

## **Paper – V : Money, Banking and Foreign Exchange**

### **1. Money**

Definition, Functions, Significance and Classification; Role of Money in Different Economies – Capitalist, Socialist and Mixed.

### **2. Indian Currency:**

Evolution and Present Position.

### **3. Demand for and Supply of Money:**

Demand for Money: Concept, Approaches: Classical, Keynesian, Portfolio Balance and Wealth Adjustment.

Supply of Money: Concept, Approaches: Conventional, Chicago, Gurley – Shaw and the RBI Approach.

### **4. Value of Money:**

a) Meaning and Determination – Quantity Theory of Money – Cash Transaction Approach; Cash Balance Approach, Real Balance Approach and Income – Expenditure Theory.

b) Measurement of Value of Money – Index Number, Effect of Changes in the Value of Money – Inflation and Deflation

### **5. Monetary Policy:**

Meaning, Objectives, Suitable Monetary Policy for a Developing Country like India, Instrument of Monetary Policy.

### **6. Banking:**

Definition, Functions, Significance and Types of Banks, Banking Operations, Process and Limits of Credit Creation.

### **7. Central Banking:**

Functions of Central Banking, Objectives and Methods of Credit Control (with special reference to RBI).

### **8. Banking Reforms: Brief study of Narasimham Committee**

### **9. International Trade:**

Features and Role, the need for separate theory of International Trade, Balance of Trade and Balance of Payments.

### **10. Foreign Exchange:**

Meaning and problem of foreign exchange Determination of Exchange Rate: Mint Parity Theory, Purchasing Power Parity Theory and Balance of Payments Theory; Liberalized Exchange Rate Mechanism (LERM).

### **11. I. M. F.:**

Objectives, Organization and Working. The Problems of International Liquidity. Special Drawing Rights.