

Quiz Date: 28<sup>th</sup> May 2020

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

The present government's much-hyped, post-COVID-19 relief and recovery package has disappointed many. It provides little by way of additional budgetary resources to halt and reverse the economic and social collapse that the pandemic and the response to it has triggered. Most estimates place the additional fiscal allocation implicit in the proposals at about a tenth of the size of the package, which the government claims amounts to around 10% of GDP.

In its effort to tote up a 10% of GDP relief-cum-stimulus figure, the government has relied heavily on measures aimed at pushing credit to banks, non-banking financial companies (NBFCs) and businesses big and small, which are expected to use borrowed funds to lend to others, make payments falling due, compensate employees even while under lockdown, and otherwise spend even while not earning. The thrust is to get the Reserve Bank of India (RBI) and other public financial institutions to infuse liquidity and increase lending by the financial system, by offering the latter capital for longer periods at a repo or policy interest rate that has been cut by more than a percentage point to 4%.

There was a hint that this would be the thrust when the Prime Minister in his speech calling for a "self-reliant India" identified, besides land, labour and laws, "liquidity" as among the areas of focus of the package. In economic and business parlance, liquidity refers to ease of access to cash — a liquid asset is one that can be easily sold for or replaced with cash, and a liquid firm or agent is a holder of cash, a line providing access to cash, or assets that can be easily and quickly converted to cash without significant loss of value. In periods of crisis, individuals, small businesses, firms, financial institutions and even governments tend to experience a liquidity crunch. Relaxing that crunch is a focus of the government's crisis-response package. In keeping with that perspective, it gives a much larger role to enhancing liquidity than it does either to direct transfers to the poor and precariously employed workers devastated by the crisis, or to spending to ensure that micro- and small businesses would remain viable and along with medium and big businesses, would ride a demand revival when the lockdown ends.

The main intermediaries being enlisted for the task of transmitting liquidity are the banks, with NBFCs constituting a second tier. Among the first steps taken by the RBI was the launch of special and 'targeted' long term repo operations (TLTROs), which allowed banks to access liquidity at the repo rate to lend to specified clients. One round of such operations, which was relatively more successful, called for investment of the cheaper capital in higher quality investment grade corporate bonds, commercial paper, and non-convertible debentures. That funding allowed big business, varying from Reliance and L&T to financial major HDFC, to access cheap capital to substitute for past high-cost debt or finance ongoing projects. There is little evidence that this is triggering new investment decisions.

The second round was geared to saving NBFCs, whose balance sheets were under severe stress even before the COVID-19 strike, because they were finding it difficult to roll over the short-term

debt they had incurred to finance longer term projects, including lending to small and medium businesses, housing and real estate. Banks were wary about lending to these NBFCs, because of fears that their clients could default in amounts that would bring the viability of these institutions into question. Those fears were confirmed when Franklin Templeton announced that it was shutting down six of its funds, setting off redemption requests across the NBFC sector, as investors rushed to take back their money, at a time when the ability of these institutions to mobilise funds to meet these demands had been impaired. Not surprisingly, banks were unwilling to respond when liquidity was infused to target lending to the NBFCs.

Q1. Why the author referred the recovery package as a disappointment for many in the given passage?

- (i) It does nothing to stop and reverse the social and economic collapse
- (ii) Size of the package was not in accordance with what major economies have released
- (iii) Infusion of liquidity in the NBFC sector was far away from what was being expected

- (a) Both (ii) and (iii)
- (b) Only (i)
- (c) Only (ii)
- (d) Both (i) and (ii)
- (e) Both (i) and (iii)

Q2. How government planned to use the stimulus package to revive the falling economy?

- (a) Push credit to banks, NBFCs and Businesses of all size
- (b) It relied on various measures as suggested by RBI
- (c) The government followed the strategy framed by the committee
- (d) It totaled up the 12% of GDP for the relief package
- (e) All of the above

Q3. What is the thrust or principle purpose of stimulus package as mentioned in the given passage?

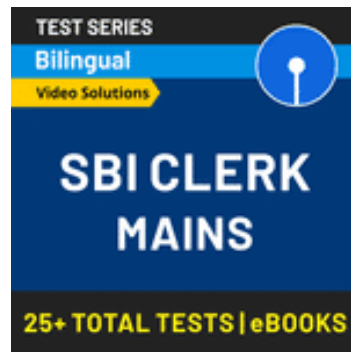
- (a) To enable RBI and financial institutions for infusing liquidity
- (b) Enhance lending capacity of the financial system
- (c) Offer capital to RBI for long terms
- (d) Giving capital at minor repo rate
- (e) All of the above

Q4. What does liquidity refers to in economic and business terms?

- (a) Transferring cash to accounts
- (b) Enhancing cash limit of card holders
- (c) Availability of cash
- (d) Liquidizing the cash for expenditure
- (e) All of the above

Q5. Which of the following are true about *Liquid asset: Liquid firm*?

- (a) Easily convertible cash for schemes: Cash holder providing liquidity
- (b) Assets to convert into cash: Banks and RBI providing funds
- (c) Cash needed for Govt. expenses: Government providing cash to people
- (d) Easily sold or replace with cash: Holder of cash to provide cash accessibility
- (e) None of these



Q6. How government relaxes *liquidity crunch* as mentioned in the given passage?

- (a) By providing ample support to startup ecosystem to make them self-sustainable
- (b) It spends to ensure viability of MSMEs and maintain their workforce
- (c) It prioritizes cash flow by direct cash transfer to the poor and workers
- (d) Both (b) and (c)
- (e) All of the above

Q7. What was one of the first steps taken by RBI to transmit liquidity?

- (i) Shortlisting banks and NBFCs for maintaining the cash flow
- (ii) Launching of TLTROs (Targeted long term repo operations)
- (iii) Bringing in line the banks with higher liquidity capacity

- (a) Only (i)
- (b) Only (ii)
- (c) Only (iii)
- (d) Both (i) and (iii)
- (e) All (i), (ii), and (iii)

Q8. Which of the following statement is **false** about Targeted Long Term Repo Operations?

- (a) It brought liquidity accessibility to the banks at the repo rate for lending to specific clients.
- (b) It let big businesses to get cheap capital and substitute the same for high-cost debt or current financial projects.
- (c) It brought all the financial institutions on ground level to benefit from the relief package of the government.
- (d) It called for cheaper capital investment in high quality investment grades.
- (e) All are correct

Directions (9-15): Given below the sentences each of which has been divided into four parts. Each of the questions is then followed by the five options which give the sequence of the rearranged parts. You must choose the option which gives the correct sequence of the parts. If the sentence is already arranged in the correct sequence or the correct sequence doesn't match with any of the given sequence, mark option (e) .i.e. 'None of the above' as your answer.

Q9. Tesla has dropped the price of its cars in North America (A)/and China by up to 6% in a bid to boost sales, following (B) /the midst of coronavirus lockdowns (C)/ a drop in demand for new cars in (D)

- (a) BADC
- (b) ADBC
- (c) ABDC
- (d) ACBD
- (e) None of the above

Q10. From a stretched-thin e-commerce warehouse (A)/ in 49 days as millions of children go back to school (B)/ South Korea reported 40 new coronavirus cases (C)/ and authorities fight to contain an outbreak stemming (D)

- (a) ADBC
- (b) CBDA
- (c) CABD
- (d) DABC
- (e) None of the above

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Q11. gone, citizens across Argentina and (A)/the globe are beginning to (B)/make their way back out into the world (C)/ the novelty of the quarantine long (D)

- (a) ADBC
- (b) CBDA
- (c) CABD
- (d) DABC
- (e) None of the above

Q12. Electronic Arts is a good investment (A)/ as investors seek to ride the rally in (B)/at the moment compared to Take Two Interactive, (C)/ gaming stocks in the current COVID-19 crisis (D)

- (a) BADC
- (b) ACBD
- (c) BACD
- (d) CADB
- (e) None of the above

Q13. Stanley Ho built a casino empire in the Chinese territory of Macau (A)/transform the former Portuguese colony (B)/into the world's biggest gambling hub (C)/ through his flagship firm, SJM Holdings that helped (D)

- (a) ADBC
- (b) CBDA
- (c) CABD
- (d) DABC
- (e) None of the above

Q14. growth faster than the national (A)/ better infrastructure and less corruption (B) on the watch of CM, Gujarat often produced (C)/ average, fewer regulations, (D)

- (a) BADC
- (b) ACBD
- (c) BACD
- (d) CADB
- (e) None of the above

Q15. resuming production has not been a smooth ride (A)/ industry, which employs more than 600,000 people, should (B)/ the reopening of America's largest manufacturing (C)/ provide a boost to the economy but (D)

- (a) ADBC
- (b) CBDA
- (c) CABD
- (d) DABC
- (e) None of the above



### Solutions

S1. Ans. (b)

Sol. Refer to the introductory lines of the given passage, *the present government's much-hyped, post-COVID-19 relief and recovery package has disappointed many. It provides little by way of additional budgetary resources to halt and reverse the economic and social collapse that the pandemic and the response to it has triggered.*

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

S2. Ans. (a)

Sol. Refer to the second paragraph of the given passage, the hint can be drawn from the lines, *In its effort to tote up a 10% of GDP relief-cum-stimulus figure, the government has relied heavily on measures aimed at pushing credit to banks, non-banking financial companies (NBFCs) and businesses big and small.*

Hence, only **option (a)** stands correct with reference to these lines.

S3. Ans. (e)

Sol. Refer to the lines of second paragraph, *The thrust is to get the Reserve Bank of India (RBI) and other public financial institutions to infuse liquidity and increase lending by the financial system, by offering the latter capital for longer periods at a repo or policy interest rate that has been cut by more than a percentage point to 4%.*

Here, all the options stand correct with reference to these lines. Hence, **option (e)** is the right answer choice.

S4. Ans. (c)

Sol. Refer to the third paragraph of the given passage, the hint can be drawn from the lines, *In economic and business parlance, liquidity refers to ease of access to cash.*

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

S5. Ans. (d)

Sol. Refer to the lines of the third paragraph, the hint can be drawn from the lines,

*a liquid asset is one that can be easily sold for or replaced with cash, and a liquid firm or agent is a holder of cash, a line providing access to cash, or assets that can be easily and quickly converted to cash without significant loss of value.*

Hence, **option (d)** stands correct describing the meaning of Liquid asset and Liquid firm as described in the given passage.

S6. Ans. (d)

Sol. Refer to the third paragraph, the hint can be drawn from the lines, *relaxing that crunch is a focus of the government's crisis-response package. In keeping with that perspective, it gives a much larger role to enhancing liquidity than it does either to direct transfers to the poor and precariously employed workers devastated by the crisis, or to spending to ensure that micro- and small businesses would remain viable and along with medium and big businesses, would ride a demand revival when the lockdown ends.*

Here, only **option (d)** is the most viable answer choice.

S7. Ans. (b)

Sol. Refer to the fourth paragraph, the hint can be drawn from the lines, *Among the first steps taken by the RBI was the launch of special and 'targeted' long term repo operations (TLTROs).*

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

S8. Ans. (c)

Sol. Refer to the fourth paragraph of the given passage, the hint can be drawn from the lines, *Among the first steps taken by the RBI was the launch of special and 'targeted' long term repo operations (TLTROs), which allowed banks to access liquidity at the repo rate to lend to specified clients. One round of such operations, which was relatively more successful, called for investment of the cheaper capital in higher quality investment grade corporate bonds, commercial paper, and non-convertible debentures. That funding allowed big business, varying from Reliance and L&T to financial major HDFC, to access cheap capital to substitute for past high-cost debt or finance ongoing projects. There is little evidence that this is triggering new investment decisions.*

Here, **option (c)** is not mentioned anywhere in these lines with reference to the Targeted Long Term Repo Operations (TLTROs). Hence, **option (c)** the right answer choice.

S9. Ans. (c)

Sol. The correct sequence is **ABDC**. The sentence after rearrangement is, *Tesla has dropped the price of its cars in North America and China by up to 6% in a bid to boost sales, following a drop in demand for new cars in the midst of coronavirus lockdowns.*

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

S10. Ans. (b)

Sol. The correct sequence is **CBDA**. The sentence after rearrangement is, *South Korea reported 40 new coronavirus cases in 49 days as millions of children go back to school and authorities fight to contain an outbreak stemming from a stretched-thin e-commerce warehouse.*

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

S11. Ans. (d)

Sol. The correct sequence is **DABC**. The sentence after rearrangement is,  
*The novelty of the quarantine long gone, citizens across Argentina and the globe are beginning to make their way back out into the world.*

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

S12. Ans. (b)

Sol. The correct sequence is **ACBD**. The sentence after rearrangement is,  
*Electronic Arts is a good investment at the moment compared to Take Two Interactive, as investors seek to ride the rally in gaming stocks in the current COVID-19 crisis.*

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

S13. Ans. (a)

Sol. The correct sequence is **ADBC**. The sentence after rearrangement is,  
*Stanley Ho built a casino empire in the Chinese territory of Macau through his flagship firm, SJM Holdings that helped transform the former Portuguese colony into the world's biggest gambling hub.*

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

S14. Ans. (d)

Sol. The correct sequence is **CADB**. The sentence after rearrangement is,  
*On the watch of CM, Gujarat often produced growth faster than the national average, fewer regulations, better infrastructure and less corruption.*

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

S15. Ans. (b)

Sol. The correct sequence is **CBDA**. The sentence after rearrangement is,  
*The reopening of America's largest manufacturing industry, which employs more than 600,000 people, should provide a boost to the economy but resuming production has not been a smooth ride.*

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

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