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# Comprehension passage exercise for IBPS PO pre, IBPS SO pre, IBPS clerk, SBI PO pre and SBI clerk exams

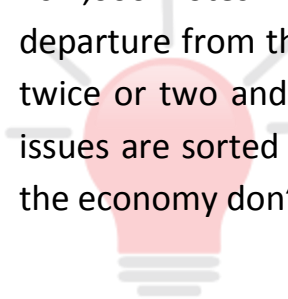
## PASSAGE NO. 106

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

The Reserve Bank of India's annual report for 2017-18 reveals that 99.3% of currency notes that were demonetised at midnight on November 8, 2016 have returned to the banking system. This is only marginally higher than its provisional estimate last year that over 99% — or Rs.15.28 lakh crore worth of the old Rs.500 and Rs.1,000 notes — out of the Rs.15.44 lakh crore that were in circulation at the time had been deposited by June 30, 2017. This makes a couple of things crystal clear. First, the hope that a large chunk of unaccounted money would not return to the system — arguably, the principal reason for the exercise — was almost wholly belied. As a result, the plan to transfer the arising surplus from the RBI to the Centre, which was not formally declared but strongly rumoured, was a non-starter. Second, given the sheer logistical difficulty in penalising all those who converted unaccounted money into legal tender, demonetisation worked as an unintended amnesty scheme. Despite the significant cost to the economy, demonetisation, to the disappointment of the Prime Minister's critics, had no political fallout. Narendra Modi succeeded in portraying the move as one that would knock out the corrupt rich — a harsh but necessary shock therapy. This was perhaps why the massive disruption caused by the overnight removal of 86% of the currency in value terms did not cause agitations.

Nevertheless, the RBI report, which points to a spurt in counterfeiting of the new Rs.500 and Rs.2,000 notes, raises the old question all over again. Was it worth the slowdown in growth, the damage to informal sector supply chains, and job losses in sectors such as construction that were the

bulwark of employment creation for the unskilled? True, there have been some benefits. For instance, the number of income tax returns filed has surged a little over the trend growth rate. But surely this could have been achieved by other policy measures. Cashless modes of payment have become more common, but financial savings in the form of currency have also risen, suggesting that people still value cash. Not all policy choices work out and accepting mistakes or planning flaws helps strengthen governance processes. For example, learning from the UPA's mistakes, a cleaner auction process for natural resources has been worked out. The government must not disown its biggest reform attempt or try to sidestep parliamentary scrutiny of the outcomes of demonetisation. Instead, it could focus on fixing the problems that people still face — transactions with Rs.2,000 notes in the absence of Rs.1,000 notes are difficult as it is a departure from the currency denomination principle (every note should be twice or two and a half times its preceding denomination). Even as these issues are sorted out, the larger lesson must be heeded: sudden shocks to the economy don't always yield intended policy objectives.



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## **QUESTIONS:**

**1. Which among the following sums up the opinion of the author regarding the demonetization drive announced by the government?**

A. The author is very much hopeful that the demonetization drive will be able to divide the wealth among all the sections equally.

B. The author has no opinion to give regarding demonetization since he was not staying in India at that point of time.

C. The author is a blue eyed boy of the Prime Minister and that is why he will always praise all the moves by the government.

D. The author feels that the government should do proper homework before implementing any scheme such as demonetization.

E. The author feels that the move to demonetize currencies did not yield the desired results though some positive sides can be appreciated.

**2. Which among the following should be the course of action of the government now that the demonetization has failed?**

A. The government should understand that there can be error in judgment on its part and it can be corrected by first accepting it.

B. The government should cancel the whole demonetization drive and give back the currency notes to the general public.

C. The central government should approach the Supreme Court to ensure that there is no legal issue in the future.

D. The Government of India is of the opinion that it has done the right thing but the public could not understand the importance of it.

E. None of the above

**3. Which among the following can be considered as the takeaway from the incident described in the given passage?**

A. The economy of the country is not suffering at all and therefore anything can be done now to test the waters.

B. The economy of India is ready to accept any change since it is now mature enough to withstand any kind of problem.

C. The Indian government is not receptive of any international shocks since there is no mechanism in India to accept the foreign risks.

D. The government should not control the economy in any country since it should be based on the market dynamics.

E. The economy has its own rhythm and it should not be taken for granted that any kind of sudden policy decision will be positive for the economy.

**4. Which among the following is correct regarding the positive effects of demonetization as discussed in the passage?**

**I. The number of income tax returns filed post demonetization has increased since now a lot of people are going to filing of income tax returns**

**II. The cashless mode of transactions has become more popular post demonetization since now people are resorting to cashless modes of transactions**

**III. The RBI has become more proactive these days in order to prevent money laundering activities in the country.**

A. Both II and III

B. Both I and II

C. Both I and III

D. Only II

E. All I, II and III

**5. Which among the following is / are correct regarding the RBI Annual Report for the year 2017-18 as described in the passage?**

A. More than 99% of the currency has come back into the system after demonetization and it is in line with the provisional estimate regarding this last year.

B. The instances of fake currencies with respect to the new Rs 500 and Rs 2000 notes are surfacing now.

C. The government has not become able to contain the excitement of the law and order implementing agencies regarding arresting the offenders.

D. Both A and B

E. All A, B and C

**6. Which among the following is opposite in meaning to the word Surged as used in the passage?**

A. Increased

B. Reduced

C. Existed

D. Receded

E. Transferred

## Correct answers:

|   |   |   |   |   |   |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| E | A | E | B | D | B |

## Explanations:

### 1.

According to the passage, the move of the government regarding demonetization was a complete failure since the stated objective could not be met at the end of the day and actually most of the cash came back to the system. It was a total failure for the move intended to flush out black money from the country.

Among the given options, option A is not correct since it is not something that follows from the passage whereas the same can be said regarding options B and C. Coming to option D, it may sound true but there is no such reference in the passage that the author feels proper homework should be done by the government before launching any scheme of the magnitude of demonetization program.

This makes option E the correct choice among the given options.

### 2.

Refer to, **“The government must not disown its biggest reform attempt or try to sidestep parliamentary scrutiny of the outcomes of demonetisation. Instead, it could focus on fixing the problems that people still face — transactions with Rs 2,000 notes in the absence of Rs1,000 notes are difficult as it is a departure from the currency denomination principle.”**

It is clear that the government should not disown its mistake in implementing demonetization in the country so that it can take the corrective measures to address the issues that the public still faces in the country with the new currency notes.

Among the given options, only option A can be considered as the correct since it correctly explains the correct course of action that should be followed by the government. Other options are out of context as per the information given in the passage and hence they can be eliminated.

This makes option A the correct choice among the given options.

### 3.

Refer to, **“Even as these issues are sorted out, the larger lesson must be heeded: sudden shocks to the economy don’t always yield intended policy objectives.”**

The summary of the passage is that the government may think that any sudden decision may yield intended policy objectives but it is not always true and it may also be the case that such policy decisions will affect the health of the economy more than contributing to its growth.

Among the given options, option E is the correct choice since it perfectly captures the essence of the passage and other options are not relevant as per the information given in the passage.

This makes option E the correct choice among the given options.

### 4.

Refer to, **“True, there have been some benefits. For instance, the number of income tax returns filed has surged a little over the trend growth rate. But surely this could have been achieved by other policy measures. Cashless modes of payment have become more common, but financial savings in the form of currency have also risen, suggesting that people still value cash.”**

Statement I is correct since people are now more into filing of income tax returns in order to be on the safe side and also to prevent any wrong impression of the income tax department towards them.



Statement II is correct since the citizens are now resorting to the cashless modes of transactions but they still value cash based transactions.

Statement III is not correct since there is no reference in the passage that the RBI has become proactive post demonetization regarding detection of money laundering activities in the country. This can be eliminated.

This makes option B is the correct choice among the given options.

## 5.

Statement A is correct since it is mentioned in the passage that around 99.3% currency has come back into the banking system after the demonetization. This proves that the demonetization drive has failed completely in India. Refer to, **“The Reserve Bank of India’s annual report for 2017-18 reveals that 99.3% of currency notes that were demonetised at midnight on November 8, 2016 have returned to the banking system. This is only marginally higher than its provisional estimate last year that over 99% — or Rs 15.28 lakh crore worth of the old Rs 500 and Rs 1,000 notes — out of the Rs 15.44 lakh crore that were in circulation at the time had been deposited by June 30, 2017.”**

Statement B is also correct since the RBI is now facing the same issue of counterfeiting the currencies of Rs 500 and Rs 2000 newly launched by the RBI. This has been reported in the annual report of the RBI. Refer to, **“Nevertheless, the RBI report, which points to a spurt in counterfeiting of the new Rs 500 and Rs 2,000 notes, raises the old question all over again.”**

Statement C is not correct since there is no reference in the passage that the law and order implementing agencies are too excited regarding arresting the offenders. This is completely irrelevant in the context of the information given in the passage.

This makes option D the correct choice among the given options.

6.

The given word has been used in the sense that the number of income tax returns has increased after the implementation of demonetization drive by the government. The opposite to this word needs to be found out from the given options.

Among the given options, *increased* is the synonym of the given word whereas *reduced* means decreased. *Existed* means living and *receded* means going back or moving away from the previous position.

This makes option B the correct choice among the given options.



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