**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**FIFTH TRIMESTER (Batch 2020-22)**

**END TERM EXAMINATION, JAN-2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Course Name | **Banking Operations and Credit Analysis** | Course Code | **40209** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**INSTRUCTIONS:**

1. All questions are mandatory.
2. This is closed-book examination. Use of laptops and mobile phones are not allowed.
3. Read the paragraphs carefully before answering.
4. Answers without proper theoretical background will not fetch marks.
5. Any academic dishonesty will fetch Zero marks in the examination.
6. This question paper has four questions in two pages.

**Questions.1 (15 Marks)**

“The youth of India which accounts for 30% of the population is indeed an attractive market for various services including digital banking with their natural inclination towards digital access. However, the segment of senior citizens which stands at approximately 138 million in 2021 is also becoming important to financial institutions for digital services, specially in the post pandemic era. This number is expected to increase to 192 million by 2031 and therefore this is a segment that requires a specialised approach”. – Financial Express, Jan 13, 2022.

You have recently joined as a management trainee with a global bank and the first assignment for you is to identify the products that should be digitalized to make banking more convenient for senior citizens. You are expected to justify the selection of each product, their benefits and any possible challenges in success of the same. “I need a report for four products to begin with. This is for a meeting today afternoon with the MD. Be quick and don’t miss any details”, says Vice President- Product Innovations.

**Questions.2 (10 Marks)**

"Banks would need to strengthen their corporate governance practices and risk management strategies to build resilience in an increasingly dynamic and uncertain economic environment," the RBI said in its report on 'Trend and Progress of Banking in India 2020-21'.

Evaluate the present corporate governance structure in banks and suggest four factors that should be considered to improve the governance process to increase resilience by banks to meet the present-day challenges. You may base your observations on increased use of technology and impact of COVID-19. Make sure to write proper justifications and relevant arguments.

**Questions.3 (10 Marks)**

A State Bank of India savings account now earns 2.7 per cent per annum. An ICICI Bank savings account with a balance of less than Rs 50 lakh earns 3 per cent per annum (with effect from June 4, 2020). A Kotak Mahindra Bank (a bank whose USP has been its high interest rates on savings accounts, at one point earning 6 per cent) savings account with balance up to Rs 1 lakh now earns 3.5 per cent a year. For balances above Rs 1 lakh, Kotak Mahindra Bank is offering 4. While the savings bank customers are lamenting about this low interest rate, we see that the small finance banks are offering higher rate of interest.

For instance, Ujjivan Small Finance Bank, according to its website, is offering 7% interest rate on savings accounts with balances above Rs 1 lakh and up to Rs 25 lakh. According to the bank, "If a customer maintains Rs.120,000/- in the savings account, 4.00% interest will be earned for Rs.100,000/- and 7.00% interest will be earned for the remaining Rs.20,000."

What are small finance banks? How and why are they offering such high rate of interest?

**Questions.4 (5 Marks)**

Explain ‘Maximum permissible bank finance (MPBF)’

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*