

## PG Odd Semester (CBCS) Exam., December—2018

## ECONOMICS

## ( 1st Semester )

Course No. : ECOCC-105

## ( Money, Banking and Finance )

*Full Marks : 70**Pass Marks : 28**Time : 3 hours**The figures in the margin indicate full marks  
for the questions*Answer **five** questions, taking **one** from each Unit

## UNIT—I

1. (a) Explain the advantages and disadvantages of holding money as a 'store of value' compared to other assets. 4
- (b) How can money be inducted into the indirect utility function? 7
- (c) Discuss the evolution of the modern payment system and the movement towards a cashless economy. 3

2. (a) Explain the process of credit creation in a monetary economy. In this context, derive the credit multiplier. 6+4=10
- (b) Distinguish between narrow money and broad money. Which of these aggregates would you use to measure money supply in an economy at any given point of time? 4

## UNIT—II

3. Discuss the role of financial markets in economic development. Explain the circumstances leading to the internationalization of financial markets in India. 8+6=14
4. What do you understand by financial intermediaries? In this context, discuss the role of merchant banks and investment banks in providing industrial finance. 5+5+4=14

## UNIT—III

5. Compare and contrast the roles of RBI and SEBI in ensuring smooth functioning of financial system in India. 8+6=14

( 3 )

6. Distinguish between interest rate targeting and money supply targeting. Is it possible to simultaneously target both interest rate and money supply? Explain using a simple IS-LM framework. Also add a note on reserve requirements as an instrument of monetary control. 4+6+4=14

UNIT—IV

7. What do you understand by the transmission mechanism of monetary policy? In this context, elaborate the role of interest rate channel, foreign exchange mechanism and wealth effects in the process of monetary transmission. 6+3+3+2=14
8. Write notes on the following : 5+5+4=14
- (a) NSDL
- (b) Subprime crisis
- (c) Basel norms

UNIT—V

9. (a) Distinguish between fixed and flexible exchange rates. 4
- (b) Discuss their relative merits and demerits. 6

( 4 )

- (c) In this connection, discuss the foreign exchange policy of the Government of India. 4
10. What do you understand by 'hot money'? How does it differ from FDI? Discuss the role of both hot money as well as FDI in providing development finance in emerging economics around the world. What measures would you suggest for improving net flow of FDI into India? 2+2+6+4=14

\*\*\*