

Corrigendum/Explanation SFG 2025 Level 2 Test 2

There are no changes to the solutions/answers. Explanations have been provided for the students who have raised doubts.

Q.28) There was a doubt raised with respect to Row 3 of the question that the bank rate is the interest rate at which RBI lends money to commercial banks without keeping collaterals.

Explanation- Row 3 is correct. Kindly note that Row 3 of the question does not ask the definition of the bank rate but just provides a description about the use of bank rate and asks if increasing the bank rate by RBI will help in curbing the inflation or not. By increasing the bank rate, loans taken by commercial banks become more expensive; this reduces the reserves held by the commercial bank and hence decreases money supply (hence will help in curbing the inflation). On the other hand, a fall in the bank rate can increase the money supply. So, the information given in the row is correctly matched.

Q.9) There was a doubt raised with respect to Pair 3 of the question that the Provisioning Coverage Ratio is the percentage of funds that a bank sets aside for covering losses due to bad debts.

Explanation- Pair 3 is correct. As per the Reserve Bank of India the Provisioning Coverage Ratio (PCR) is essentially the ratio of provisioning to gross non-performing assets and indicates the extent of funds a bank has kept aside to cover loan losses. The rates of provisioning are different for periods for which the loan advance has remained in the 'doubtful' category which keeps changing from time to time.

So, in general the Provisioning Coverage Ratio simply represents the percentage of funds that a bank sets aside for covering losses due to bad loans.