of elasticity in economy :- The credit of central bank is rigid and ~~not~~ there is relationship with economy, but there is a lack of elasticity in the Indian economy.

(v) Lack of organised money market :- There is money market in India. The bank money market in the RBI and the money rate issued by the market has been interest rate of the market should be in line with the ordination between the market and the proper to -

8) Define Monetary Policy and explain its goal.
 Any monetary policy refers to that thought of the Reserve Bank of India through which the money is controlled in the country. Bank of the country bears the responsibility of declaring policy and implement the same. Bank gives monetary policy. The central bank gives monetary principles for the money and monetary development in the economy. As to H. B. Johnson, "The monetary policy refers to that policy of the central bank through which to the amount of objectives of economy to the fulfilment of objectives of employment and economic policies". Monetary policy includes all these monetary decisions and measures the objectives of which a to influence the monetary system.

Objectives or Goals of monetary policy are -

- i) Price stability :- Normal life of people gets badly disturbed due to instability in prices. Its effects are seen in trade, industry, employment, production, etc.

So, the prime stability is considered to be a prominent objective of the monetary policy. Full employment :-

This increases the level of the society. So, it has been considered the prime objective of the monetary policy to achieve full employment in the present time.

Stability of exchange rates :- Before the fall of the international gold standard the prime objective of the monetary policy was considered to maintain stability in exchange rate. There was a period when every country independent monetary policy. So, different countries had to face inflation or general rise of the international gold standard that when gold is coming in the country, currency expand and goes out of the country and gold is going out of the country. That's the case.

Economic growth :- The economic growth is considered to be the prime objective of the monetary policy. So, in these days of monetary development, so, full employment, short-term stability in price and objectives of monetary policy are considered the prime objectives of the monetary policy. But the modern economic growth is considered to be the prime objective of the monetary policy.

The monetary policy with long-term objectives.

(5) Neutrality of money ⁰ — the concept of the neutrality of money is based on the hypothesis that if supply of money fluctuates the economy should be subjected to present fluctuation in the economy. P.H. Wickstead, F.A. von Hayek and D.H. Robertson have supported this theory.

2) Discuss the objectives of International Monetary Fund.

1) International monetary co-operation: — The international monetary relationship among the member countries through a permanent organization there should not be any delay in fulfilling this objective, so regular advice is given to it through the committee of specialists related to the fund.

2) Promotion of balanced growth of international trade: — The international monetary fund plays an important role in promoting a balanced growth.

level of trade and also bringing a high level of employment in the member countries.

Stability of exchange ~~rate~~ rate :- It is also an objective of the International Monetary Fund to bring the stability in the exchange rate. If there is a possibility of fall in exchange rate of a country the fund gives proper suggestions and co-operation to that country.

4) Multilateral payments :- One objective of the International Monetary Fund is to co-operate in the acceptance of multilateral payments by ending exchange regulation the member countries of different countries.

(5) Financial assistance :- The International Monetary Fund gives financial assistance to member countries by granting them short term loans. This helps in maintaining the balance of trade among the member countries.

(6) Duration and Degree of Disequilibrium :- One objective of the International Monetary Fund is to try to minimize the duration and degree of disequilibrium of member countries.

Q. What are the objectives of establishment of the world bank? (3)
Any objectives of the world bank are-

1) Reconstruction and development :- The most prominent objective of the world bank is to give economic help in the reconstruction and development of those countries which had got then enemy war badly damaged during the war. Moreover, the world bank encourages the underdeveloped countries by giving them economic assistance. The world bank promotes the long-term investment for such assistance.

(2) Propensity to foreign investment :- Generally, crucial roles in the economic development of underdeveloped and developing countries. But the foreign private investors don't show interest in the capital investment in these countries because they don't feel sufficient security. The world bank gives these investors the guarantee of safety of their capital. The world bank also gives financial assistance to these investors in the form of loans.

Promotion to long term international trade:-
The world bank ~~that~~ is encourages the team international trade. The objective of the world bank being this is to balance international trade by raising the production ability, standard of living and employment and reforming the labour conditions.

Peace-time economy:- It is also an objective of the world bank that it should create a suitable atmosphere among the member nations so that working economy should be adopted as the peace time economy.

5) arrangement of Capital:- The world bank supplies capital for the development of productive resources. It also makes the capitalists invest for this purpose. It also advises its member countries for the proper use of capital.

Money is a good servant but a bad master. Explain this above statement.
ans. Considering the above mentioned important of money, it can be said that money is the basis of modern human life. but something it belongs to cause for the society as it gives rise to evil practices. Money is also the cause of many evil practices, so keeping in view the evils of money, it has been said "money is a good servant but a bad master".

Evils of money can be classified as follows:

Evils of money.

(a) Economic evils

(b) Social evils

(c) Moral evils.

(a) Economic evils :- Economically, money has the following evils.

(i) Inflation and Deflation :- A big phenomenon with money is that its value fluctuates. In this conditions, the prices of commodities increase

(5) Over-Capitalization :- with a rise in the money, there is an increase in the economy, and investments, the savings investment decreases also a problem on over production, over-production, too, of leads to depression.

(6) Encourage ment to poor tendency :- Individuals themselves prosperous, money encourage poor themselves with a prosperous even by taking loans. It is implied to even country.

B) Social evils :- Social money has following evils :-

(1) Social aspect :- It is (common only) considered ^{from} aspects that somebody is a lot of money, many hidden. Due to a abundance of money, many hidden. Due to the lack of money, remain hidden. Due to the reason, intellect, labour, honesty, don't get proper place in the society. This need of social values.

11) Tendency of ~~them~~ ^{that} exploitation :- It is long only
condemned for a prostitute is long only
are many her a prostitute is long only
the other form of long only
exploitation in the society. various kinds of

enmity :- In most cases, the root cause
of enmity is money. There is a
long on visibility by enmity, long only
or relative of pure to money. So
money reduces social peace and affection.

12) Moral evils :- Money is also the mother of
moral evils. It encourages theft,
robbing, loot, ~~the~~ murder, corruption,
prostitution etc.

Conclusion :- On the basis of the above evils
of money, it appears in the first
place that money is not so in reality,
all evils, but it is a matter of money.
It is a ~~long~~ ^{long} only. That is why it is
said, "Money is a good master,"
but a