



**Institute of Management  
JK Lakshmipat University, Jaipur  
MID TERM EXAMINATION I -2018**

**B.Com H (V sem.) Principles & Practices of Banking & Insurance**  
**Subject Code: FN 14**  
**MM: 20Marks**

**Time: 1.5 Hours**

*Instructions: All questions are compulsory.*

**Section A**

1. Distinguish between Banking & Non-banking financial institutions (2.5 marks)
2. Explain the difference in functioning of RBI at the ground of, to be central government's banker and banker's bank. (2.5 marks)
3. After independence number of regulatory, intermediary and developmental financial institutions is opened up in Indian economy. Illustrate the role of these financial institutions in economic development of India. (5 marks)

**Section B**  
**Case study**

India faced a steep inflationary pressure right from the beginning of the year 2008. In May 2008, inflation touched double digit figures and continued to move in an upward direction. The inflation was feared to chock the steady growth of the Indian economy. The Indian government took several steps to combat inflation. In July, the Reserve Bank, the central bank of India, also took action to tame the inflation as soon as it reached a thirteen year high, crossing 12.5%. RBI adopted tight/rigid monetary policy using quantitative measures to combat with situation. The central bank was able to withdraw a substantial amount of money through the tight monetary policy. However, this raised anger among the industrialists and businessmen in India. The tight monetary policy was viewed as a double whammy in the face of rising inflation. Some feared, that the policy would hamper business environment and affect the price sensitive sectors like manufacturing, automobiles and real estate etc. On the other hand, some economists argued that the RBI's step was appropriate and quite expected. Those who are in favour of policy believed that tight monetary policy would be an obstacle to economic growth in short run, but would improve the growth prospectus of the economy in the long run.

**Questions:**

1. With reference of this case, to implement tight monetary policy, what quantitative techniques of monetary control would be applied by RBI and how it would work to control inflation? Explain in detail with the help of examples. (5Marks)
2. What could be the other methods of monetary control in this case? Name them and explain any one in detail. (2.5 Marks)
3. What is your opinion about anger of business community for employing tight monetary policy by central bank of India? According to you what could be the reasons to not favoring RBI's strict/tight monetary policy by this special group. (2.5 Marks)