

RBI Grade B 2019

PHASE 2 PAPER

Solution & Analysis

ENGLISH



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RESULTS

No.1 Results in India

NABARD Grade A 2020

65 Selections out of 69 Vacancies



Mr. Gourav Kumar



Mr. Sayed Saif



Mr. Vinay Jadhav



Mr. Ratan Singh



Mr. Vishal Singla



Mr. Amandeep



Mr. Soham



Miss. Neha



Miss. Kanchan Pal



Mr. Yogesh Kumar



Mr. Sumeet



Mr. Mohan Das

RBI Grade B 2019

107 Selections out of 156 Vacancies



Mr. Diptesh Saha



Mr. Avirup Saha



Mr. Rohit Kr Gupta



Mr. Akshay Wakhlu



Mr. Pawan Meena



Mrs. Veena



Mrs. Samanwita Kar



Mr. Abhiram K



Mr. Anshul Sharma



Ms. Sukanya Hazarika



Mr. Preetham Varada



Mr. Harinath K

SEBI Grade A 2018

41 Selections out of 84 Vacancies



Mr. Rajendern S



Mr. Vishal Gawande



Mr. Gaurav



Mr. Nitin Kakerwal



Mr. Md Afzal Shareef



Mr. Arun Bhandari



R. B. I. (Gr. B.) -2019

(Maximum Marks—100)

[Duration: 90 Minutes]

PAPER II English

Instructions. —

- (1) All questions are compulsory.
- (2) Each question should be answered in the box provided and the **question number must be written on the top.**
- (3) The answers of parts of the same question, if any, should be written together. In other words, the answer of another questions should not be written in-between the Parts of a question.
- (4) **Marks will be deducted if an answer far exceeds or falls short of the set limit, or is irrelevant.**
- (5) Answers must be written **in English only.**

1) Write an essay of about 300 words on any one of the following: — (40 Marks)

1. Higher Education

- Higher education deals with the tertiary level of education. Under-graduate colleges, Post-graduate college. Universities and centres, of advanced studies are coming under scope of higher education. As on 31.02.05, there were 342 Universities including 18 central Universities, 211 state Universities, 95 deemed Universities and 5 institutions established under state legislation and 13 Institutes of National Importance.

There were 17625 colleges, of which 5286 have been recognized by UGC. In 2004-05, an estimated 104.81 lakh students were enrolled in the institutions of Higher Education and the faculty strength was 4.71 lakh. Higher education has special value in the emerging knowledge society. It contributes directly as well as indirectly to the wealth of a nation. Therefore, the country's future depends on a massive expansion of education particularly at higher education level.

Objective of Higher Education:

The University Education Commission -1048-49 have made a number of significant recommendations on various aspects of higher education.

(1) Wisdom and knowledge:

Since education is both a training of minds and training of souls, it should give both knowledge and wisdom. No amount of factual information would take ordinarily into educated men unless something is awakened in them. Therefore, there should be inculcation of wisdom and knowledge.

(2) Aims of the social order:

Our education system must find its guiding principle in the aims of the social order for which it prepares. Unless we preserve the value of

democracy, justice, liberty, equality and fraternity, we cannot Preserves our freedom.

(3) Love for higher values of life:

The greatness of a country does not depend on the extent of its territory, the length of its communication or the amount of its wealth, but on the love for higher values of life. We must develop thought for the poor and sufferings, regards and respect for women, faith in brotherhood regardless of race, colour, religion etc.

(4) Training for leadership:

One of the important aims of higher education is the training for leadership in the profession and public life. It is the function of universities to train men and women for wise leadership.

The Indian Education Commission (1964-66) has made the following recommendations:

(1) To seek and cultivate new knowledge, to engage vigorously and fearlessly in the spirit of truth and to interpret old knowledge and beliefs in the light of new needs and discoveries.

(2) To provide the right kind of leadership in all walks of life, to identify gifted youth and help them develop their potential to the full by cultivating physical fitness, right interests, attitudes and moral and intellectual values.

(3) To provide society with competent men and women train in agriculture, arts, medicine, science and technology and various other professions, who will also be cultivated citizen individuals imbued with a sense of social justice.

(4) To strive to promote equality and social justice and to reduce social and cultural differences through diffusion of knowledge.

(5) To foster in the teachers and students and through them in society generally the attitudes and values needed for developing the good life.

2. Stress among Youth

- Reasons of Stress in Adolescents in a Family

- History of depression and/or suicide in the family
- Alcoholism or drug use in the family
- Sexual or physical abuse patterns in the family
- Chronic illness in oneself or family
- Family or individual history of psychiatric disorders such as eating disorders, schizophrenia, manic-depressive disorder, conduct disorders, delinquency
- Death or serious loss in the family
- Learning disabilities or mental/physical disabilities
- Absent or divorced parents; inadequate bonding in adoptive families
- Family conflict; poor parent/child relationships

Change in Personality Traits

- Personality traits, especially when they change dramatically, can signal serious trouble. These traits include:
- Impulsive behaviors, obsessions and unreal fears
- Aggressive and antisocial behavior
- Withdrawal and isolation; detachment
- Poor social skills resulting in feelings of humiliation, poor self-worth, blame and feeling ugly
- Over-achieving and extreme pressure to perform
- Problems with sleeping and/or eating

Psychological & Social Events

Psychological and social events contribute to the accumulation of problems and stressors. These are:

- Loss experience such as a death or suicide of a friend or family member; broken romance, loss of a close friendship or a family move
- Unmet personal or parental expectation such as failure to achieve a goal, poor grades, social rejection
- Unresolved conflict with family members, peers, teachers, coaches that results in anger, frustration, rejection
- Humiliating experience resulting in loss of self-esteem or rejection
- Unexpected events such as pregnancy or financial problems
- Predispositions, stressors and behaviors weave together to form a composite picture of a youth at high risk for depression and self-destructive behavior
- Death or serious loss in the family
- Learning disabilities or mental/physical disabilities
- Absent or divorced parents; inadequate bonding in adoptive families
- Family conflict; poor parent/child relationships

3. NBFC Loan Collection Issues

- Common Lending Challenges Faced By NBFCs

With increased competition in the lending market and high cost of borrowing, there is a need for every business player to be as agile in the practices they follow as possible. Modern borrowers are tech-savvy and have hi-tech demands when it comes to credit facilities. Following a more customer-appealing approach, like technological integrations and innovations, can give a financial lending entity an edge above the rest. However, there are impediments to the current growth rate of NBFCs. Some of them are listed below:

1. Manual Handling of the Lending Process can be Cumbersome and Expensive

Lending processes can be time-consuming and tedious. A lot of paperwork is required, and manual evaluation and verification can take days altogether. The companies need to maintain a thriving workforce to meet the growing needs of the business, which further incurs more expenses.

2. Limited Expansion Opportunities

The reduced risk appetite of traditional banks is one of the biggest pushes that has led to the growth of NBFCs. They target applicants that get rejections from formal bankers and rural unorganised and under-banked populace. To further expand, NBFCs need to develop insights into their target audience. Gaining knowledge about the lending landscape would help them reach their market goals and bring in better revenues. NBFCs also find it difficult to target new customers and ensure expansion.

3. Difficulty in Hosting Customised Customer Experiences

Although NBFCs boast of highly customised services to suit the needs of particular clients, to differentiate themselves from traditional lenders, it remains challenging to execute. Increasing competition often coaxes them to use new strategies to reach the target audience and impress them. There is a need to break from the standard loan dispensing norms and offer highly innovative and tailored credit offerings to individuals.

4. Below Par Customer Experiences

NBFCs aspire to expand the market share they capture by offering diverse credit disbursement avenue to applicants who get rejected at the hands of traditional lending institutions. They also target the under-banked and unbanked sector of the populace. Given the enormous volume of loan applications and limited staffing, the customer service they offer suffers miserably.

5. Debt Recovery

NBFCs often come under the purview of regulatory authorities with strict scrutiny on their collection processes. All financial lending companies need to strengthen their debt recovery strategies to earn steady streams of revenue. Given the regulations, NBFCs often struggle with coming up with debt recovery strategies and which adversely affects their returns.

The Right Lending Lifecycle Management Software Can Help Overcome These Woes!

- Seamless Customer Experience for The Borrower
- Cost-cutting and Time Saving by Omitting Manual Effort
- Market Share Capturing & Customer Base Expansion
- Curating Highly Customised Lending Experiences
- Automotive Debt Recovery Tools

4. Democracy and Importance of Vote

- Elections form the bedrock of the largest democracy in the world - India. Since Independence, as many as 15 Lok Sabhas have been formed through elections, the first one being held in 1951-52. The methodology of election is through universal adult suffrage, whereby every citizen of India over 18 years of age is an eligible voter in the eyes of the Constitution.

Elections provide a way to the people to assert their voice, opinion and choose the person whose priorities and ideas matches with them most. In India the elections are not new and they started taking place before the independence from British rule itself. But before independence the franchise was quit limited and very few were having rights to participate and vote. After independence, India adopted universal adult suffrage and each adult Indian got the right to vote.

The importance of elections in India—and for that matter, in any democracy—is as follows:

Choice of leadership: Elections provide a way for the citizens of India to choose their leaders. They do so by casting their vote in favour of

the candidate or party whose views appeal to them. This ensures that the will of the people is reflected in the elected candidates.

Change of leadership: Elections in India are also a platform for the public to voice their resentment against a ruling party. By voting for other parties and helping elect a different government, citizens demonstrate that they possess ultimate authority.

Political participation: Elections open the door for new issues to be raised in public. If a citizen of India wishes to introduce reforms that are not the agenda of any of the parties, he or she is free to contest the elections either independently or by forming a new political party.

Self-corrective system: Because elections are a regular exercise, occurring every five years in India, the ruling parties are kept in check and made to consider the demands of the public. This works as a self-corrective system whereby political parties review their performance and try to appease the voters.

With a population of over 1.2 billion (according to the 2011 census) spread across 28 states and 7 union territories, India has a system of elections that is both daunting and praiseworthy.

5. Scope of 5G in India

- India's **National Digital Communications Policy 2018** highlights the importance of 5G when it states that the convergence of a cluster of revolutionary technologies including 5G, the cloud, Internet of Things (IoT) and data analytics, along with a growing start-up community, promise to accelerate and deepen its digital engagement, opening up a new horizon of opportunities.

In the case of India, 5G networks could improve the accessibility of services such as mobile banking and healthcare, and enable

exponential growth in opportunities for unemployed or underemployed people to engage in fulfilling and productive work.

In this context, the Indian government has set a target of commercializing 5G by 2020. However, there is a need for India to pursue the rollout of 5G with a **cautious approach**.

- What is 5G?
 - 5G is the next generation of mobile broadband that will eventually replace, or at least augment 4G LTE connection.
 - 5G offers exponentially faster download and upload speeds.
 - 5G will deliver multi-Gbps peak rates, ultra-low latency, massive capacity, and a more uniform user experience.
 - Latency, or the time it takes devices to communicate with wireless networks, will also drastically decrease.
 - A government panel report points out that with 5G, the peak network data speeds are expected to be in the range of 2-20 Gigabit per second (Gbps).
 - This is in contrast to 4G link speeds in averaging 6-7 Megabit per second (Mbps) in India as compared to 25 Mbps in advanced countries.
 - KPMG in its report, released at the Indian Mobile Congress 2019, predicts the cumulative impact of 5G in India at \$1 trillion by 2035.
- Application of 5G
 - 5G will help in creating cyber-physical networks which **not only interconnect people, but also interconnect and control machines, objects, and devices**. It will deliver new levels of performance and efficiency that will empower new user experiences and connect new industries.

- Due to high-speed, high-reliability, low-latency network, 5G networks will act as an enabler for the Industrial revolution 4.0.
5G is expected to form the **backbone of emerging technologies** such as the Internet of Things (IoT) and machine to machine communications, thereby supporting a much larger range of applications and services, including driverless vehicles, telesurgery and real-time data analytics.
- A government panel on 5G says the technology will extend the use of wireless technologies — for the first time — across completely new sectors of the economy from industrial to commercial, educational, health care, agricultural, financial and social sectors.
- Also, the primary applications of 5G will be the implementation of a sensor-embedded network that will allow real-time relay of information across fields such as manufacturing, consumer durables and agriculture.
- Why should India not hurry rollout of 5G?
 - **Expensive Enabling Infrastructure:** Besides the spectrum, 5G will require a fundamental change to the core architecture of the communication system. The major flaw of data transfer using 5G is that it can't carry data over longer distances. Hence, 5G needs to be augmented to enable infrastructure.
 - **5G-A Critical Infrastructure:** 5G due to its expansive applications forms the part of critical infrastructure. This makes the consequences of the networks failing or being deliberately sabotaged in a cyber attack significantly more serious.
 - **Financial Hurdles:** Telecom industry body Cellular Operators Association of India (COAI) has also expressed concerns about the financial health of the telecom sector (AGR issue).

- **Price Sensitivity:** Device cost is of relevance to a price-sensitive market such as ours.
 - 5G smartphone models are likely to cost much more than the most advanced 4G devices currently available — with enhanced features, additional cameras and sensors to support AR and VR applications.

Way Forward

- Regulatory frameworks will also need to evolve to keep pace with this change. In this context, there is a need for India to enact a data protection law.
- There is a need to set up universal standards and procedure for seamless integration of services and infrastructure under 5G.

In order to deal with the concern of technical companies (like in case of Huawei) leaking critical information, a “**no-backdoor**” agreement with the Indian government and telecom companies will ensure that no snooping is allowed on its network.
- In order to mitigate initial high cost for establishing enabling infrastructure for 5G, base stations might move to drones or balloons to ensure that the Internet of Everything is also the Internet of Everywhere.
 - This new revolution will take access to connectivity and, through it, access to knowledge to vast sections of the population, and entire geographies that have been cut off so far.
- India needs to invest in research and development in technologies related to critical infrastructure and strive to indigenize them as soon as possible.

2) Make a precis of the following passage reducing it to about 170 words, and also, give it a suitable title. (30 Marks)

Rural-urban inflation divergence does not persist in the long run and converges over time, and both exhibit a long-term equilibrium relationship, said an RBI article.

This convergence of rural-urban inflation supports the relevance of one inflation target as nominal anchor at the national level, said the article prepared by Binod B Bhoi, Himani Shekhar and Ipsita Padhi, Department of Economic and Policy Research, RBI.

"Rural urban inflation dynamics in India reveals close co-movement, with episodic divergences driven by different components – food, fuel or ex-food and fuel – which do not persist long," it said.

Empirical estimates, it said, revealed that the differentials between rural and urban inflation are transient and both exhibit a long-run equilibrium relationship, with a significant error correction in the short-run.

At the state level, urban and rural inflation rates converge over time, the article said, adding "these findings support the relevance of one inflation target as the nominal anchor at the national level for both rural and urban areas as well as all states".

The RBI said the views expressed in the article are those of the authors and do not represent the views of the central bank.

The article noted that headline Consumer Price Index (CPI) inflation witnessed significant and sustained moderation during 2012-13 to 2018-19, before rising thereafter.

Both rural and urban inflation exhibited a similar trend with the only difference that urban inflation started rising from 2018-19.

Moreover, annual average urban inflation which was ruling below rural inflation till 2017-18, moved above it during 2018-19 and 2019-20. Both food and non-food inflation contributed to the divergence between urban and rural inflation.

The authors said contributions of major groups to annual inflation, however, mask intra-year movements in inflation in the rural and urban areas, given significant differences in the composition of the CPI baskets.

"It can be observed from monthly data that rural and urban all groups inflation have often diverged during 2012-2020, but the divergence has not persisted long, suggesting the existence of a long-run relationship between them," the article said.

This is further corroborated by the fact that the divergence has been driven not by any single component over time but by different components of CPI, food, fuel and excluding food and fuel items, during different periods, it added.

It further said that in 2020-21 so far, headline inflation has firmed up further reflecting the impact of COVID-19 induced lockdown measures and associated supply chain disruptions. Rural and urban inflation, however, have displayed significant convergence, broadly mirroring the trends in food price inflation after April-May 2020.

This could be attributed to the nature of the spread of COVID-19 and imposition of various lockdown measures to contain the spread, which was initially confined to urban areas before eventually spreading to rural areas," it said.

The RBI has been tasked by the government to keep the retail inflation at four percent (+, - two percent).

Answer –

RURAL- URBAN INFLATION: NOT SO DISPARATE

Needless to mention about India's diversity, rural and urban are the major diversifications of India. The socio-economic scenario being evidently different, financial indicators such as consumption, inflation, income must show divergence. Although, citing an article by Department of Economic and Policy Research, RBI, there is a striking co-movement of rural urban inflation dynamics. Coming to the measuring tool of inflation, Consumer Price Index (CPI) has witnessed similar trends in both rural and urban areas in recent years. Major contributions of various groups to annual inflation do seem to show disparity owing to the heterogeneous nature of CPI baskets. Looking at the estimates, the differentials between the two are not prominent and tend to exhibit an equilibrium in the long run. In 2020-21, rural urban inflation has shown convergence mirroring the food price rise after April-May 2020. Hence, these findings support the relevance of one inflation target at the national level for all.

Q.3 Read the passage given below and answer the following questions on the basis of the passage in your own words.

India's economy is likely to grow two and half times to \$7 trillion by 2030, from about \$3 trillion now, making India the world's third largest economy. This implies that nominal GDP growth is likely to average just over 10% through the next decade, Deutsche Bank said in a research report, Imagine 2030.

The sharp slowdown in the recent years, despite Indian economy's promise over the last decade, is not indicative of what is in the store for the next decade, Deutsche Bank said.

“Despite its promise over the last decade, the Indian economy has slowed down sharply in recent years. That has led some to predict the decade ahead will be one of lower growth and frustration that India’s enormous potential will, yet again, go unfulfilled,” the report said.

As far as India’s economic growth is concerned, it may remain below potential in the near term. However, ongoing government measures will give major push to its potential in the future.

“For starters, to offset the demand slowdown, the government took the bold decision in September (2019) to meaningfully cut the corporate tax rate. This will likely incentivise greater foreign direct investment flow into the country and support private investment in the economy, which has remained weak over the last eight years,” the report said.

Additionally, the Reserve Bank of India’s decision to cut the key lending rate by 135 basis points in calendar 2019 will revive growth, the report said. “Apart from these stimulus measures, reforms initiated in the last few years, should also improve the medium term outlook,” it added.

“As economies with significantly higher informal sector employment, such as India, typically have lower per capita income, policies which are aimed at the greater formalisation of the economy should help to accelerate per capita income levels,” the report said.

Reforms such as demonetisation and roll out of the goods and services tax (GST) are likely to play major role in formalisation of the economy and will bear fruits in the next decade, the report said.

While demonetisation has resulted in incentivising a faster pace of digitisation, GST, by the very nature of its design, will expedite formalisation of the economy, and will consequently improve the fiscal and growth dynamics of the country, it added.

Demonetisation and GST apart, India's bankruptcy law that came into force in 2017 will also help drive growth in the upcoming decade. Even the Reserve Bank's move to adopt inflation targeting and establish positive real interest rates in the economy will boost growth in the next decade.

Q.3 Read the passage given above and answer the following questions on the basis of the passage in your own words. (30 Marks)

1) Discuss the current state of the Indian economy.

- The year 2020 has been a complete nightmare for all the economies of the world. Be it developed or developing economies of the world, the COVID-19 has hit hard on all. India aims to become a \$7 trillion economy by the year 2030 as also mentioned in research report, Imagine 2030 by Deutsche Bank. We can say that the Indian economy has a lot to offer in the coming decade. But the realities are quite contradictory. In December 2020, the RBI predicted India's GDP to grow at -7.5% for the financial year ending on March 31, 2021. The central bank also mentioned that India is recovering at a faster pace than expected in the later half of 2020. Recent years have also witnessed a slump in India's growth because of lower demand. The government is optimistic for the future and has also brought in a slew of reforms, new initiatives to push the economy to desired results.

2) Describe how the Govt. plans to revive the economy.

- The revival of the Indian economy is of utmost importance for the Indian Government since recent times owing to the slowdown of demand and slump in economic growth. Firstly, in 2019 to incentivise Foreign Direct Investment in the country, the government cut the corporate tax rate. This will also aid in ease of doing business and support private investment in the economy. Also, the RBI has also cut

the key lending rate, also known as the repo rate by 135 basis points in 2019 and to just 4% in the year 2020. Recent reforms introduced by the government majorly focus on financial inclusion to raise demand and run the economic cog wheels. Greater formalisation of economies intend to bring in more and more people from informal sector to participate in the economic revival. Demonetisation has led to emergence of digitisation of the Indian economy. And, the GST by its very nature will improve the fiscal and growth dynamics of the country bearing fruits in the next decade.

3) Discuss the purpose of the author to write this article?

- The author has purposely written this article to get the attention of the readers to the prevailing condition of the India economy. As is evident from the article, India has high potential to become the third largest economy of the world by the year 2030. Clearly, the world has observed India's growth rate over the years and the zeal to improve. Hence, the Deutsche Bank has mentioned Indian economy and its future forecast in its report Imagine 2030. It mentions how in spite of enormous potential, India's efforts to become a \$7 trillion economy may not get fulfilled, yet again. The slowdown is prominent enough and requires dynamic effective reform exercises in order to revive the economy. Major reason being the slump in demand in recent years, the government has come up with various changes which tend to push the Indian economy towards its goal. The author has lauded the measures taken by the government and the central bank in recent years and keeps up the hope that they will bear fruits in the coming decade. In all, optimism with continued efforts will pave the way for India to become the largest economy of the world someday.