

Reading Comprehension Questions For SBI PO 2020



Direction (1 – 5) : Read the given passage carefully and answer the questions that follow.

Some ideas have long legs – they refuse to die, or fade out. The idea of merging Public Sector Banks (PSBs) is one such idea in realm of economic policymaking – it has been around for a long time, debated at the highest levels, often posited as a panacea for various policy objectives (from creation of “world class Indian banks” to resolution of the current NPA issue). It is generally an idea with very variable merits, which is why its never really taken off. But it resurrects like a phoenix every now and then, as it did recently with the news of the merger of four PSB – Bank of Baroda, Punjab National Bank, IDBI Bank and Oriental Bank of Commerce – creating India’s second largest bank, with assets of Rs 16.5 trillion. Consolidating four loss-making banks into one would make it easier to tackle the NPA and governance issues in these institutions.

It is useful to test out the hypothesis, i.e., bigger banks would be better, against available data. In India, PSB consolidation was first mooted by the Narasimhan Committee in 1991, in the first flush of liberalisation. Since then, there have been one-and-a-half live cases of consolidation of PSB. The outcomes have not been encouraging.

The first such exercise was the takeover of the distressed New Bank of India (NBI) by Punjab National Bank (PNB) in 1993. It was an involuntary exercise, driven by RBI to rescue NBI. PNB was a solid bank then, with a long track record of profitability, and many times larger than NBI in terms of assets and employees. Post-merger, PNB recorded its first loss (of Rs 96 crore) in 1996, and remained embroiled in employee issues for a very long time. Despite the fact that NBI was a “digestible” target for PNB, and the latter took many years before attaining equilibrium.

The second was gradual merger of all Associate Banks (AB) of SBI with the parent institution, culminating in the last tranche of the remaining five ABs with

SBI in March 2017. This is termed as “half” a merger because for many critical purposes (like treasury operations, banking systems etc), the AB were largely under the operating control of SBI for a long time. While the jury is still out on the outcome of this merger, what is illustrative is that the combined losses of all the five ABs wiped out the net profit of SBI for 2016-17.

At a balance sheet level, with gross NPA of 20 per cent, the ABs significantly worsened SBI’s asset quality. How SBI digests this acquisition will give us more data on how mergers of PSB could pan out. Admittedly, past evidence on the outcomes from PSB consolidation are from a very thin sample – not enough to draw definitive conclusions from. Hence, let us look at the rationale, and test them against global evidence.

First, capital adequacy. Merging stressed, weaker banks with larger and stronger banks will enable effective management of NPA and allow for greater credit availability. Unfortunately, this is a complete red herring – PSB as a category are short of equity capital by an estimated Rs 2.5-3.5 lakh crores. There isn’t a single bank, not even the giant SBI, that has the kind of spare balance sheet capital to make even a small dent in the capital requirement of the category as a whole.

Source: economictimes.com

1. Why has the idea of merging Public sector banks (PSBs) become popular in the banking industry?

- A. It diversifies the highest risk exposures.
- B. It deals with merging loss-making banks into one, something that makes it easier to tackle NPA and other issues.
- C. It focuses upon ensuring that banks do not reach TBTF levels.
- D. It makes effort to shoehorn consolidation of PSB merely reverses this welcome feature.
- E. Reduces risks and improves return.

2. What was the impact of the merger of PNB and NBI of 1993?

- A. A loss of 96 crore and employee issues prevailed for a very long time.
- B. Ended up creating 4 or 5 systemically large banks that made the banking system more vulnerable.
- C. It became the biggest challenge confronted by regulators globally.
- D. Banks started reaching TBTF levels.
- E. Weaker banks allowed for greater credit availability.

3. What outcome did the last tranche of the remaining five Associate banks with SBI (in March 2017) produce?

- A. The credit deposit ratio came to a rapid decline.
- B. The net profit of SBI for 2016-17 was all utilised in compensating the losses incurred by the five Associate banks.
- C. The corporate bond market was not adequately meeting the borrowing requirements of companies.
- D. Overall bank credit grew around 13 per cent on an annual basis.
- E. Indian banking came under severe stress with bad loans surging to Rs 10.17 lakh crore of total loans and stressed assets at nearly 15 per cent.

4. Which of the following would be an appropriate title for the given passage?

- A. Rise in bond yields may prompt India Inc. to dump debt market.
- B. The government disagrees with NCLT order concerning defaulting promoters.
- C. Bank mergers: An idea whose time should never come.
- D. Loan books, credit deposit ratios plunge for PSBs under prompt corrective action.
- E. None of these

5. Which of the following conclusion can be drawn after observing the outcomes from PSB consolidations?

- A. The order passed by judicial member could have far-reaching consequences if it is taken as a precedent.
- B. SBI apprehends that this acquisition will give us more data on how mergers of PSB could pan out.

C. The balance sheet capital will make dents in the capital requirement of the category as a whole.

D. Effective management of NPA will be enabled and a greater credit availability will be allowed.

E. While macro factors such as rising oil prices & inflation, and rising twin deficits justify higher yields, some of the recent yield rises are also on the back of reduced participant interest in Indian bond markets.

Direction (6 – 20) : Read the given passage carefully and answer the questions that follow. Certain words are printed in bold to help you locate them while answering some of the questions.

Once upon a time, there lived a robber in a village. One day, he stole a temple bell and ran towards the forest. A tiger heard the jingle of the bell and became curious to locate the sound. As soon as he saw the robber, he jumped upon him and killed him at once. The bell fell on the ground. After a few days, a group of monkeys passed through that way. They spotted the bell and carried it to their home in the forest. They found the jingle of the bell very interesting. Subsequently, each one of them became very fond of the bell and started playing with it. After every tiring day, the monkeys would sit on the top of a hill in the forest in the night and enjoy the melodious sound of the bell. The people of the village were afraid of the noise. Soon afterwards the people from the village found the dead body of the robber and proclaimed, "Certainly there is an evil spirit around here that kills human beings and then rings the bell to celebrate."

When the people heard this, they thought that a demon was haunting their village. Without giving any second thought, people started leaving the village in terror and settling in a new place. However, there was an intelligent and bold woman in that village. She thought to herself, "I don't believe that a demon is haunting this village. I will find out who is ringing the bell." Late in the night, she went into the forest bravely and found that a group

of monkeys was playing about and ringing the bell.

Now as the woman knew the secret of the bell, she went to the King and said, "Your Majesty! I'm sure there is no evil spirit in the village and the cause of all the trouble lies somewhere else. If you grant me some money, I will get rid of it and bring happiness to the village." The King, who was also terrified of the hoax that prevailed in the village, granted the request of the woman.

The woman bought as many peas, groundnuts, and fruits with that money as she could. She went into the forest, made a circle under a tree on the ground, placed all the eatables and hid at some distance. She kept a watch on the monkeys from a distance.

As and when the monkeys saw the eatables, they dropped the bell just as the old woman had expected of them. They ran to pick the eatables. The woman picked up the bell quickly and rushed towards the village. She gave the bell in the court of the King. The King was happy with the brave woman and everyone in the village admired her bravery. The pleased King rewarded the woman for her bravery. Since that day there was no sound of the bell in the village. People returned to their village and lived happily ever after.

Source: <https://www.culturalindia.net/>

6. What did the group of monkeys do with the bell?

- A. They used it to scare away the villagers.
- B. They enjoyed its pleasant sound every night.
- C. They returned it to the temple
- D. They gave it to the king as they feared him
- E. None of these

7. Why did the villagers move out of the village in search of a new place?

- A. They were scared of frequent attacks of the man-eating tiger.

B. They were terrified of the king as he was an evil person.

C. The village was cursed by the gods as the villagers could not find the lost bell of the temple.

D. They were fed up of frequent robberies in the village.

E. None of these

8. Why did the woman from the village go to the forest late in the night?

A. To find out who was ringing the bell every night in the forest

B. To request the demon to leave the village and live somewhere else

C. In order to hide from the demon present in the village

D. To hunt down the evil monkeys who had been killing human beings

E. None of these

9. How did the robber who stole the bell from the temple die?

A. As the bell belonged to a temple, he was cursed by the gods

B. The group of monkeys killed him in order to take the bell from him.

C. A tiger in the forest spotted the robber due to the ringing bell and killed him.

D. The king had ordered the woman to find the robber and kill him.

E. None of these

10. What did the villagers presume after finding the deadbody of the robber?

A. That monkeys in the forest had been killing human beings

B. That an evil spirit has been killing human beings and haunting the village

C. That there was a man-eating tiger in the forest

D. That the man had been killed of a curse as he had stolen a temple's bell

E. None of these

###ANSWERS###

1. Ans. B.

As mentioned in the 1st para, "recently with the news of the merger of four PSB – Bank of Baroda, Punjab National Bank, IDBI Bank and Oriental Bank of Commerce – creating India's second largest bank, with assets of Rs 16.5 trillion. Consolidating four loss-making banks into one would make it easier to tackle the NPA and governance issues in these institutions." Hence, option B is the correct answer.

2. Ans. A.

As stated in the 3rd para, "Post-merger, PNB recorded its first loss (of Rs 96 crore) in 1996, and remained embroiled in employee issues for a very long time." Hence, option A is the correct answer.

3. Ans. B.

As mentioned in the 4th para, "While the jury is still out on the outcome of this merger, what is illustrative is that the combined losses of all the five ABs wiped out the net profit of SBI for 2016-17." Hence, option B is the correct answer.

4. Ans. C.

The above passage talks about how the idea of bank-merging looked appealing to the banking industry initially, but when it was taken into action, it caused several losses and other issues to the parent banks. So, according to the author, the idea of bank mergers is unfavourable. Hence, option C is the correct answer.

5. Ans. D.

As stated in the 6th para, "Merging stressed, weaker banks with larger and stronger banks will enable effective management of NPA and allow for greater credit availability." Hence, option D is the correct answer.

6. Ans. B.

The following sentence from the passage shows that the monkeys enjoyed the pleasant sound of the temple bell every night, 'After every tiring day, the monkeys would sit on the top of a hill in

the forest in the night and enjoy the melodious sound of the bell.'

Hence, option B is correct.

7. Ans. E.

It is clear from the following sentences of the first and the second para that the villagers left the village because they were scared of a supposed evil spirit, 'Soon afterward the people from the village found the body of the robber and proclaimed, "Certainly there is an evil spirit around here that kills human beings and then rings the bell to celebrate."

When the people heard this, they thought that a demon was haunting their village. Without giving any second thought, people started leaving the village in terror and settling in a new place.'

Hence, option E is correct.

8. Ans. A.

The woman from the village went to the forest to find out who rang the bell every night in the forest due to which the villagers were scared and supposed that an evil spirit existed in the village. It can be inferred from the following line of the second para, 'However, there was an intelligent and bold woman in that village. She thought to herself, "I don't believe that a demon is haunting this village. I will find out who is ringing the bell."

Hence, option A is correct.

9. Ans. C.

It is stated in the following lines of the first para, 'One day, he stole a temple bell and ran towards the forest. A tiger heard the jingle of the bell and became curious to locate the sound. As soon as he saw the robber, he jumped upon him and killed him at once.'

Hence, option C is correct.

10. Ans. B.

Soon afterwards, the people from the village found the body of the robber and proclaimed, "Certainly there is an evil spirit around here that kills human beings and then rings the bell to celebrate."

Hence, option B is correct

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