

Quiz Date: 20th May 2020

Directions (1-8): Read the following passage and answer the following questions based on the given passage.

Union Finance Minister Nirmala Sitharaman on Wednesday announced a ₹3 lakh crore collateral free loan scheme for businesses, especially micro, small and medium enterprises (MSMEs), as part of a ₹20-lakh-crore economic stimulus package to deal with the COVID-19 pandemic. For salaried workers and taxpayers, some relief was provided in the form of an extended deadline for income tax returns for financial year 2019-20, with the due date now pushed to November 30, 2020. The rates of tax deduction at source (TDS) and tax collection at source (TCS) have been cut by 25% for the next year, while statutory provident fund (PF) payments have been reduced from 12% to 10% for both employers and employees for the next three months. Apart from MSMEs, other stressed business sectors which got attention were non-banking finance companies (NBFCs), power distribution companies, contractors and the real estate industry. This is the first tranche of the Atmanirbhar Bharat Abhiyan announced by Prime Minister Narendra Modi on Tuesday as a ₹20 lakh crore economic package. That package includes the ongoing Pradhan Mantri Garib Kalyan Yojana, meant to support the poorest and most vulnerable communities during the pandemic, as well as several measures taken by the Reserve Bank of India to improve liquidity. More tranches are expected in the next few days. Ms. Sitharaman **side-stepped** queries on the actual cash outgo for the government, as well as how the Centre intends to raise the needed funds. Ernst and Young's chief policy advisor D.K. Srivastava estimated that the measures announced on Wednesday amounted to ₹5.94 lakh crore, which include both liquidity financing measures and credit guarantees, although the direct fiscal cost to the government in the current financial year may only be ₹16,500 crore. MSMEs will get the bulk of the funding. The ₹3 lakh crore emergency credit line will ensure that 45 lakh units will have access to working capital to resume business activity and safeguard jobs, Ms. Sitharaman said. For two lakh MSMEs which are stressed or considered non-performing assets, the Centre will facilitate provision of ₹20,000 crore as subordinate debt. A ₹50,000 crore equity infusion is also planned, through an MSME fund of funds with a corpus of ₹10,000 crore. The definition of an MSME is being expanded to allow for higher investment limits and the introduction of turnover-based criteria. In a bid to fulfil the Prime Minister's vision of a self-reliant or "atmanirbhar" India, global tenders will not be allowed for government procurement up to ₹200 crore. NBFCs, housing finance companies and microfinance institutions — many of which serve the MSME sector — will be supported through a ₹30,000 crore investment scheme fully guaranteed by the Centre, and an expanded partial credit guarantee scheme worth ₹45,000 crore, of which the first 20% of losses will be borne by the Centre. Power distribution companies, which are facing an unprecedented cash flow crisis, will receive a ₹90,000 crore liquidity injection. Contractors will get a six-month extension from all Central agencies, and also get partial bank guarantees to ease their cash flows. Registered real estate projects will get a six-month extension, with COVID-19 to be treated as a "force majeure" event. "A clear feature of today's announcement is that most of these are basically supply-side measures, aimed at activating businesses in the MSME, real estate, NBFC sectors," said Dr.

Srivastava, who is also a member of the Advisory Council to the 15th Finance Commission. “Generally, stimulus measures are aimed at boosting demand either by government spending on its own account or increasing disposable incomes of households through cash transfers or tax concessions.” However, he noted that both demand and supply are in need of revival in the Indian economy today.

“What was announced today is not a stimulus package. It is in effect a survival package, so that MSMEs can survive the lockdown and restart production,” said fellow economist and former Chief Statistician of India Pronab Sen, welcoming the measures but adding that a further stimulus may be needed after the lockdown is lifted. He expressed concern that risk-averse bankers may not extend the loan benefits to all MSMEs despite the government’s 100% credit guarantee. “Some pick and choose is going to happen now, and some of those who need it and deserve may not get it. It would have been better if the government had made it mandatory across the board,” he said.

Q1. What kind of relief was given to salaried workers and taxpayers?

- (a) Extension of ITR for 19-20 to 30th November 2020
- (b) Reduction in TDS and TCS by 25%
- (c) Reduction in PF from 12 to 10 % for the next three months
- (d) Only (a)
- (e) All of the above

Q2. Which of the following sectors were getting attention other than MSMEs?

- (i) NBFCs
- (ii) Power Distribution Companies
- (iii) Telecom Sector
- (iv) Contractors
- (v) Real-estate sector

- (a) (i), (ii), (iii), and (iv)
- (b) (i), (ii), (iv), and (v)
- (c) (i), (iv), (v), and (iii)
- (d) (i), (iii), (iv), and (v)
- (e) None of these

Q3. What the economic package includes as announced by PM?

- (a) Pradhan Mantri Garib Kalyan Yojna for uplifting poor and vulnerable communities
- (b) Measures and steps taken by RBI for improving liquidity
- (c) Both (a) and (b)
- (d) Inclusions of measures to deal with the economic crisis
- (e) Detailed information about upcoming tranches

Q4. What does the phrase **side-stepped** means as given in the passage?

- (a) avoid (someone or something) by stepping sideways.
- (b) a step taken sideways, typically to avoid someone or something.

A large, stylized, light pink watermark logo consisting of a large letter 'A' shape. Inside the top horizontal bar of the 'A', the word 'BANKERS' is written in white, bold, uppercase letters.A large, stylized watermark logo. The word 'adda' is in a grey, lowercase, sans-serif font. The number '247' is in a light pink, lowercase, sans-serif font. The '2' and '4' are connected, and the '7' has a small circle at the top right.

- (c) climb or descend by lifting alternate skis while facing sideways on the slope.
- (d) avoid dealing with or discussing (something problematic or disagreeable).
- (e) None of these

Q5. What were the provisions for MSMEs in the economic package?

- (a) Rs. 3 Lakh crore for ensuring the access of 45 Lakh units to resume business activities as well as safeguard jobs
- (b) Rs. 20,000 crore as subordinate debt for NPA or stressed MSMEs
- (c) A Rs. 30,000 crore equity infusion
- (d) Both (a) and (b)
- (e) Both (b) and (c)

Q6. How the NBFCs, Housing finance and microfinance are supported by the package?

- (a) A Rs. 30,000 crore investment scheme entirely guaranteed by the Centre
- (b) An expanded partial credit guarantee scheme worth Rs. 45,000 crore
- (c) Expanding definition of an MSME
- (d) Both (a) and (b)
- (e) None of these

Q7. What is generally the primary aim of stimulus measures?

- (a) Boosting demand either by government spending on its own account
- (b) Increasing disposable incomes of households via cash transfers or concession in tax
- (c) Aiming at reviving demand and supply
- (d) Both (b) and (c)
- (e) Both (a) and (b)

Q8. Why is the stimulus package termed as a **survival package**?

- (a) The package allows survival of the poor category population
- (b) MSMEs can survive the lockdown period and resume production
- (c) MSMEs will be able to survive amid losing workforce
- (d) The package lets the government survive the time of crisis
- (e) None of these



Directions (9-15): Read the following passage and answer the following questions based on the given passage.

The humble onion almost halted the onward march of the Reserve Bank of India (RBI) in its **endeavour** to bring down financial costs in the economy. Almost, because the RBI, despite finding its hands tied by rising inflation thanks to onion prices, found other means to drive down interest rates in the market, and in the system, in its monetary policy announcement on Thursday. At the press conference after the announcement, Governor Shaktikanta Das declared, only half in jest, that the proceedings of the Monetary Policy Committee, which decided to hold rates, had already been discounted by the market. “But don’t discount the RBI,” he warned, pointing out that the central bank had at its disposal various instruments. True to the statement, the RBI unleashed several measures that had an electric effect on the markets, driving down bond yields by 10-20 basis points in a matter of a minute. The exemption to banks from providing for cash reserve ratio on fresh retail loans disbursed after January 31 to purchase automobiles and residential houses, and to MSMEs, will help banks shave off a part of their costs. The hope is that they will pass on at least a part of that saving to borrowers as lower rates. Second, the introduction of one- and three-year term repos at policy rate of 5.15% for a total of ₹1 lakh crore is also aimed at prodding rates downward as banks now pay 6%-6.5% on deposits. Third, the RBI has fine-tuned its liquidity management process in a manner designed to help banks manage their interest costs better.

Whether banks really do what the RBI has signaled to them — transmit lower rates to borrowers — depends on various factors, not the least of which is demand for credit. The RBI’s statement that it would maintain an **accommodative** stance “as long as necessary to revive growth” clearly signals its commitment to growth. By explicitly saying that there is “policy space available for future action”, the RBI has signalled that there could be at least one more cut in the months ahead in this rate-easing cycle. The decision to extend the one-time restructuring of MSME loans, linking pricing of loans to medium enterprises to an external benchmark, and the nod for permitting extension of date of commencement of commercial operations for loans to commercial real estate are all welcome measures that raise questions of excessive forbearance but will certainly help the industry. The inflation projection — 6.5% in the current quarter and 5.4%-5.0% in the first half of 2020-21 — reflects the current realities. The projected GDP growth of 6% for 2020-21 appears achievable, assuming that the nascent signs of recovery sustain. The RBI has gone on the front foot to boost growth in this policy after the conservative Budget presented last week. It is to be hoped that these steps will change the sentiment in the economy.

Q9. What are the various ways RBI opted which have an immediate effect on the market?

- (a) Exempting banks from providing for cash reserve ratio on fresh retail loans to purchase automobiles and residential houses, and to MSMEs
- (b) Introduction of one- and three-year term repos at policy rate of 5.15% for a total of ₹1 lakh crore.
- (c) Proper Calibration of the liquidity management process of the banks.

- (d) Only (a) & (b)
- (e) All (a), (b) & (c)

Q10. What is the core intent in exempting the banks from providing for cash reserve ratio to MSME?

- (a) Lenders have started considering restructuring loans to stressed small businesses.
- (b) It will avoid bankruptcy and the lenders typically receive more than what they would through a bankruptcy proceeding.
- (c) It will help banks to reduce a part of their costs.
- (d) It will reduce bank debt levels by converting debt into equity eventually will increase confidence in the financial system.
- (e) None of these.

Q11. What is the need of introducing one- and three-year term repos at 5.15%?

- (a) The introduction of one –and three repos was introduced in lieu with the global compliance with the policy rates.
- (b) The Bond market immediately reversed its bearish trend after the introduction of Repo rate.
- (c) Banks have to provide higher interest now.
- (d) It will target the medium-term inflation at 4% levels.
- (e) None of these.

Q12. Which of the following measures mentioned in the passage that will eventually help the industry?

- (a) Extending the one-time restructuring of MSME loans
- (b) Bond yields climbed, which allows banks to charge higher interest rates on mortgages and other loans.
- (c) Linking pricing of loans to medium enterprises to an external benchmark.
- (d) Permitting extension of date of commencement of commercial operations for loans to commercial real estate.
- (e) Only (a), (c) & (d)

Q13. What could be the appropriate title for the above mentioned passage?

- (a) Govt overdraft from RBI hints at worries on finances
- (b) The RBI's efforts to boost growth could change the sentiment in the economy.
- (c) Federal Reserve Holds Benchmark Rate Steady
- (d) RBI Plans to set up Alternative Retail Payments System
- (e) None of these.

Directions (14-15): Choose the word/group of words which is most SIMILAR in meaning to the word/group of words printed in bold as used in passage.

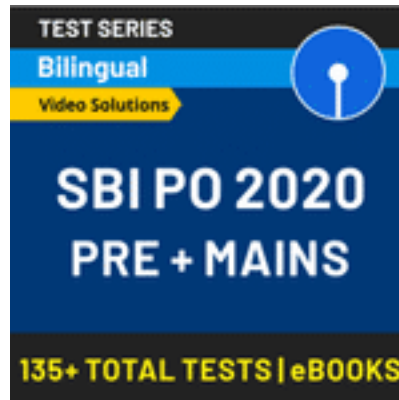
Q14. **Endeavour**

- (a) Entertainment
- (b) Inactivity
- (c) Attempt
- (d) Obligation
- (e) None of these.

Q15. **Accommodative**

- (a) Exemption
- (b) Presence
- (c) Slowdown

- (d) Distribution
(e) Obliging



Solutions:

S1. Ans. (e)

Referring to the second paragraph, the hint can be drawn from the lines, *For salaried workers and taxpayers, some relief was provided in the form of an extended deadline for income tax returns for financial year 2019-20, with the due date now pushed to November 30, 2020. The rates of tax deduction at source (TDS) and tax collection at source (TCS) have been cut by 25% for the next year, while statutory provident fund (PF) payments have been reduced from 12% to 10% for both employers and employees for the next three months.*

Here, all the options (a), (b), and (c) are justifying the above lines. Hence, **option (e)** is the right answer choice.

S2. Ans. (b)

Sol. Referring to the third paragraph, the hint can be drawn from the lines, *Apart from MSMEs, other stressed business sectors which got attention were non-banking finance companies (NBFCs), power distribution companies, contractors and the real estate industry.*

Hence, **option (b)** is the right answer choice.

S3. Ans. (c)

Sol. Referring to the lines of third paragraph, the hint can be drawn from the lines, *That package includes the ongoing Pradhan Mantri Garib Kalyan Yojana, meant to support the poorest and most vulnerable communities during the pandemic, as well as several measures taken by the Reserve Bank of India to improve liquidity.*

Hence, **option (c)** is the right answer choice.

S4. Ans. (d)

Sol. Here, **Side-stepped** means that Sitharaman was trying to avoid the queries pertaining to actual cash go for the government. She also was avoiding giving clarity on how the Center is going to raise the required funding. Hence, **option (d)** is the right answer choice.

S5. Ans. (d)

Sol. Referring to the fifth paragraph, the hint can be drawn from the lines, *MSMEs will get the bulk of the funding. The ₹3 lakh crore emergency credit line will ensure that 45 lakh units will have access to working capital to resume business activity and safeguard jobs, Ms. Sitharaman said. For two lakh MSMEs which are stressed or considered non-performing assets, the Centre will facilitate provision of ₹20,000 crore as subordinate debt. A ₹50,000 crore equity infusion is also planned, through an MSME fund of funds with a corpus of ₹10,000 crore.*

Hence, **option (d)** is the right answer choice.

S6. Ans. (d)

Sol. Referring to the sixth paragraph, the hint can be drawn from the lines, *NBFCs, housing finance companies and microfinance institutions — many of which serve the MSME sector — will be supported through a ₹30,000 crore investment scheme fully guaranteed by the Centre, and an expanded partial credit guarantee scheme worth ₹45,000 crore, of which the first 20% of losses will be borne by the Centre.*

Hence, **option (d)** is the right answer choice.

S7. Ans. (e)

Sol. Referring to the seventh paragraph, the hint can be drawn from the lines *“Generally, stimulus measures are aimed at boosting demand either by government spending on its own account or increasing disposable incomes of households through cash transfers or tax concessions.”*

Hence, **option (e)** is the right answer choice.

S8. Ans. (b)

Ans. Referring to the eighth paragraph the hint can be drawn from the lines, *What was announced today is not a stimulus package. It is in effect a survival package, so that MSMEs can survive the lockdown and restart production,” said fellow economist and former Chief Statistician of India Pronab Sen.*

Hence, **option (b)** is the right answer choice.

S9. Ans. (e)

Sol. Referring to the lines of the first paragraph, it is clear that all the options holds true. This makes our correct answer choice option (e) our answer. This can be inferred from the lines of the passage. “The exemption to banks from providing for cash reserve ratio on fresh retail loans disbursed after January 31 to purchase automobiles and residential houses, and to MSMEs, will help banks shave off a part of their costs. The hope is that they will pass on at least a part of that saving to borrowers as lower rates. Second, the introduction of one- and three-year term repos at policy rate of 5.15% for a total of ₹1 lakh crore is also aimed at prodding rates downward as banks now pay 6%-6.5% on deposits. Third, the RBI has fine-tuned its liquidity management process in a manner designed to help banks manage their interest costs better”.

S10. Ans. (c)

Sol. Referring to the lines of the first paragraph, *“The exemption to banks from providing for cash reserve ratio on fresh retail loans disbursed after January 31 to purchase automobiles and residential houses, and*

to MSMEs, will help banks shave off a part of their costs. The hope is that they will pass on at least a part of that saving to borrowers as lower rates.' This makes our correct answer choice option (c) our answer.

S11. Ans. (c)

Sol. Referring to the lines of the first paragraph, Second, the introduction of one- and three-year term repos at policy rate of 5.15% for a total of ₹1 lakh crore is also aimed at prodding rates downward as banks now pay 6%-6.5% on deposits. This makes our correct answer choice option (c) our answer.

S12. Ans. (e)

Sol. Referring to the lines of the first paragraph, "The decision to extend the one-time restructuring of MSME loans, linking pricing of loans to medium enterprises to an external **benchmark**, and the nod for permitting extension of date of commencement of commercial operations for loans to commercial real estate are all welcome measures that raise questions of excessive forbearance but will certainly help the industry". This will make our correct answer choice option (e).

S13. Ans. (b)

Sol. While going through the passages, it is clear that the only viable option that fits the passage would be option (b).

S14. Ans. (c)

Sol. The correct option is option (c).

Endeavour means try hard to do or achieve something.

This is similar to that of 'Attempt'.

Obligation means - the condition of being morally or legally bound to do something.

S15. Ans. (e)

Sol. The correct option is option (e).

The word **Accommodative** means tending to reconcile or accommodate; bringing into harmony.

This is similar to that of 'obliging'. Obliging: willing to do a service or kindness; helpful.

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