READING COMPREHENSIONS_3

Read the following passage carefully and answer the questions given below it.

Banking sector reforms in India were introduced in order to improve efficiency in the process of financial intermediation. It was expected that banks would take advantage of the changing operational environment and improve their performance. Towards this end, the Reserve Bank of India initiated a host of measures for the creation of a competitive environment. Deregulation of interest rates on both deposit and lending sides imparted freedom to banks to appropriate price their products and services. To compete effectively with non-banking entities, banks were permitted to undertake newer activities like investment banking, securities trading and insurance business. This was facilitated through amendments in the **relevant** acts which permitted PSBs to raise equity from the market up to threshold limit and also enabling the entry of new private and foreign banks. This changing face of banking led to an erosion of margins on traditional banking business, promoting banks to search for newer activities to **augment** their free incomes. At the same time, banks also needed to devote focused attention to operational efficiency in order to contain their transaction costs. Simultaneously with the deregulation measures prudential norms were instituted to strengthen the safety and soundness of the banking system. Recent internal empirical research found that over the period 1992-2003, there has been a discernible improvement in the efficiency of Indian banks. The increasing trend in efficiency has been fairly uniform, irrespective of the ownership pattern. The rate of such improvement has, however, not been sufficiently high. The analysis also **reveals** that PSBs and private sector banks in India did not differe significantly in terms of their efficiency measures. Foreign banks, on the other hand, recorded higher efficiency as compared with their Indian counterparts.

20. Prudential norms were initiated in the banking sector with a view to

       a) Increase operational efficiency

       b) Contain the non-performing assets

       c) Strengthen the soundness of banking system

       d) Improve the custome service

       e) None of these

21. Banking sector reforms in India were introduced for the purpose of

a) Giving more and more employment opportunities to the educatedunemployed

b) Taking care of the downtrodden masses

c) Increasing efficiency in the banking activities

d) Giving better return to the Central Government

e) None of these

22. Banks can control their transaction costs by

a) Restricting their lending activities

b) Undertaking more and more non-banking activities

c) Encouraging the customers to bank with other banks

d) Devoting more attention to operational efficiency

e) None of these

23. The recent internal empirical research conducted by the RBI found that

a) There is cut-throat competition in banking industry

b) The rate of return is not commensurate with the operational cost

c) The rate of improvement has not been high

d) Nationalised banks and private sector banks did differ in the efficiencymeasures

e) None of these

24. Which of the following statements recognising improvement in efficiency istrue in the context of the passage?

a) There is no discremible difference in efficiency parameters

b) The foreign banks recorded higher efficiency

c) The efficiency of foreign banks is not comparable with Indian banks

d) The rate of such improvement in efficiency was very high

e) None of these

Directions (Q. 25-26) Choose the word which is most nearly the same in meaningas the word printed in bold as used in the passage.

25. Relevant

    a) Recorded

    b) Opposite

    c) Appropriate

    d) Stringent

    e) Germane

26. Augment

    a) Make

    b) Become

    c) Enlarge

    d) Increase

    e) Envelop

Directions (Q. 27-28) Choose the word that is most opposite of the word printed inbold as used in the passage.

27. Improve

    a) Retard

    b) Disprove

    c) Prove

    d) Accelerate

    e) Degenerate

28. Reveal

    a) Show

    b) Conceal

    c) Secretive

d) Exhibit

 e) None of these

20. Option C

21. Option C

22. Option D

23. Option C

24. Option B

25. Option A

26. Option D

27. Option A

28. Option B