

BHARAT SCHOOL OF BANKING

HINDU EDITORIAL FOR ENGLISH COMPREHENSION SET 6

The central bank was not expected to **tinker** with key policy rates in its first monetary policy review of 2017-18 **unveiled** on Thursday, following its decision to shift from an accommodative to a neutral monetary policy **stance** in February. The Monetary Policy Committee chaired by Reserve Bank of India Governor Urjit Patel has, in fact, decided to raise the rate at which the central bank borrows funds from banks (the reverse repo rate) by 25 basis points, from 5.75% to 6%, while leaving other policy rates untouched. This marginal change is aimed at sucking out from the system excess liquidity that remains a **lingering** concern, despite coming off its peak in the **aftermath** of the demonetisation exercise. The RBI has also proposed a new liquidity management tool that awaits government approval, making the draining of surplus liquidity a critical priority all through this year. The **efficacy** of the RBI's liquidity management toolkit will **impinge on** another key concern: inflation, which is expected to climb to 5% by the second half of this fiscal. The RBI says achieving the stated target of 4% inflation even next year could be challenging, with no "lucky **disinflationary** forces" expected, such as benign commodity and oil prices. It has also pointed to a one-time upside risk to inflation with the implementation of the Goods and Services Tax.

The RBI is quite **optimistic** about an **uptick** in the economy this year, projecting 7.4% growth in Gross Value-Added, compared to 6.7% in 2016-17. Along with improved prospects for the world economy a **rebound** in discretionary consumer spending at home is likely, in line with the "pace of remonetisation" and investment demand on account of lowered interest rates. While the government may take heart from the higher growth projection, it must pay equal **heed** to Mr. Patel's plainspeak on four key issues. First, the need to urgently resolve the surge of bad loans on bank books, for which the RBI will unveil a new Prompt Corrective Action framework by the middle of this month. Without this, a **virtuous** cycle of healthy credit growth necessary for investment and job creation will remain **elusive**. Second, the RBI has reminded the government there will be "clearly more demand for capital" in the coming days. The government's allocation of Rs.10,000 crore to recapitalise public sector banks is obviously inadequate. Third, while banks have reduced lending rates, the RBI has pointed out there is room for more cuts if rates on small savings schemes are corrected. Though a formula-based rate was adopted to set these rates last April, small savings schemes still deliver 61-95 basis points higher returns than what they should if the formula is followed, as per the RBI. Most important, the government must not ignore Mr Patel's categorical call to **eschew** loan waivers of the kind just announced in Uttar Pradesh. This, he warned, would crowd out private investments and dent the nation's balance sheet.

MEANINGS:

- Tinker-Do random, unplanned work, activities or spend time idly
- Unveiled-unveiled-Make visible) TO ALL
- Stance-stance-Standing posture
- optimistic- Expecting or presenting the best possible outcome
- lingering- lingering-Leave slowly and hesitantly
- disinflationary-A reduction of prices intended to improve the balance of payments
- aftermath- aftermath-The outcome of an event especially as relative to an individual
- efficacy- Capacity or power to produce a desired effect
- impinge on- Come into sudden contact with
- benign- Pleasant and beneficial in nature or influence
- heed - Pay close attention to; give heed to

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- uptick - A small increase
- optimistic - Expecting or presenting the best possible outcome
- rebound - Return to a former condition
- virtuous - Morally excellent
- elusive - Difficult to describe
- Eschew - Avoid and stay away
- Dent - reduced

QUESTION BASED ON THE GIVEN PARAGRAPH:

SYNONYMS

1) Efficacy-

- a) capability b) intact c) avoidance
d) benefit

2) Rebound

- a) reform b) comeback c) pleasant
d) uptick

3) Tinker

- a) planning b) unplanned c) elusive
d) none

7) Give the suitable title?

- a) RBI monetary policy: Growth, with caveats b) effect of gst on economy
c) depletion in economy d) none of these

8) Chairman of the monetary policy

- a) raghuram ragan c) urjit patel
b) aravind panakarya d) keshav Prasad

9) How much basispoint get increased in RRR in first bimonthly policy?

- a) 25 b) 30 c) 55 d) 70

10) Amount allocated for recapitalisation of bank in budget?

- a) 1000 lakh crore b) 10,000 lakh crore c) 10,000 crore d) 1000 crore

11) The three keys on increase in reformation of economy after demonitisation?

- a) increase in capital b) decrease in lending rate
c) reduction in rate of sss scheme d) all of these

12) The effect of increase in Repo Rate AND Reverse Repo Rate?

- a) inflation increases b) suction of excess liquidity from public
c) decreases in inflation d) both (b) and (c)

13) What is the conclusion obtained from the given paragraph?

- a) The Inflation get decreased b) investment in banking increases
c) GVA increases to 7.4% d) GDP decreases E. ONLY A,B,C

ANTONYMS

4) Heed

- a) pay attention b) unconscious
c) carefull d) none

5) Eschew

- a) stay away b) closer
c) neglect d) none

6) Elusive

- a) consise b) easy c) premises
d) recall

ANS : 1.A 2.B 3.B 4.B 5.B 6.B 7.A 8.C 9.A 10.C 11.D 12.D 13.E