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The Question Bank

Comprehension Test Questions for SBI Clerk Mains, IBPS Clerk Mains, LIC AAO, RBI Assistant, SBI PO Pre and IBPS PO Pre Exams.

Passage No 133

Direction: Read the following passage carefully and answer the questions that follow.

The government's move to infuse upfront an additional capital of Rs 70,000 crore into public sector banks (PSBs) is welcome. The promised removal of the Damocles' sword of punitive investigation of any banking decision hanging over the heads of bankers today will help banks lend the additional liquidity leveraging this capital would enable.

The moves to support non-banking financial companies (NBFCs) — such as enhancing additional liquidity support to housing finance companies to Rs 30,000 crore by National Housing Bank from Rs 20,000 crore and co-origination of loans by PSBs jointly with NBFCs that are reeling under a liquidity crunch — will provide a booster for fresh loans to the MSME sector.

A transparent one-time settlement policy being provided by banks to benefit MSMEs and retail borrowers in settling their overdues is pragmatic. But banks also must acquire the expertise to assess MSME loan viability and invest in data mining.

Making banks link their lending rates to the repo rates will help better transmission of monetary policy. But for this to work without impairing bank financial health, multiple structural rigidities in the system must be removed. Public sector pre-emption of the bulk of household financial savings must end, for the bond market to really take off to provide longer-term funds for infrastructure projects.

Steps such as further development of the credit default swap markets, facilitating increased trading for price discovery, and establishing an organisation to provide credit enhancement for infrastructure and housing projects make eminent sense, as does onshoring the offshore rupee derivative markets.

A coherent policy of managerial reform, including of remuneration, at public sector banks must accompany the measures announced, for them to take effect.

1. What is the meaning of the idiom "Damocles' sword", as used in the passage?

- A. Planned fraud
- B. Meticulous investigation
- C. Imminent danger
- D. Careless attitude
- E. None of these



2. According to the passage, what will provide a booster for fresh loans to the MSME sector?

- I. Loan waivers and collateral free loans.
- II. Increasing additional liquidity support of Rs 20,000 cr by 50%.
- III. Joint contribution of credit by PSBs and NBFCs.

- A. Only III B. Only II and III C. Only I and III
D. All of I, II and III E. Not mentioned in the passage

3. With which of the following statements would the author most likely agree?

- I. One-time settlement policy that will benefit MSMEs is impractical for banks and is unwise.
- II. Banks have not yet developed the required proficiency in judging the sustainability of MSME loans.
- III. Banks have made huge investments in data mining.

- A. Only I B. Only II C. Only I and II
D. Only I and III E. All I, II and III

4. What is the tone of the passage?

- A. Acerbic B. Vitriolic C. Indignant D. Belligerent E. None of the above

5. What can be a suitable title for the given passage?

- A. Clearance to take off for stalled credit
- B. Money infused in banking sector
- C. Relevance of data mining in banking
- D. Transmission of monetary policy
- E. Offshore rupee derivative markets

Correct Answers

1	2	3	4	5
C	B	B	E	A

Explanations:

1. Damocles' sword (Idiom):

Meaning : Any imminent, impending, or eventual trouble, danger, or disaster.

In Greek mythology, the courtier Damocles was forced to sit beneath a sword suspended by a single hair to emphasize the instability of a king's fortunes.

Example: The new tax law is going to be Damocles' sword hanging over our very business model. Clearly, option C is the correct answer.

2. Refer to:

The moves to support non-banking financial companies (NBFCs) — such as **enhancing additional liquidity support to housing finance companies to Rs 30,000 crore by National Housing Bank from Rs 20,000 crore and co-origination of loans by PSBs jointly with NBFCs** that are reeling under a liquidity crunch — will provide a booster for fresh loans to the MSME sector.

Increasing 20,000 by 50% gives us 30,000 and co-origination of loans refers to joint contribution of credit. Hence, statements II and III are correct. However, nothing has been mentioned about loan waivers and collateral free loans. So the first statement is incorrect.

Evidently, option B is the correct answer.

3. Refer to:

A transparent one-time settlement policy being provided by banks to benefit MSMEs and retail borrowers in settling their over-dues is pragmatic. **But banks also must acquire the expertise to assess MSME loan viability** and invest in data mining.

Statement I : One-time settlement policy that will benefit MSMEs is impractical for banks and is unwise.

The one-time settlement policy has been stated as being pragmatic which means that it is practical and sensible. Hence, statement I is invalid.

Statement II : Banks have not yet developed the required proficiency in judging the sustainability of MSME loans.

The author is urging banks to acquire the expertise of assessing MSME loan viability. This implies that he is likely to believe that banks have not yet mastered this skill. Hence, statement II is valid.

Statement III : Banks have made huge investments in data mining

The author has urged banks to invest in data mining. If he believed that the banks were already doing so then he would not have given such an advice. This, hence, makes statement III invalid.

Evidently, option B is the correct answer.

4. Acerbic, vitriolic, indignant and belligerent are tones that correspond to negative passages. However, the given passage is not negative in nature. Hence, options A, B, C and D can be eliminated.

Hence, option E is the correct answer.

5. The given passage analyses the measures that have been taken to help revive the banking sector and also suggests measures that can help get the credit flowing smoothly once again. Options B, C, D and E are too specific. They have been mentioned in the passage as part of the remedial measures that are to be taken for the stalled credit to take off. Only option A captures the overall essence of the passage and can be a suitable title.

Option A is hence the correct answer.



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