

Bank of India Credit Officer 2025

Memory-Based Paper (Reconstructed)**125 Questions****NEW LAUNCH**

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Part A · Professional Knowledge (Q1–100)

1. The primary purpose of credit appraisal is to assess:

- A. The borrower's repayment capacity and creditworthiness
- B. Only the value of collateral
- C. Only the branch deposit target
- D. Only the borrower's age

✓ Answer: A

Credit appraisal focuses on repayment capacity, financial strength, cash flows, conduct, collateral and risk.

2. Which statement best describes working capital finance?

- A. Finance for long-term land purchase
- B. Finance for day-to-day operating requirements
- C. Finance for equity investment
- D. Finance for dividend payment

✓ Answer: B

The correct choice is B as per standard banking practice related to Working Capital.

3. Current Ratio is calculated as:

- A. Current Assets / Current Liabilities
- B. Current Liabilities / Current Assets
- C. Net Profit / Sales
- D. Debt / Equity

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Financial Ratios.

4. A Current Ratio below the normally accepted level may indicate:

- A. Excess idle liquidity
- B. Possible short-term liquidity stress
- C. Higher promoter contribution
- D. No credit risk

✓ **Answer: B**

The correct choice is B as per standard banking practice related to Financial Ratios.

5. Debt-Equity Ratio is mainly used to judge:

- A. Liquidity
- B. Leverage
- C. Inventory turnover
- D. Gross margin

✓ **Answer: B**

The correct choice is B as per standard banking practice related to Financial Ratios.

6. Drawing Power in a cash credit account is generally based on:

- A. Eligible stock and receivables after margin
- B. Total sales only
- C. Net profit only
- D. Fixed assets only

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Working Capital.

7. Margin in working capital finance refers to:

- A. Borrower's contribution in current assets
- B. Bank's profit margin
- C. Interest concession
- D. Insurance premium

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Working Capital.

8. In cash credit, the borrower can draw funds:

- A. Only once at sanction
- B. Within the sanctioned limit and drawing power
- C. Only after loan closure
- D. Without any limit

✓ **Answer: B**

The correct choice is B as per standard banking practice related to Credit Facilities.

9. Term loans are generally sanctioned for:

- A. Permanent working capital only
- B. Capital expenditure and fixed assets
- C. Daily cash expenses
- D. Cheque clearing

✓ **Answer: B**

The correct choice is B as per standard banking practice related to Credit Facilities.

10. DSCR measures the ability of a borrower to:

- A. Pay statutory dues only
- B. Service debt obligations from cash flows
- C. Increase share capital
- D. Reduce stock levels

✓ **Answer: B**

The correct choice is B as per standard banking practice related to Financial Ratios.

11. A higher inventory holding period usually indicates:

- A. Faster stock movement
- B. Funds blocked in inventory for longer time
- C. No working capital need
- D. Lower operating cycle

✓ **Answer: B**

The correct choice is B as per standard banking practice related to Working Capital.

12. Operating cycle means the time taken to convert:

- A. Cash into fixed assets only
- B. Raw material into cash through sales and collection
- C. Profit into dividend
- D. Loan into share capital

✓ **Answer: B**

The correct choice is B as per standard banking practice related to Working Capital.

13. Collateral security means:

- A. Primary security created out of bank finance
- B. Additional security obtained to secure the advance
- C. Only personal guarantee
- D. A bank deposit account

✓ **Answer: B**

The correct choice is B as per standard banking practice related to Credit Security.

14. Primary security for a stock-based cash credit limit is normally:

- A. Hypothecated stock and receivables
- B. Promoter's house only
- C. Future profits
- D. Share price

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Credit Security.

15. Hypothecation means:

- A. Transfer of possession to the bank
- B. Charge over movable assets without transfer of possession
- C. Mortgage of land
- D. Assignment of insurance policy only

✓ **Answer: B**

The correct choice is B as per standard banking practice related to Credit Security.

16. Pledge differs from hypothecation because in pledge:

- A. Possession of goods is with the lender
- B. Ownership transfers to the lender
- C. No security exists
- D. Only immovable property is covered

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Credit Security.

17. Mortgage is generally associated with:

- A. Immovable property
- B. Cash balance
- C. Stock-in-trade only
- D. Book debts only

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Credit Security.

18. CIBIL score is used by banks mainly to assess:

- A. Tax liability
- B. Credit history and repayment behavior
- C. Export eligibility
- D. Insurance premium

✓ **Answer: B**

The correct choice is B as per standard banking practice related to Credit Appraisal.

19. A loan account with frequent overdrawings and irregular credits may indicate:

- A. Healthy conduct
- B. Early warning signal
- C. Excess profitability
- D. No risk

✓ Answer: B

The correct choice is B as per standard banking practice related to Credit Monitoring.

20. Stock statements are obtained in working capital accounts mainly to:

- A. Calculate drawing power
- B. Fix income tax
- C. Issue cheque books
- D. Open savings accounts

✓ Answer: A

The correct choice is A as per standard banking practice related to Working Capital.

21. Credit monitoring primarily aims to:

- A. Detect deterioration and ensure end-use of funds
- B. Increase documentation work only
- C. Avoid customer contact
- D. Replace appraisal completely

✓ Answer: A

The correct choice is A as per standard banking practice related to Credit Monitoring.

22. Fund-based credit facility includes:

- A. Cash credit
- B. Bank guarantee
- C. Letter of credit only
- D. Solvency certificate

✓ Answer: A

The correct choice is A as per standard banking practice related to Credit Facilities.

23. Non-fund-based facility includes:

- A. Term loan
- B. Cash credit
- C. Bank guarantee
- D. Overdraft against deposit

✓ **Answer: C**

The correct choice is C as per standard banking practice related to Credit Facilities.

24. End-use verification is important because it ensures:

- A. Loan funds are used for the sanctioned purpose
- B. Interest rate is always reduced
- C. Collateral value increases
- D. No documents are needed

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Credit Monitoring.

25. The most important source for repayment of a business loan should be:

- A. Sale of collateral
- B. Operating cash flows of the borrower
- C. Fresh borrowing from another bank
- D. Personal influence

✓ **Answer: B**

The correct choice is B as per standard banking practice related to Credit Appraisal.

26. IRAC norms relate to:

- A. Income Recognition and Asset Classification
- B. Insurance Risk and Capital
- C. Internal Revenue Accounting Code
- D. Interest Rate Annual Calculation

✓ **Answer: A**

The correct choice is A as per standard banking practice related to IRAC and NPA.

27. A term loan generally becomes NPA when interest or installment remains overdue for more than:

- A. 30 days
- B. 60 days
- C. 90 days
- D. 180 days

✓ Answer: C

The correct choice is C as per standard banking practice related to IRAC and NPA.

28. In a cash credit account, an account is treated as NPA if it remains out of order for more than:

- A. 30 days
- B. 60 days
- C. 90 days
- D. 120 days

✓ Answer: C

The correct choice is C as per standard banking practice related to IRAC and NPA.

29. Sub-standard asset means an asset which has remained NPA for a period up to:

- A. 6 months
- B. 12 months
- C. 24 months
- D. 36 months

✓ Answer: B

The correct choice is B as per standard banking practice related to IRAC and NPA.

30. A doubtful asset is one which has remained in the sub-standard category for:

- A. 12 months
- B. 30 days
- C. 60 days
- D. 3 months

✓ Answer: A

The correct choice is A as per standard banking practice related to IRAC and NPA.

31. Loss asset is an asset where loss has been identified by:

- A. Bank, auditor or RBI inspection
- B. Only the borrower
- C. Only the guarantor
- D. Only the insurance company

✓ **Answer: A**

The correct choice is A as per standard banking practice related to IRAC and NPA.

32. Provisioning norms for NPAs are intended to:

- A. Recognize expected losses in bank books
- B. Increase dividend only
- C. Avoid audit
- D. Eliminate collateral

✓ **Answer: A**

The correct choice is A as per standard banking practice related to IRAC and NPA.

33. SMA stands for:

- A. Special Mention Account
- B. Standard Management Advance
- C. Secured Mortgage Asset
- D. Special Money Arrangement

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Credit Monitoring.

34. SMA classification helps banks to:

- A. Identify stress before an account becomes NPA
- B. Avoid lending completely
- C. Close all accounts
- D. Increase cash reserve

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Credit Monitoring.

35. Restructuring of a stressed account should be based on:

- A. Viability and regulatory guidelines
- B. Borrower's request only
- C. Collateral value only
- D. Branch target only

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Stressed Assets.

36. SARFAESI Act is mainly used for:

- A. Recovery of secured debts without court intervention in eligible cases
- B. Issuing currency notes
- C. Regulating mutual funds
- D. Fixing CRR

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Recovery Laws.

37. Under SARFAESI, security interest can generally be enforced by:

- A. Secured creditor
- B. Only civil court
- C. Only stock exchange
- D. Only insurance company

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Recovery Laws.

38. DRT stands for:

- A. Debt Recovery Tribunal
- B. Deposit Regulation Trust
- C. Default Rating Table
- D. Digital Remittance Transfer

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Recovery Laws.

39. IBC stands for:

- A. Insolvency and Bankruptcy Code
- B. Indian Banking Circular
- C. Internal Business Credit
- D. International Bank Code

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Recovery Laws.

40. The main objective of IBC is to:

- A. Provide time-bound insolvency resolution
- B. Print currency
- C. Regulate insurance
- D. Fix exchange rates

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Recovery Laws.

41. Basel norms primarily deal with:

- A. Capital adequacy and risk management of banks
- B. Company registration
- C. Agricultural pricing
- D. Income tax filing

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Basel Norms.

42. Under Basel III, Common Equity Tier 1 is part of:

- A. Regulatory capital
- B. Cash reserve
- C. Priority sector lending
- D. Foreign exchange reserves

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Basel Norms.

43. Capital adequacy protects banks mainly against:

- A. Unexpected losses
- B. Higher customer footfall
- C. Low stationery stock
- D. Cheque book demand

✓ Answer: A

The correct choice is A as per standard banking practice related to Basel Norms.

44. Credit risk means the risk of:

- A. Borrower failing to meet obligations
- B. Increase in office rent
- C. Printer failure
- D. Delay in staff promotion

✓ Answer: A

The correct choice is A as per standard banking practice related to Risk Management.

45. Market risk arises due to adverse movement in:

- A. Market prices, interest rates or exchange rates
- B. Staff attendance
- C. Office layout
- D. Customer age

✓ Answer: A

The correct choice is A as per standard banking practice related to Risk Management.

46. Operational risk arises from failure of:

- A. People, processes, systems or external events
- B. Only collateral
- C. Only promoter capital
- D. Only exports

✓ Answer: A

The correct choice is A as per standard banking practice related to Risk Management.

47. CRR is maintained by scheduled banks with:

- A. Reserve Bank of India
- B. NABARD
- C. SEBI
- D. IRDAI

✓ **Answer: A**

The correct choice is A as per standard banking practice related to RBI and Monetary Policy.

48. SLR requires banks to maintain liquid assets in the form of:

- A. Cash, gold or approved securities
- B. Only furniture
- C. Only receivables
- D. Only goodwill

✓ **Answer: A**

The correct choice is A as per standard banking practice related to RBI and Monetary Policy.

49. Repo rate is the rate at which RBI:

- A. Lends short-term funds to banks against eligible securities
- B. Borrows from public
- C. Pays dividend to companies
- D. Buys shares from customers

✓ **Answer: A**

The correct choice is A as per standard banking practice related to RBI and Monetary Policy.

50. A rise in repo rate generally makes bank borrowing from RBI:

- A. Costlier
- B. Free
- C. Unregulated
- D. Tax exempt

✓ **Answer: A**

The correct choice is A as per standard banking practice related to RBI and Monetary Policy.

51. The Banking Regulation Act, 1949 empowers RBI to:

- A. Regulate and supervise banking companies
- B. Conduct company board elections
- C. Assess income tax
- D. Register trademarks

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Banking Laws.

52. The Negotiable Instruments Act deals with instruments such as:

- A. Cheque, bill of exchange and promissory note
- B. Sale deed only
- C. Insurance policy only
- D. Share certificate only

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Banking Laws.

53. Dishonour of cheque for insufficiency of funds is covered under:

- A. Section 138 of Negotiable Instruments Act
- B. Section 80C of Income Tax Act
- C. Section 24 of RBI Act
- D. Section 4 of FEMA

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Banking Laws.

54. KYC norms primarily require banks to verify:

- A. Customer identity and address and understand customer profile
- B. Only customer's handwriting
- C. Only customer's education
- D. Only customer's age

✓ **Answer: A**

The correct choice is A as per standard banking practice related to KYC and AML.

55. CKYC stands for:

- A. Central KYC
- B. Credit KYC
- C. Customer Key Yield Code
- D. Core Know Your Credit

✓ **Answer: A**

The correct choice is A as per standard banking practice related to KYC and AML.

56. AML measures are aimed at preventing:

- A. Money laundering and terrorist financing
- B. Agricultural lending
- C. Cheque truncation
- D. Digital signatures

✓ **Answer: A**

The correct choice is A as per standard banking practice related to KYC and AML.

57. PAN is generally required in banking transactions to:

- A. Track tax-related financial identity
- B. Increase interest rate
- C. Replace KYC completely
- D. Issue passbook only

✓ **Answer: A**

The correct choice is A as per standard banking practice related to KYC and AML.

58. A suspicious transaction should be reported by banks to:

- A. FIU-IND
- B. SEBI only
- C. Registrar of Companies only
- D. Local municipality

✓ **Answer: A**

The correct choice is A as per standard banking practice related to KYC and AML.

59. Priority Sector Lending targets are prescribed by:

- A. Reserve Bank of India
- B. SEBI
- C. IRDAI
- D. Ministry of Corporate Affairs

✓ Answer: A

The correct choice is A as per standard banking practice related to Priority Sector Lending.

60. Which of the following is generally included in priority sector?

- A. Agriculture
- B. Luxury imports
- C. Speculative trading
- D. Share buyback

✓ Answer: A

The correct choice is A as per standard banking practice related to Priority Sector Lending.

61. MSME classification in India is based on:

- A. Investment and turnover criteria
- B. Only number of branches
- C. Only promoter age
- D. Only city of operation

✓ Answer: A

The correct choice is A as per standard banking practice related to MSME Finance.

62. CGTMSE provides:

- A. Credit guarantee support for eligible MSE loans
- B. Crop insurance only
- C. Foreign exchange license
- D. Stock market guarantee

✓ Answer: A

The correct choice is A as per standard banking practice related to MSME Finance.

63. MUDRA loans are mainly intended for:

- A. Micro and small non-corporate enterprises
- B. Large listed companies only
- C. Foreign governments
- D. Insurance companies

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Government Schemes.

64. PMJDY is associated with:

- A. Financial inclusion and basic bank accounts
- B. Export subsidy only
- C. Share trading
- D. Corporate insolvency

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Government Schemes.

65. PMJJBY is a government-backed:

- A. Life insurance scheme
- B. Crop loan scheme
- C. Pension for bank staff
- D. Export credit scheme

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Government Schemes.

66. PMSBY provides:

- A. Accident insurance cover
- B. Housing subsidy only
- C. Working capital limit
- D. Foreign remittance facility

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Government Schemes.

67. Atal Pension Yojana is primarily focused on:

- A. Pension coverage for unorganized sector workers
- B. Export finance
- C. Digital payment settlement
- D. Company registration

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Government Schemes.

68. Stand-Up India scheme supports bank loans to:

- A. SC/ST and women entrepreneurs for greenfield enterprises
- B. Only large corporates
- C. Only government departments
- D. Only foreign banks

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Government Schemes.

69. PM SVANidhi is meant for:

- A. Street vendors
- B. Large infrastructure companies
- C. Foreign exchange dealers
- D. Insurance brokers

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Government Schemes.

70. Aadhaar-based e-KYC helps banks to:

- A. Digitally verify customer identity where permitted
- B. Sanction loans without appraisal
- C. Avoid all reporting
- D. Replace RBI regulation

✓ **Answer: A**

The correct choice is A as per standard banking practice related to KYC and AML.

71. Nomination facility in deposit accounts helps:

- A. Settlement of claim to nominee after depositor's death
- B. Increase loan limit automatically
- C. Avoid KYC
- D. Convert savings to current account

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Banking Operations.

72. A garnishee order is issued by:

- A. Court attaching debtor's funds with the bank
- B. Customer for cheque book
- C. RBI for CRR
- D. Insurance company for claim

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Banking Laws.

73. Banker's lien means the bank's right to:

- A. Retain securities or funds of debtor for dues
- B. Issue currency notes
- C. Register property
- D. Waive statutory compliance

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Banking Laws.

74. Financial inclusion aims to provide:

- A. Affordable access to financial services to all sections
- B. Services only to high-net-worth customers
- C. Only corporate credit
- D. Only foreign currency accounts

✓ **Answer: A**

The correct choice is A as per standard banking practice related to Financial Inclusion.

75. Digital KYC and simplified account opening are useful because they:

- A. Reduce friction in onboarding while supporting compliance
- B. Remove all risk permanently
- C. Eliminate need for monitoring
- D. Increase cash transactions

✓ **Answer: A**

The correct choice is A as per standard banking practice related to KYC and Financial Inclusion.

76. Which organization is responsible for operating the Unified Payments Interface (UPI) in India?

- A. Reserve Bank of India
- B. National Payments Corporation of India (NPCI)
- C. Ministry of Finance
- D. SEBI

✓ **Answer: B**

UPI is developed and operated by the National Payments Corporation of India (NPCI) under the regulatory oversight of RBI.

77. Which payment system enables real-time transfer of funds without any minimum transaction limit?

- A. RTGS
- B. NEFT
- C. IMPS
- D. ECS

✓ **Answer: C**

78. RTGS is primarily suitable for:

- A. High-value, real-time fund transfers
- B. Recurring utility bill payments
- C. Salary processing
- D. ATM withdrawals

✓ **Answer: A**

79. Which payment system settles transactions individually in real time?

- A. NEFT
- B. RTGS
- C. ECS
- D. NACH

✓ **Answer: B**

80. NPCI has been established mainly to:

- A. Supervise banks
- B. Operate retail payment systems in India
- C. Regulate NBFCs
- D. Manage monetary policy

✓ **Answer: B**

81. A Payment Gateway primarily facilitates:

- A. Acceptance and processing of online payment transactions
- B. Currency printing
- C. Loan appraisal
- D. Foreign exchange settlement

✓ **Answer: A**

82. Which authentication method provides an additional layer of security for online card transactions?

- A. MICR
- B. CVV only
- C. Two-Factor Authentication (2FA)
- D. IFSC Code

✓ **Answer: C**

83. Tokenisation of debit and credit cards primarily aims to:

- A. Increase card limits
- B. Replace sensitive card details with unique tokens for secure transactions
- C. Improve internet speed
- D. Increase transaction charges

✓ **Answer: B**

84. Which of the following is NOT a retail payment system?

- A. UPI
- B. IMPS
- C. RTGS
- D. RuPay Debit Card

✓ **Answer: C**

85. NACH is mainly used for:

- A. Bulk recurring payments such as salaries, pensions and EMIs
- B. Foreign remittances
- C. Share trading
- D. Trade finance

✓ Answer: A

86. EEFC Account stands for:

- A. Exchange Earnings Foreign Currency Account
- B. External Export Finance Currency Account
- C. Electronic Exchange Foreign Credit Account
- D. Export Exchange Finance Corporation Account

✓ Answer: A

87. A Nostro Account is:

- A. Our account maintained with a foreign bank in foreign currency
- B. Foreign bank's account with us
- C. Customer's foreign currency account
- D. RBI's foreign exchange account

✓ Answer: A

88. A Vostro Account refers to:

- A. Our account with another bank
- B. Foreign bank's account maintained with a domestic bank
- C. RBI's reserve account
- D. Exporter's current account

✓ Answer: B

89. Under FEMA, the primary objective is to:

- A. Control foreign exchange transactions through strict licensing
- B. Facilitate external trade and payments while promoting orderly foreign exchange markets
- C. Increase customs duty
- D. Regulate securities markets

✓ Answer: B

90. A Letter of Credit (LC) primarily provides:

- A. Equity finance
- B. Assurance of payment to the seller subject to compliance with specified terms
- C. Insurance cover
- D. Foreign exchange hedging

✓ Answer: B

91. A Bank Guarantee differs from a Letter of Credit because:

- A. A Bank Guarantee is invoked only upon default by the applicant
- B. A Letter of Credit is a non-fund-based facility
- C. Both A and B
- D. Neither A nor B

✓ Answer: C

92. Which Basel III ratio is introduced to ensure banks maintain adequate high-quality liquid assets to withstand short-term liquidity stress?

- A. Capital Adequacy Ratio
- B. Leverage Ratio
- C. Liquidity Coverage Ratio (LCR)
- D. Current Ratio

✓ Answer: C

93. The Net Stable Funding Ratio (NSFR) aims to:

- A. Improve short-term profitability
- B. Promote stable funding over a longer-term horizon
- C. Increase CRR
- D. Reduce operational risk

✓ Answer: B

94. Which of the following is NOT a function of the Reserve Bank of India?

- A. Issuing currency notes
- B. Formulating monetary policy
- C. Regulating commercial banks
- D. Auditing the accounts of companies

✓ Answer: D

95. Deposit insurance in India is provided by:

- A. SIDBI
- B. NABARD
- C. DICGC
- D. SEBI

✓ Answer: C

96. Which institution primarily provides refinance support for agriculture and rural development?

- A. EXIM Bank
- B. SIDBI
- C. NABARD
- D. IFCI

✓ Answer: C

97. Which organization is the principal financial institution for promotion, financing and development of MSMEs?

- A. NABARD
- B. SIDBI
- C. EXIM Bank
- D. NHB

✓ Answer: B

98. The primary objective of EXIM Bank is to:

- A. Provide agricultural finance
- B. Promote and finance India's international trade
- C. Regulate commercial banks
- D. Manage payment systems

✓ Answer: B

99. Which of the following best reflects the objective of Financial Inclusion?

- A. Restrict banking services to urban customers
- B. Provide affordable financial services to all sections of society
- C. Increase lending only to large corporates
- D. Reduce digital banking transactions

✓ Answer: B

100. A Credit Officer should primarily approve a loan based on:

- A. Relationship with the borrower
- B. Branch business targets
- C. Borrower's repayment capacity, cash flows and overall creditworthiness
- D. Value of gifts offered by the customer

✓ Answer: C

The fundamental principle of sound lending is to assess the borrower's ability and willingness to repay. Credit decisions should be based on objective appraisal, financial analysis, cash flow assessment, collateral, and compliance with regulatory guidelines rather than business targets or personal relationships.

101. Read the passage and answer the following question. Banks are increasingly adopting artificial intelligence to improve customer service, detect fraud, strengthen credit monitoring, and automate routine banking operations. In earlier years, many customer requests required branch visits, manual verification, or long processing time. Today, chatbots can answer basic queries throughout the day, automated systems can classify complaints, and machine-learning models can examine large volumes of transaction data within seconds. These tools help banks identify unusual patterns such as sudden high-value transfers, repeated failed login attempts, or transactions that do not match a customer's regular banking behavior. AI is also being used in credit appraisal, where it can support faster analysis of income data, repayment history, account conduct, and other indicators of creditworthiness. For customers, such technology may mean quicker service, fewer delays, and easier access to banking facilities through mobile and digital channels. For banks, it can reduce operational costs, improve consistency, and help staff focus on more complex cases that require judgment and relationship management. However, the adoption of AI in banking is not free from risk. Financial institutions handle sensitive personal and financial information, so data privacy becomes a major concern whenever automated systems collect, store, or analyze customer records. A weak cybersecurity framework may expose customers to identity theft, fraud, or unauthorized access to their accounts. There is also a risk that algorithms may produce biased or inaccurate outcomes if they are trained on incomplete, outdated, or unrepresentative data. For example, an automated credit model may unfairly reject an applicant if it does not properly understand informal income patterns, seasonal business cash flows, or regional differences in financial behavior. Therefore, banks cannot depend only on technology. They must combine AI-driven efficiency with human oversight, clear accountability, strong audit trails, and regular review of automated decisions. Regulators also expect banks to maintain robust risk-management practices, protect customer interests, and ensure that innovation does not weaken transparency or fairness. Staff training is equally important, because employees must understand how digital tools work, when to trust them, and when to escalate a case for manual review. In short, AI can make banking faster, safer, and more inclusive, but only when it is implemented responsibly. The real challenge for banks is to balance technological innovation with data protection, cybersecurity, ethical decision-making, and sound governance. According to the passage, one challenge associated with AI adoption in banking is:

- A. Declining profitability
- B. Data privacy and cybersecurity
- C. Reduced customer satisfaction
- D. Higher NPAs

✓ Answer: B

102. The primary objective of the passage is to:

- A. Promote digital currencies
- B. Highlight opportunities and challenges of AI in banking
- C. Criticize technology adoption
- D. Explain monetary policy

✓ Answer: B

103. Identify the part containing the grammatical error.

- A. Every employee
- B. have submitted
- C. the compliance report
- D. before the deadline.

✓ Answer: B

"Every employee" is singular; therefore, it should be has submitted.

104. Choose the correctly spelt word.

- A. Accomodation
- B. Accommadation
- C. Accommodation
- D. Acommodation

✓ Answer: C

105. The Reserve Bank of India has _____ new guidelines for digital lending.

- A. issue
- B. issuing
- C. issued
- D. issues

✓ Answer: C

106. The banking sector has become increasingly _____ because of rapid technological advancements.

- A. competitive
- B. compete
- C. competition
- D. competes

✓ Answer: A

107. Choose the synonym of Prudent.

- A. Careful
- B. Wasteful
- C. Weak
- D. Careless

✓ Answer: A

108. Choose the antonym of Scarcity.

- A. Shortage
- B. Deficiency
- C. Abundance
- D. Lack

✓ Answer: C

109. The committee have approved the proposal.

- A. has approved
- B. had approve
- C. have approving
- D. No improvement

✓ Answer: A

110. Arrange the sentences in the correct order.

- A. Banks introduced digital platforms.
 - B. Customers adopted online banking.
 - C. Technology transformed financial services.
 - D. Digital payments increased rapidly.
- A. CABD
 - B. CBAD
 - C. ACBD
 - D. BCAD

✓ Answer: B

111. Choose the word nearest in meaning to Mitigate.

- A. Increase
- B. Reduce
- C. Ignore
- D. Delay

✓ Answer: B

112. Choose the correct preposition. The borrower complied _____ the RBI guidelines.

- A. to
- B. for
- C. with
- D. by

✓ Answer: C

113. Select the correctly punctuated sentence.

- A. RBI, issued new guidelines yesterday.
- B. RBI issued new guidelines yesterday.
- C. RBI issued, new guidelines yesterday.
- D. RBI issued new, guidelines yesterday.

✓ Answer: B

114. Choose the most appropriate word. The company remained financially _____ despite the economic slowdown.

- A. stable
- B. stability
- C. stabilise
- D. stabilising

✓ Answer: A

115. Choose the correctly written sentence.

- A. Neither of the candidates were selected.
- B. Neither of the candidates was selected.
- C. Neither of the candidates have selected.
- D. Neither candidates was selected.

✓ Answer: B

116. Replace the underlined phrase. The borrower did not complied with the loan conditions.

- A. did not comply with
- B. did not complying with
- C. had not complies with
- D. No improvement

✓ Answer: A

117. Choose the one-word substitution. A person who cannot read or write is called:

- A. Literate
- B. Illiterate
- C. Scholar
- D. Educated

✓ Answer: B

118. Choose the correct passive form. The bank sanctioned the loan.

- A. The loan has sanctioned by the bank.
- B. The loan was sanctioned by the bank.
- C. The loan is sanction by the bank.
- D. The loan sanctioned the bank.

✓ Answer: B

119. Choose the correct indirect speech. The manager said, "Submit the documents tomorrow."

- A. The manager said that submit the documents tomorrow.
- B. The manager instructed to submit the documents the next day.
- C. The manager instructed that the documents were submitted.
- D. The manager says submit tomorrow.

✓ Answer: B

120. Choose the most suitable conclusion. The company has shown consistent profits for five consecutive years, maintained healthy cash flows, and reduced its debt burden.

- A. The company is financially unstable.
- B. The company appears financially strong.
- C. The company should avoid expansion.
- D. The company is likely to default immediately.

✓ Answer: B

121. Read the passage and answer the question. Financial inclusion has become one of the major priorities of the Indian banking system because a large section of the population historically remained outside the formal financial network. Many low-income households, small traders, migrant workers, farmers, and daily wage earners depended on cash transactions or informal lenders for their savings and borrowing needs. This often made them vulnerable to high interest rates, lack of documentation, limited insurance protection, and difficulty in receiving government benefits. To address this gap, banks and policymakers have worked together to expand access to basic banking services. The opening of no-frills accounts, wider use of Aadhaar-enabled identification, simplified KYC procedures, and the growth of digital payment platforms have made it easier for people to enter the formal banking system. Government-backed schemes have also played an important role by encouraging savings, providing insurance cover, supporting pension access, and enabling direct benefit transfers into bank accounts. Digital platforms have further strengthened this process. Mobile banking, UPI, micro-ATMs, banking correspondents, and doorstep banking services allow customers in remote or semi-urban areas to perform transactions without always visiting a full-service branch. For small businesses, access to formal banking can create a transaction history, which may later help them obtain credit at reasonable rates. For rural households, a bank account can make it easier to receive subsidies, wages, remittances, and emergency support in a transparent manner. Financial inclusion is therefore not limited to opening accounts; it also requires active usage of those accounts, availability of suitable credit, financial literacy, customer protection, and trust in digital channels. Despite progress, several challenges remain. Some customers may have low digital literacy, irregular income, poor internet connectivity, or limited awareness of banking products. Others may open accounts but continue to use cash because they are unfamiliar with digital transactions or worried about fraud. Banks must therefore combine technology with human support. They need to educate customers, maintain secure systems, offer simple products, and ensure that grievance redressal is accessible. Financial inclusion becomes meaningful only when banking services are affordable, reliable, easy to understand, and actually useful in day-to-day life. It also encourages responsible account usage and safer saving habits. By expanding access through digital platforms, simplified KYC, and government-supported schemes, banks can bring more people into the formal financial system and support broader economic participation. According to the passage, financial inclusion has been promoted through:

- A. Higher lending rates
- B. Digital platforms, simplified KYC, and government schemes
- C. Closure of rural branches
- D. Reduction in banking regulations

✓ Answer: B

The passage clearly states that financial inclusion has been expanded through digital banking, simplified KYC, and government-supported initiatives.

122. Identify the part containing the grammatical error.

- A. Each of the loan applications
- B. were carefully examined
- C. by the credit officer
- D. before approval.

✓ Answer: B

The subject Each is singular; therefore, the correct verb is was carefully examined.

123. The credit officer advised the borrower to _____ all the required documents before loan disbursement.

- A. submit
- B. submitted
- C. submitting
- D. submission

✓ Answer: A

After to, the base form of the verb is used.

124. The bank has taken several measures to improve customer satisfaction and reduce complaints. Choose the incorrect part.

- A. has taken
- B. several measures
- C. improve customer satisfaction
- D. reduce complaints

✓ Answer: C

After to, the infinitive improve is grammatically correct. (Note: If presented as an "incorrect part" question, the intended incorrect wording would be "improving customer satisfaction"; candidates would choose that part. In this reconstructed version, the corrected form is shown for learning.)

125. Choose the word that is closest in meaning to Diligent.

- A. Careless
- B. Lazy
- C. Hardworking
- D. Negligent

✓ Answer: C

Diligent means hardworking, careful, and showing persistent effort. Topic Questions Reading Comprehension 6 Error Detection 4 Cloze Test 3 Fill in the Blanks 3 Sentence Improvement 2 Para Jumbles 2 Vocabulary (Synonym/Antonym) 3 Phrase Replacement 1 One-word Substitution 1 Voice & Narration 2 Total 25 These additional questions maintain the same easy-to-moderate difficulty level and banking-oriented language style that candidates reported in the 2025 BOI Credit Officer examination.

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