

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

**Directions (1-7): Read the following passage and answer the following questions. Some words are given in bold to answer the questions**

SBI Cards, the credit card arm of India's largest public sector lender State Bank of India (SBI), last week filed its draft red herring prospectus for an initial public offering. The IPO could raise as much as ₹9,600 crore through the issue. Ahead of its IPO, *Mint* looks at the key factors that India's second largest credit card issuer is banking on to ride the equity markets.

The initial public offering (IPO) of SBI Cards comes at a time when there has been a massive **spurt** in digital payment transactions, fuelled by massive innovation and offerings by financial institutions. Considering that India is one of the fastest growing economies in the world, its second largest credit issuer is banking upon rise in personal consumption that includes splurging on luxury goods, spending more on dining, entertainment, vacations and less on basic needs of house, food and education. Rapid urbanization is expected to improve infrastructure, create jobs, which in turn will propel savings. Besides, India's favourable demographics — large young population — is another crucial factor that the company is banking upon.

Steps taken by the government and the banking regulator, especially in the last three years to launch innovative payment options, shift in consumer preferences have boosted online payments. The Jan Dhan, Aadhaar and Mobile (JAM) trinity, demonetization of high value currency in November 2016, rollout of Goods and Services Tax (GST) and the launch of real-time payments system Unified Payments Interface (UPI) have been key drivers of rapid growth in digital payments space. Besides, rise in internet usage, increase in smartphone penetration, affordable data, presence of large number of payment apps, a booming e-commerce sector and simple, hassle-free online payments have also contributed to the rise in digital payments, including credit cards.

Ability to quickly adopt technology and increasing indebtedness has made credit card more popular among millennials. The proportion of credit card users among millennials — below 30 years of age — has almost doubled to 35% in 2018-2019 from 19% in 2014-2015. The share of customers below 25 years witnessed a ten-times jump in that period. They are seen driving, what CRISIL Research expects to be approximately ₹14.4 trillion in size by fiscal 2024, the boom in India's unsecured loan, that credit cards are part of.

A young population armed with **discretionary** and higher spending power, card issuance in smaller cities, tapping new-to-credit customers and strong investments in payment infrastructure will all aid the credit card penetration. Shift in consumer behavior toward digital payment systems and formalization of the economy will also help the growth of credit cards. Interest-free-EMI and its international exposure makes it a popular choice for online transactions and advantage over UPI and e-wallets. Creation of **requisite** infrastructure such as availability of more point of sale (PoS) machine is a crucial driver for its growth.

The rapid growth in the e-commerce industry has given opportunities to several payments companies. In the payments space, banks, financial technology companies, technology startups as well as major technology giants such as Amazon, Google and Apple compete with each other to be part of the most popular payment option. Credit card companies offer cash backs, reward points, discounts to customers based on a customer's spending, which make it a popular and a convenient choice for users. Many players are now also increasingly partnering with others to offer co-branded credit cards to attract more customers. In 2018-19, credit cards accounted for 30%-35.0% of overall e-commerce payment value.

Q1. What has led to the IPO of SBI Cards?

(a) Sudden Eruption in transactions via digital payments.

- (b) Financial institutions providing offers with innovations.
- (c) Competing to get maximum customers.
- (d) Only (a) and (b)
- (e) None of these

Q2. What are the reasons causing rise in digital payments?

- (a) Launching innovative payment alternatives
- (b) Adhaar, The Jan Dhan, and Mobile(JAM) trinity
- (c) GST and UPI
- (d) Increased internet and smartphone usage in rural areas
- (e) (a), (b), and (c)

Q3. Which of the following statement(s) is/are true according to the given passage?

- (a) Credit card popularity among millennials is the result of quick technology adoption.
- (b) Eight times jump is seen in the usage of credit card.
- (c) Experts of CRISIL expect huge growth in FY 2023-2024
- (d) Both (b) and (c)
- (e) None of these

Q4. What are the factors that can promote credit card growth?

- (a) More investment in payment infrastructure and issuing card in smaller cities.
- (b) Consumers shifting towards digitalized payments
- (c) EMI without any interest fees
- (d) Availability of Point of Sale machines
- (e) All of the above

Q5. How has the e-commerce industry spurred growth in digital payments and credit cards industry?

- (a) Competition between technology giants and startups
- (b) Different attractive offers by credit card companies.
- (c) Attracting more customers through co-branding credit cards.
- (d) All (a), (b), and (c)
- (e) None of these

**Directions (6-7):** Which of the following words is most similar in meaning with the given word highlighted in the passage?

**Q6. SPURT**

- (a) Compel
- (b) Flourish
- (c) Erupt
- (d) Ignorance
- (e) Establish

**Q7. DISCRETIONARY**

- (a) Unrestricted
- (b) Agreement
- (c) Forsake
- (d) Inflexible
- (e) Adversary

Direction (8): Which of the following words is most opposite in meaning with the given word highlighted in the passage?

Q8. REQUISITE

- (a) Joined
- (b) Follower
- (c) Soothe
- (d) Optional
- (e) Fascinate



**BANKERS**

Directions (9–15) Read the following passage carefully and answer the questions given below it. Certain words have been printed in bold to help you locate them while answering some of the questions—

The great fear in Asia a short while ago was that the region would suffer through the wealth destruction already taking place in the U.S. as a result of the financial crisis. Stock markets tumbled as exports plunged and economic growth deteriorated. Lofty property prices in China and elsewhere looked set to bust as credit tightened and buyers evaporated. But with surprising speed, fear in Asia swung back to greed as the region shows signs of recovery and property and stock prices are soaring in many parts of Asia.

Why should the sharp Asian turnaround be greeted with skepticism? Higher asset prices mean households feel wealthier and better able to spend, which could further fuel the region's nascent rebound. But just as easily, Asia could soon find itself saddled with overheated markets similar to the U.S. housing market. In short the world has not changed, it has just moved places. The incipient bubble is being created by government policy. In response to the global credit crunch of 2008, policy makers in Asia slashed interest rates and flooded financial sectors with cash in frantic attempts to keep loans flowing and economies growing. These steps were logical for central bankers striving to reverse a deepening economic crisis. But there's evidence that there is too much easy money around. It's winding up in stocks and real estate, pushing prices up

too far and too fast for the underlying economic fundamentals. Much of the concern is focused on China, where government **stimulus** efforts have been large and effective. Money in China has been especially easy to find. Aggregate new bank lending surged 201% in the first half of 2009 from the same period a year earlier, to nearly \$ 1.1 trillion. Exuberance over a quick recovery—which was given a boost by China’s surprisingly strong 7.9% GDP growth in the second quarter—has **buoyed** investor sentiment not just for stocks but also for real estate.

Former U.S. Federal Reserve Chairman Alan Greenspan argued that bubbles could only be recognized in hindsight. But investors—who have been well schooled in the dangers of bubbles over the past decade are increasingly wary that prices have risen too far, and that the slightest bit of negative economic news could knock markets for a loop. These fears are compounded by the possibility that Asia’s central bankers will begin taking steps to shut off the money. Rumors that Beijing was on the verge of tightening credit led to Shanghai stocks plunging 5%. Yet many economists believe that, “there is close to a zero possibility that the Chinese government will do anything this year that constitutes tightening.” And without a major shift in thinking, the easy-money conditions will stay in place. In a global economy that has produced more dramatic ups and downs than anyone thought possible over the past two years, Asia may be heading for another disheartening plunge.

Q9. Which of the following has the author attributed the 2008 Asian financial crisis bubble?

- (i) Reluctance of Asian governments to provide stimulus in the markets
  - (ii) Greed of Asian investors causing them to trade stocks of American companies at high prices
  - (iii) Inflated real estate prices in Asian countries
- (a) None  
(b) Only (i)  
(c) Only (iii)  
(d) Only (i) and (ii)  
(e) Only (i)

Q10. Which of the following can be inferred from the passage?

- (i) All Asian economies are recovering at the same pace
  - (ii) Experts are apprehensive about the state of Asian economies despite their recovery
  - (iii) Developed countries should implement the same economies reforms as Asian ones
- (a) Only (i)  
(b) Only (ii) and (iii)  
(c) Only (i) and (ii)  
(d) Only (ii)  
(e) None of these

Q11. Why has investor confidence in the Chinese stock market been restored?

- (i) Existing property prices which are stable and affordable
  - (ii) The government has decided to tighten credit
  - (iii) Healthy growth of the economy indicated by GDP figures
- (a) Only (iii)

- (b) Only (i) and (ii)
- (c) All (i), (ii) and (iii)
- (d) Only (ii)
- (e) None of these

Q12. Which of the following can be said about the Chinese government's efforts to revive the economy?

- (a) These were largely unsuccessful as only the housing market improved
- (b) The government's only concern was to boost investor confidence in stocks
- (c) These efforts were ineffectual as the economy recovered owing to the US market stabilizing.
- (d) These were appropriate and accomplished the goal of economic revival
- (e) They blindly imitated the economic reforms adopted by the US

Q13. What does the author want to convey through the phrase "The world has not changed it has just moved places"?

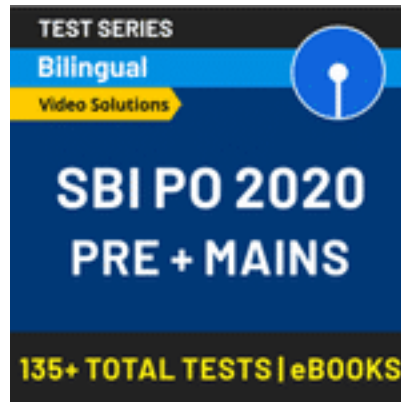
- (a) At present countries are more dependent on Asian economics than on the US economy
- (b) Economies has become interlinked on account of globalization
- (c) Asian governments are implementing the same economic reforms as developed countries
- (d) Reforms implemented in Asian markets can have the same negative impact as it had on the American markets, it was just a matter of time.
- (e) None of these

Q14. Which of the following is most similar in meaning with the **Buoyed** highlighted in the passage?

- (a) Hassles
- (b) Cheered
- (c) Detrouer
- (d) Fragile
- (e) None of these

Q15. Which of the following word is most opposite in meaning with **Stimulus** highlighted in the passage?

- (a) Booster
- (b) Encouragement
- (c) Enhanced
- (d) Deterrent
- (e) Promotion



### Solutions

S1. Ans. (d)

Sol. Refer to the second paragraph, the hint can be drawn from the lines, 'The initial public offering (IPO) of SBI Cards comes at a time when there has been a massive **spurt** in digital payment transactions, fuelled by massive innovation and offerings by financial institutions.'

Hence, **option (d) [Both (a) and (b)]** is the right answer choice.

S2. Ans. (e)

Sol. Refer to the second paragraph, the hint can be drawn from the lines, 'Steps taken by the government and the banking regulator, especially in the last three years to launch innovative payment options, shift in consumer preferences have boosted online payments. The Jan Dhan, Aadhaar and Mobile (JAM) trinity, demonetization of high value currency in November 2016, rollout of Goods and Services Tax (GST) and the launch of real-time payments system Unified Payments Interface (UPI) have been key drivers of rapid growth in digital payments space.'

Hence, **option (e); [all of the above; (a), (b), and (c)]** is the right answer choice.

S3. Ans. (a)

Sol. Refer to the third paragraph, the hint can be drawn from the lines, 'Ability to quickly adopt technology and increasing indebtedness has made credit card more popular among millennials.'

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

S4. Ans. (e)

Sol. refer to the fourth paragraph, the hint can be drawn from the lines, 'A young population armed with discretionary and higher spending power, card issuance in smaller cities, tapping new-to-credit customers and strong investments in payment infrastructure will all aid the credit card penetration. Shift in consumer behavior toward digital payment systems and formalization of the economy will also held the growth of credit cards. Interest-free-EMI and its international exposure makes it a popular choice for online transactions and advantage over UPI and e-wallets. Creation of requisite infrastructure such as availability of more point of sale (PoS) machine is a crucial driver for its growth.'

Hence, **option (e) [all of the above; (a), (b), (c), and (d)]** is the right answer choice.

S5. Ans. (d)

Sol. Refer to last paragraph of the given passage, the hint can be drawn from the lines, 'The rapid growth in the e-commerce industry has given opportunities to several payments companies. In the payments space, banks, financial technology companies, technology startups as well as major technology giants such as Amazon, Google and Apple compete with each other to be part of the most popular payment option. Credit card

*companies offer cash backs, reward points, discounts to customers based on a customer's spending, which make it a popular and a convenient choice for users. Many players are now also increasingly partnering with others to offer co-branded credit cards to attract more customers. In 2018-19, credit cards accounted for 30%-35.0% of overall e-commerce payment value.'*

Hence, **option (d) [All (a), (b), and (c)]** is the right answer choice.

S6. Ans. (c)

Sol. **Spurt** means **a sudden marked burst or increase of activity or speed.**

**Erupt** is most similar in meaning with the given word. Hence, **option (c)** is the right answer choice.

S7. Ans. (a)

Sol. **Discretionary** means **available for use at the discretion of the user.**

**Unrestricted** is most similar in meaning with the given word. Hence, **option (a)** is the right answer choice.

S8. Ans. (d)

Sol. **Requisite** means **made necessary by particular circumstances or regulations.**

**Optional** is the most opposite in meaning with the given word. Hence, **option (d)** is the right answer choice.

S9. Ans. (a)

Sol. The passage says, 'The incipient bubble is being created by government policy. In response to the global credit crunch of 2008, policy makers in Asia slashed interest rates and flooded financial sectors with cash in frantic attempts to keep loans flowing and economies growing.'

S10. Ans. (d)

Sol. The passage says, 'Exuberance over a quick recovery –which was given a boost by China's surprisingly strong 7.9% GDP growth in the second quarter -has buoyed investor sentiment not just for stocks but also for real estate.'

S11. Ans. (a)

Sol. The passage says, 'Exuberance over a quick recovery –which was given a boost by China's surprisingly strong 7.9% GDP growth in the second quarter -has buoyed investor sentiment not just for stocks but also for real estate.'

S12. Ans. (d)

Sol. The passage says, 'Much of the concern is focused on China, where government stimulus efforts have been large and effective. Money in China has been especially easy to find.'

S13. Ans. (d)

Sol. The passage says, 'But just as easily, Asia could soon find itself saddled with overheated markets similar to the U.S. housing market. In short the world has not changed, it has just moved places.'

S14. Ans. (b)

Sol. **Buoyed** means **cheerful and confident.**

**Cheered** is the most similar in meaning with the given word. Hence, **option (b)** is the right answer choice.

S15. Ans. (d)

Sol. **Stimulus** means a thing that arouses activity or energy in someone or something; a spur or incentive.

**Deterrent** is the most opposite in meaning with the given word. Hence, **option (d)** is the right answer choice.

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