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**5 SEM TDC ECO M 4**

**2 0 2 2**

( December )

**ECONOMICS**

( Major )

Course : 504

**( Monetary Theory and Financial Market )**

Full Marks : 80

Pass Marks : 24

Time : 3 hours

*The figures in the margin indicate full marks  
for the questions*

1. Choose the correct option from the following : 1×8=8

(a) The word 'hoarding' is associated with what?

(i) Idle cash balance



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(ii) Low rate of interest

(iii) To satisfy the desire for liquidity

(iv) All of the above

(b) Given below are various assets of the bank :

1. Cash

2. Call money

3. Bills

4. Investments

Select the correct option from below (ascending order of profitability and decending order of liquidity).

(i) 1, 2, 3, 4

(ii) 1, 4, 2, 3

(iii) 4, 3, 2, 1

(iv) None of the above

(c) Which of the following is true for credit card facility?

(i) The credit card is a document of cardholder's credit worthiness

( 3 )

(ii) Credit cards are issued to people having high income

(iii) Credit cards are normally issued to people to buy non-consumer item

(iv) None of the above

(d) Determinant of money supply is

(i) extent of monetization

(ii) community choice

(iii) cash reserve ratio

(iv) All of the above

(e) "The trade cycle is a purely monetary phenomenon." The statement is propounded by

(i) J. M. Keynes

(ii) Haberler

(iii) R. G. Hawtrey

(iv) None of them



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- (f) According to supply-side economists, stagflation arises on account of
- (i) increase in money wage
  - (ii) high marginal tax rates
  - (iii) changes in inflation expectation
  - (iv) All of the above

The monetary base of a country is also known as

- (i) speed money
  - (ii) high-powered money
  - (iii) bank reserves
  - (iv) None of the above
- (h) Gilt-edged market refers to
- (i) market in government security
  - (ii) market in non-government security
  - (iii) They suffer from the risk of default
  - (iv) All of the above

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2. Write short notes on any *four* of the following (**within 150 words** each) :
- 4×4=16

- (a) Money multiplier theory
- (b) Stock market index
- (c) Measures of credit control
- (d) Equilibrium rate of interest
- (e) Role of fiscal policy to control business cycle

3. (a) What is demand for money? Critically evaluate the monetarist approach to the demand for money.
- 3+9=12

Or

- (b) Define money supply. Discuss the different measures of money supply in India.
- 3+9=12

4. (a) Define inflation. Describe the various types of inflation and its effect on the economy.
- 3+4+4=11



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Or

(b) Critically explain Philips curve with the help of a diagram. 8+3=11

5. (a) Describe the structure of the Indian commercial banking system. Explain the role played by the cooperative banks in the development of rural economy in India. 6+5=11

Or

(b) Describe the functions and roles of the non-banking financial intermediaries (NBFI) in a developing country like India. Do you think that the control of NBFI is essential for effective and reliable banking system? Explain. 5+3+3=11

6. (a) Explain the mechanism of multiple expansion of credit by commercial banks. 11

Or

(b) Discuss the quantitative and qualitative credit control measures. Which of the measures is more effective for a developing country? Explain. 4+4+3=11

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7. (a) Discuss the functions and importance of capital market. 6+5=11

Or

(b) Examine Indian financial market reforms in the light of the Narasimham Committee Report. 11

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