22. Correct Option: (c)

Explanation:

- **Both statements are correct**

Supplementary notes:

MCLR

- The marginal cost of funds-based lending rate (MCLR) is the minimum interest rate that a bank can lend at. MCLR is a tenor-linked internal benchmark, which means the rate is determined internally by the bank depending on the period left for the repayment of a loan.
- MCLR is closely linked to the actual deposit rates and is calculated based on four components: the marginal cost of funds, negative carry on account of cash reserve ratio, operating costs and tenor premium.
- The Reserve Bank of India introduced the MCLR methodology for fixing interest rates from 1 April 2016. It replaced the base rate structure, which had been in place since July 2010.
- Under the MCLR regime, banks are free to offer all categories of loans on fixed or floating interest rates. The actual lending rates for loans of different categories and tenors are determined by adding the components of spread to MCLR. Therefore, the bank cannot lend at a rate lower than MCLR of a particular maturity, for all loans linked to that benchmark.

23. Correct Option: (d)

Explanation:

- **Option (d) is correct**

Supplementary notes:

The distinction between Capital Market and Money Market

- **Participants**
  - The participants in the capital market are financial institutions, banks, corporate entities, foreign investors and ordinary retail investors from members of the public.
  - Participation in the money market is by and large undertaken by institutional participants such as the RBI, banks, financial institutions, and finance companies. Individual investors although permitted to transact in the secondary money market, do not normally do so.
- **Instruments**
  - The main instruments traded in the capital market are – equity shares, debentures, bonds, preference shares, etc.
  - The main instruments traded in the money market are short term debt instruments such as T-bills, trade bills reports, commercial paper and certificates of deposit.
- **Investment Outlay**
  - Investment in the capital market i.e. securities does not necessarily require a huge financial outlay. The value of units of securities is generally low i.e. Rs 10, Rs 100 and so is the case with a minimum trading lot of shares which is kept small i.e. 5, 50, 100 or so. This helps individuals with small savings to subscribe to these securities.
  - In the money market, transactions entail huge sums of money as the instruments are quite expensive.
- **Duration**
  - The capital market deals in medium and long term securities such as equity shares and debentures.
  - Money market instruments have a maximum tenure of 364 days, and may even be issued for a single day.
- **Liquidity**
  - Capital market securities are considered liquid investments because they are marketable on the stock exchanges. However, a share may not be actively traded, i.e. it may not easily find a buyer.
  - Money market instruments, on the other hand, enjoy a higher degree of liquidity as there is a formal arrangement for this. The Discount Finance House of India (DFHI) has been established for the specific objective of providing a ready market for money market instruments.
- **Safety**
  - Capital market instruments are riskier both with respect to returns and principal repayment. Issuing companies may fail to perform as per projections and promoters may defraud investors.
  - But the money market is generally much safer with a minimum risk of default. This is due to the shorter duration of investing and also to the financial soundness of the issuers, which primarily are the government, banks and highly rated companies.
- **Expected return**
  - The investment in capital markets generally yields a higher return for investors than the money markets.