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NABARD Grade A

2025 Previous Year Paper

ENGLISH

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Solved Questions

Memory Based Paper

NABARD

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ENGLISH

Directions (Q41–Q45):

In each of the following questions, a sentence is given with a word highlighted. Choose the option that best replaces the underlined word to make the sentence grammatically and contextually correct.

Q41.

The regulatory authority adopted a **prudent** approach while assessing financial sector vulnerabilities.

A. reckless
B. cautious
C. indifferent
D. impulsive
E. No replacement needed

Answer: B

Q42.

The study highlighted the **detrimental** effects of prolonged policy uncertainty on investment decisions.

A. beneficial
B. delayed
C. harmful
D. neutral
E. No replacement needed

Answer: C

Q43.

The framework seeks to **forestall** emerging risks before they affect economic stability.

A. postpone
B. anticipate
C. ignore
D. intensify
E. No replacement needed

Answer: E (No replacement needed)

Q44.

Economic forecasts were **moderated** due to weak global demand conditions.

A. accelerated
B. tempered
C. eliminated
D. distorted
E. No replacement needed

Answer: B

Q45.

The expert panel presented a **convincing** case for strengthening banking regulations.

A. ambiguous
B. persuasive
C. verbose

D. weak
E. No replacement needed

Answer: B

Directions (Q46–Q50): Choose the option in which the idiom or phrase is used most accurately in context.

Q46. "Gain traction"

A. The reforms gradually gained traction among investors and businesses.
B. The vehicle gained traction on the road.
C. Traction was gained by the wheel.
D. He gained traction while walking.
E. The policy traction gained.

Answer: A

Q47. "Walk a tightrope"

A. Policymakers are walking a tightrope between growth and inflation control.
B. The official walked on a rope during the meeting.
C. The report walked a rope.
D. The policy tightened the rope.
E. The rope was walked carefully.

Answer: A

Q48. "Put a damper on"

A. Weak industrial output put a damper on growth expectations.
B. A damper was put on the machine.
C. He put damp water on the floor.
D. The report damped the economy literally.
E. Water was damply applied.

Answer: A

Q49. "On the same page"

A. The ministry and the regulator were on the same page regarding reforms.
B. They stood on the same page of the document.
C. The page was shared by everyone.
D. The policy was on a page.
E. The page was common.

Answer: A

Q50. "Read between the lines"

A. Investors tried to read between the lines of the central bank's statement.
B. He read the lines between two pages.
C. The lines were read separately.
D. She drew lines and read them.
E. The lines were interpreted literally.

Answer: A

Directions (Q51–Q54): Each sentence is divided into five parts. Identify the part containing an error. If no error, choose (E).

Q51.

The report, despite being comprehensive (A), fails to explain (B) how income inequality affect (C) long-term development outcomes (D) across regions (E).

A. A
B. B
C. C
D. D
E. E

Answer: C

Q52.

Not only the policymakers (A) but also the supporting evidence (B) clearly indicate (C) the need for institutional reforms (D) in the sector (E).

A. A
B. B
C. C
D. D
E. E

Answer: C

Q53.

Hardly had the recommendations been released (A) when analysts (B) started evaluating (C) their likely consequences (D) for financial markets (E).

A. A
B. B
C. C
D. D
E. No Error

Answer: E

Q54.

The regulator cautioned against (A) responding excessively to temporary disruptions (B) while simultaneously (C) insisting on the importance (D) of structural reforms (E).

A. A
B. B
C. C
D. D
E. E

Answer: E

Directions (Q55–Q57):Q55.

Some global institutions expect (A) that renewed (B) restrictions on trade will trigger (C) a significant slowdown (D).

A. A-B
B. A-C
C. B-D and A-C
D. A-D
E. The sentence is correct

Answer: E

Q56

Duties (A) have imported (B) several goods imposed (C) on products (D) entering the country.

A. Only A-B
B. Only B-C
C. Both A-B and B-D
D. Both A-C and B-D
E. The sentence is correct

Answer: B

Q57.

The nation (A) ranks the world (B) in the researchers (C) by number (D) employed.

A. A-B and C-D
B. Only B-C
C. A-C and B-D
D. A-D
E. The sentence is correct

Answer: A

Directions (Q58–Q65): Read the passage carefully and answer the questions.

In recent years, central banks across the world have increasingly relied on policy communication as a crucial instrument for influencing market expectations, guiding economic behaviour, and enhancing the overall effectiveness of monetary policy. Traditionally, central banks primarily depended on changes in policy interest rates and other direct interventions to achieve their objectives. However, as financial systems became more complex and interconnected, policymakers recognised that the way they communicate with the public can significantly affect economic outcomes. By providing information about the likely future path of interest rates, inflation expectations, and broader monetary policy objectives, central banks seek to improve transparency and help economic agents better understand the rationale behind policy decisions.

Effective communication plays an important role in reducing uncertainty within financial markets. Investors, businesses, and households constantly make decisions based on their expectations about future economic conditions. When policymakers clearly explain their assessment of economic developments and their likely policy responses, market participants are better equipped to make informed decisions regarding investment, borrowing, saving, and spending. As a result, monetary policy can influence economic activity not only through actual policy actions but also through expectations about future actions. This approach became particularly significant following periods of economic stress and financial instability, when conventional policy tools such as interest rate adjustments lost some of their effectiveness in stimulating growth and supporting economic recovery.

The effectiveness of policy communication, however, depends heavily on the credibility, consistency, and reputation of the institution delivering the message. Credibility is especially important because communication can influence expectations only when market participants believe that policymakers will act in accordance with their stated intentions. When a central bank has a strong track record of achieving its objectives and maintaining policy consistency, its statements are more likely to be trusted and incorporated into economic decision-making. In such circumstances, communication can successfully shape expectations, stabilise markets, and reinforce policy objectives without requiring frequent policy interventions.

Conversely, communication that is perceived as vague, inconsistent, or contradictory can undermine confidence and create confusion. If policymakers send mixed signals or frequently alter their guidance without adequate explanation, market participants may struggle to interpret the intended message. Rather than reducing uncertainty, poor communication may increase volatility and weaken the effectiveness of monetary policy. Furthermore, excessively detailed commitments regarding future policy actions can create additional challenges. Economic conditions often change unexpectedly, and policymakers must retain sufficient flexibility to respond to new information. Overly rigid promises may limit their ability to adjust policy appropriately when circumstances evolve.

Another important challenge is that different groups within the economy often interpret policy signals in different ways. Financial institutions, professional investors, and market analysts generally possess greater expertise, access to information, and analytical resources, enabling them to respond quickly and accurately to policy announcements. Households and small businesses, by contrast, may have less access to economic information and may interpret the same signals differently. Their responses may also occur more gradually. Consequently, the impact of policy communication is rarely uniform across the economy. The effectiveness of communication depends not only on the clarity of the message but also on the ability of different audiences to understand and act upon it.

These differences become even more pronounced in developing economies. In many such countries, financial markets are less mature, institutional frameworks may be evolving, and economic expectations are often less stable. As a result, communication strategies that work effectively in advanced economies may not always produce the same outcomes in developing nations. Market participants may place varying degrees of trust in official statements, and the transmission of policy signals may be less predictable. Therefore, policymakers in these economies often face additional challenges when attempting to manage expectations through communication alone.

External factors further complicate the process of influencing expectations through policy communication. Modern economies operate within an increasingly interconnected global environment, where domestic developments are frequently affected by international events. Sudden changes in global financial conditions, fluctuations in commodity prices, geopolitical tensions, supply chain disruptions, and large cross-border capital flows can significantly influence economic outcomes regardless of domestic policy intentions. Such developments may alter how investors and businesses interpret central bank statements and can reduce the effectiveness of even the most carefully designed communication strategies. Consequently, policymakers must continuously monitor both domestic and international developments and adapt their messaging accordingly.

Recognising these challenges, many central banks have adopted flexible, data-driven communication frameworks that seek to balance transparency with policy flexibility. Rather than making rigid promises about future actions, policymakers increasingly emphasise that decisions will depend on incoming economic data, evolving risks, and changing economic conditions. This approach allows central banks to provide meaningful guidance while preserving their ability to respond effectively to unexpected developments. By clearly communicating the factors that influence policy decisions, they can help market participants understand the decision-making process without creating unrealistic expectations.

Ultimately, policy communication is most successful when it is clear, consistent, transparent, and supported by strong institutional credibility. Effective communication can strengthen monetary policy transmission, improve market functioning, and enhance public confidence in economic institutions. However, its success depends not only on the quality of the message itself but also on the broader economic environment, the credibility of policymakers, and the ability of different audiences to interpret and respond to policy signals. As economies continue to evolve and financial markets become increasingly sophisticated, policy communication is likely to remain a vital component of modern central banking and economic management.

Q58. What is the primary objective of policy communication?

A. Eliminate inflation
B. Signal future policy direction
C. Reduce fiscal expenditure
D. Replace interest rates
E. Regulate trade

Answer: B

Q59. Why did policy communication become more important during periods of stress?

A. Political intervention
B. Fiscal expansion

C. Reduced effectiveness of traditional tools
D. Currency appreciation
E. Market liberalisation

Answer: C

Q60. What can reduce the effectiveness of policy communication?

A. Transparency
B. Credibility
C. Contradictory communication
D. Stable expectations
E. Data dependence

Answer: C

Q61. Why is policy communication less predictable in developing economies?

A. Strong institutions
B. Deep financial markets
C. Less stable expectations
D. Lower inflation
E. Strong currencies

Answer: C

Q62. What approach are central banks increasingly adopting?

A. Fixed commitments
B. Calendar-based promises
C. Data-driven communication
D. Policy silence
E. Fiscal coordination

Answer: C

Q63. Which word best describes the author's tone?

A. Alarmist
B. Analytical and balanced
C. Cynical
D. Dismissive
E. Emotional

Answer: B

Q64. The word "credibility" most nearly means:

A. Uncertainty
B. Reliability
C. Volatility
D. Flexibility
E. Diversity

Answer: B

Q65. According to the passage, what can increase uncertainty?

A. Clear communication
B. Sound fundamentals
C. Contradictory signals

D. Data-driven guidance
E. Institutional credibility

Answer: C

Directions (Q66–Q70): Fill in the blanks with the most appropriate option.

Q66.

Despite initial resistance, the team managed to _______ a framework that _______ several deficiencies identified earlier.

A. develop, ignored
B. create, intensified
C. propose, highlighted
D. formulate, addressed
E. design, aggravated

Answer: D

Q67.

The regulator stated that policy actions must remain _______ and _______ to sustain investor confidence.

A. arbitrary, flexible
B. consistent, transparent
C. erratic, reliable
D. reactive, uncertain
E. discretionary, opaque

Answer: B

Q68.

The government's initiative aimed to _______ public concerns while also _______ support for the reform agenda.

A. alleviate, generate
B. intensify, weaken
C. ignore, reduce
D. provoke, limit
E. exacerbate, undermine

Answer: A

Q69.

To remain competitive, firms should _______ innovation while _______ potential operational risks.

A. discourage, magnifying
B. encourage, mitigating
C. suppress, neglecting
D. avoid, ignoring
E. abandon, increasing

Answer: B

Q70.

The researcher’s work was _______ by experts, who appreciated both the robustness of the analysis and the _______ of the findings.

A. criticized, ambiguity
B. lauded, clarity
C. rejected, vagueness
D. ignored, obscurity
E. condemned, uncertainty

Answer: B