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| **SESSION** | **JULY-AUGUST 2024** |
| **PROGRAM** | **BACHELOR OF COMMERCE (B.COM)** |
| **SEMESTER** | **V** |
| **COURSE CODE & NAME** | **DCM3103 MONEY AND BANKING** |
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**Set – 1**

**1. The Meaning of the Statement ‘Money is What Money Does’ and the Functions of Money**

**Ans 1.**

The statement **“Money is what money does”** highlights that the nature of money is determined not by its form or material but by the roles it performs in an economy. Money is a concept, and its value comes from the functions it performs rather than its physical characteristics. Historically, various items such as shells, precious metals, and even livestock were used as money, as they fulfilled these roles. Today, paper currency, digital money, and even cryptocurrencies serve the same functions, underlining that the essence of money is not

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**2. Describe the significance of Banking codes and standard board of India (BSCSBI) and differentiate between real and nominal interest rates. 6+4**

**Ans 2.**

**Significance of Banking Codes and Standards Board of India (BCSBI)**

The **Banking Codes and Standards Board of India (BCSBI)** was established in 2006 as an autonomous and independent organization aimed at setting standards for fair banking practices in India. It plays a critical role in ensuring that banks operate transparently and ethically while protecting the rights of customers. With India’s rapidly expanding banking sector and the growing complexity of financial products, BCSBI’s role has become increasingly significant.

The BCSBI formulates codes and guidelines that member banks voluntarily adopt, ensuring

**3. ‘The banking sector is considered as the lifeline of modern economy’ Explain.**

**Ans 3.**

**The Banking Sector as the Lifeline of the Modern Economy**

The banking sector is often regarded as the lifeline of the modern economy due to its pivotal role in facilitating financial transactions, mobilizing savings, and promoting economic growth. Banks serve as intermediaries between savers and borrowers, ensuring that capital is efficiently allocated within an economy. The banking sector not only supports day-to-day financial activities but also plays a strategic role in fostering industrial, commercial, and

**Set – 2**

**4. How do quantitative and qualitative instruments function within monetary policy?**

**Ans 4.**

**Quantitative and Qualitative Instruments in Monetary Policy**

Monetary policy is a key tool used by central banks to regulate money supply and influence economic activity. To achieve objectives such as controlling inflation, ensuring price stability, and promoting economic growth, central banks employ a mix of **quantitative** and **qualitative instruments.** These instruments function differently but collectively work toward achieving macroeconomic stability.

**Quantitative Instruments**

Quantitative instruments, also known as general or traditional tools, influence the overall

**5. Explain the key components of the New Bank Licensing Policy 2013.**

**Ans 5.**

**Key Components of the New Bank Licensing Policy 2013**

The **New Bank Licensing Policy of 2013**, introduced by the Reserve Bank of India (RBI), marked a significant step in the liberalization of India’s banking sector. It was designed to enhance financial inclusion, promote competition, and bring innovation to the banking industry. The policy allowed private entities and non-banking financial companies (NBFCs) to establish new banks, subject to meeting stringent criteria. This initiative aimed to

**6. Describe Non-performing Assets (NPA) and the criteria used for their classification.**

**Ans 6.**

**Non-Performing Assets (NPA) and the Criteria for Classification**

Non-Performing Assets (NPAs) represent one of the most significant challenges faced by the banking sector. An asset is classified as an NPA when it ceases to generate income for the bank, typically due to the borrower’s inability or unwillingness to meet repayment obligations. NPAs impact the profitability and liquidity of banks and are a key indicator of