

READING COMPREHENSIONS_12

Read the passage carefully and answer the questions given below it. Certain words/phrases are given in bold to help you locate them while answering some of the questions.

India's banking sector may be getting ready for a wave of consolidation as the country tries to build institutions of world class proportions. Four big state run banks – State Bank of India, Punjab National Bank, Bank of Baroda and Bank of India – have already begun on exercise to identify takeover targets to gain access to franchises that would **augment** their capabilities, said three top bankers familiar with the move. The top managements of the four banks are in the process of preparing a blueprint that would explain the rationale for absorbing one or two entities, said the people cited above, none of whom wanted to be named. Employees at these state run banks are engaged in the exercise after Finance Minister ArunJaitley gave the lenders the go-ahead to decide how they would strategise to remain relevant in the emerging economic scenario.

“We are hearing from the corridors of finance ministry that there is seriousness on consolidation of banks,” said an executive from one of the top four banks. “The sense we are getting is that first there could be merger of at least one SBI associate bank with SBI to **kick off** the consolidation process.” Although no names of likely **acquisition** targets are being discussed at these four banks, the key conditions for a smaller bank will be regional, technological and cultural advantages. For instance, a bank such as Bank of Baroda, which does not have a presence in the East, may prefer one from that part of the country. State run banks have weakened over the years as governments have treated them as an organ of the administration and used them to push their social agenda. Meanwhile, lenders in neighbouring China have acquired scale while those in India are **puny** by comparison, giving them little clout in global markets.

The economic downturn, with growth having almost halved from the peak, has exposed the fault lines in the system. The **parlous** financial position of the government has left banks capital starved - the allocation for this year is tiny compared with the amount needed to meet Basel III standards. And, to access capital from the market, the state run banks need a strategy to turn more profitable. Currently, they are labouring under bad debt on account of companies finding it difficult to repay loans because of the slump.

“Government has made it clear that they will not give any capital,” said one of the bankers. “Banks that have the capital and the capability to raise capital could look at acquisitions,” he said, while adding “Nothing has reached the drawing board. Banks are only doing all kinds of permutations and combinations.”

To be sure, state run bank consolidation has been discussed for nearly a decade, but little progress has been made, except for shotgun weddings that were aimed at rescuing ventures in poor shape. **Inertia** among banks, cultural issues and fears of trade union unrest held up any such move. That may now change with the new government.

“There have been some suggestions for consolidation of public sector banks,” Jaitley said in his July 10 Budget speech. “Government, in principle, agrees to consider these suggestions.”

A committee set up by the Reserve Bank of India under former Axis Bank Chairman P.J. Nayak had suggested that the health of state run banks was poor. To strengthen them, the report said it would be better “either to privatise these banks and allow their future **solvency** to be subject to market competition, including through mergers; or to design a radically new governance structure for these banks which would better ensure their ability to compete successfully, in order that repeated claims for capital support from the government, unconnected with market returns, are avoided.”

The market share of the public sector banks is forecast to decline from 80% in 2000 to just over 60% in 2025, Nayak had said. They stack up poorly in many respects against non-state institutions. For instance, net profit per employee at the new private sector banks was about four times that of the SBI Group in the year ended March 2013.

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

- a) Four big state run banks have begun to identify takeover targets.
- b) The finance minister has given free hand to state run banks to make their own strategy for banking business.
- c) The four big state run banks have already decided the names of some small banks likely to be taken over
- d) According to PJ Nayak Committee report, the state run banks were not performing well.

2. Why have banks turned capital starved? Answer in the context of the passage?

- a) Because of excessive loans sanctioned to mala fide customers

- b) Because of bad monetary policy of the RBI
- c) Because of the excessive payments towards government sponsored schemes without appropriate provision for them
- d) Because of the dangerous financial position of the government

3. Which of the following is possibly the most appropriate title for the passage?

- a) Policy Paralysis of the Central Government
- b) The Economic Downturn
- c) Union Budget 2014: A Review
- d) Consolidation of Banks

4. Which of the following statements regarding the consolidation of state run banks is/are true? Answer in the context of the passage.

- a) Efforts for consolidation of state run banks are on for past one decade but nothing remarkable has come out as yet.
- b) The consolidation of state run banks is a complex task and it will take some more years for its completion.
- c) Banks are doing all kinds of permutations and combinations but the result is cipher.
- d) Only a) and b)

5. What does the phrase 'kick off' mean as used in the passage?

- a) Discontinue
- b) Breakdown
- c) Smash
- d) Begin

6. Under the current scenario what do state run banks need to do to access capital from the market?

- a) They need to float public shares
- b) They need a strategy to earn more profit
- c) They should increase lending rate to attract depositors.

d) They should announce handsome returns to depositors.

7. Choose the word which is most similar in meaning to the word printed in bold as used in the passage.

Acquisition

a) Redemption

b) Forfeit

c) Possession

d) Dearth

8. Choose the word which is most similar in meaning to the word printed in bold as used in the passage.

Parlous

a) Harmful

b) Strong

c) Critical

d) Powerful

9. Choose the word which is most similar in meaning to the word printed in bold as used in the passage.

Inertia

a) Inactivity

b) Liveliness

c) Awakening

d) Interest

10. Choose the word which is most similar in meaning to the word printed in bold as used in the passage.

Solvency

a) Destitution

b) Deprivation

c) Impotency

d) Financial competence

11. 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.

Puny

a) Trivial

b) Strong

c) Inferior

d) Tiny

12. 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.

Augment

a) Reinforce

b) Strengthen

c) Magnify

d) Multiply

1. Option C
2. Option D
3. Option D
4. Option A
5. Option D
6. Option B
7. Option C
8. Option A
9. Option C
10. Option D
11. Option B
12. Option D