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Comprehension Test Question IBPS Clerk

Passage No. 42

Directions: Read the following passage to answer the given questions based on it. Some words/phrases are printed in bold to help you locate them while answering some of the questions.

In India there are about 280m cows. They produce valuable things — milk, dung and calves. But cattle are expensive to keep. The biggest **outlay** is food — the average cow consumes fodder worth about 10,000 rupees a year.

These expenses are so high that cows are often a poor investment. According to a new and splendidly titled NBER paper, which looks at cow and buffalo ownership in rural areas of northern India, the average return on a cow is –64 per cent once you factor in the cost of labour.

If returns on cattle are so bad, why do households buy them? People may not be thinking about economics, of course. Hindus may derive spiritual fulfillment from cow ownership. Households may prefer to produce high-quality milk at home, even if doing so costs more.

But the authors suggest that there may also be sound economic reasoning behind cow ownership. According to ICRIER, a think-tank, only 7 per cent of Indian villages have a bank branch. That means people lack a formal savings mechanism for their **spare** cash. And although there are informal ways to save — joining a local savings club, for example, or simply **stuffing** money under the mattress — owning a cow may be a better option.

That is because most people find spending easier than saving. Immediate pleasures are easier to grasp than future joys — and so people make spending decisions that they later regret. Economists refer to this as “myopia”. Cows force people not to be myopic. Compared with money held in savings accounts, cattle are illiquid assets. Taking cash from a cow is harder than taking money from an account. As a result, temptation spending is trickier.

The paper has implications for poverty-**alleviation** strategies and for financial services in developing countries. Aid programmes that try to reduce poverty by distributing livestock may be ineffective at raising incomes, if the returns from owning them are so poor. If cows are used as a means of saving, the spread of mobile banking in places like India will provide another, better option. Even then the problem of temptation spending arises. Dean Karlan, one of the authors, is interested in the idea of “commitment savings accounts”, whereby people **forgo** their right to withdraw funds until they reach a specified level.

Questions:

1. Why do households buy cows despite the fact that the return on cattle are not beneficial?

1. To get high-quality milk at home
2. For spiritual fulfillment from cow ownership
3. Because of ignorance of economic aspects

A. Only 1 B. Only 2 C. Only 3 D. Only 1 and 2 E. All 1, 2 and 3

2. What is economic myopia? Give your answer in the context of the given passage.

- A. Spending is easier than saving.
- B. Spending gives pleasure while saving causes hardship.
- C. Spending decision for immediate pleasure at the cost of future repentance.
- D. Inability to see objects clearly placed at a short distance.
- E. None of these

3. Which of the following statements is/are contrary to the facts mentioned in the given passage?

- A. Getting money by selling cows is much easier than withdrawing it from savings accounts.
- B. Cows force people to be economically shortsighted.
- C. Aid programmes that try to reduce poverty by distributing livestock may be ineffective.
- D. Only A and B
- E. Only B and C

4. What economic reasoning has the author suggested behind cow ownership?

- A. Rural people prefer to exchange goods for milk.
- B. Cow owners are usually illiterate and hence hesitate to go to bank branches.
- C. People lack a formal savings mechanism and owning a cow is a better alternative for them.
- D. People think it better to have their own cows than to purchase milk from vendors.
- E. All the above

5. Which of the following is not true in the context of the given passage?

- A. The high expenses to keep cows has become a bad investment.
- B. When the labour cost is also added to the total cost the average return on a cow gives a negative return.

- C. The biggest expense on keeping a cow comes on food.
- D. The NBER paper is concerned with looking at cows and buffalo ownership in the whole of rural India.
- E. None of these

6. Choose the word/group of word which is **MOST SIMILAR** in meaning to the word/group of words printed in bold as used in the passage.

Spare

- A. temporary B. regular C. extra D. scanty E. meager

7. Choose the word/group of word which is **MOST SIMILAR** in meaning to the word/group of words printed in bold as used in the passage.

Stuffing

- A. misusing B. contents C. making D. sinking E. depositing

8. Choose the word/group of word which is **MOST SIMILAR** in meaning to the word/group of words printed in bold as used in the passage.

Alleviation

- A. allotment B. lessen C. inclination D. implication E. allowance

9. Choose the word/group of words which is **MOST OPPOSITE** in meaning of the word/group of words printed in bold as used in the passage.

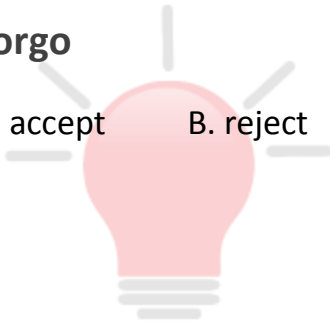
Outlay

A. expense B. plinth C. outdo D. income E. external

10. Choose the word/group of words which is **MOST OPPOSITE** in meaning of the word/group of words printed in bold as used in the passage.

Forgo

A. accept B. reject C. forget D. remember E. renounce



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Correct Answers:

1	2	3	4	5	6	7	8	9	10
E	C	D	C	D	C	E	B	D	A



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