

VPM's
DR VN BRIMS, Thane
Programme: MMS (2022-24)
Fourth Semester Regular Examination May 2024

Course Name:	Commercial Banking	Course Code	F-405
Roll No.		Marks	60
Total No. of Questions	6	Duration	3 Hours
Total No. of printed pages	4	Date	30-05-2024

Course Outcome Statements:

CO 1: Recall the key features of the Indian banking structure, significant banking sector reforms, functions of the Reserve Bank of India (RBI), role of treasury in the banks.

CO 2: Understand the structure of Indian commercial banks, difference between fund-based and fee-based banking products, the functions of treasury in the banking industry and **summarise** capital adequacy norms.

CO 3: Apply knowledge of retail banking products and regulatory practices to ensure compliance with legal frameworks, prudential norms, and KYC guidelines.

CO 4: Analyze the implications of banking sector reforms, **assess** risks associated with retail banking products, appraisal process of loans and **interpret** financial statements of commercial banks.

CO 5: Evaluate the effectiveness of monetary policy tools, **assess** the impact of legal and regulatory frameworks on banks and customers and **judge** the financial health of commercial banks.

Instructions: -

- 1) All questions are compulsory.
- 2) Use of a simple calculator is allowed.
- 3) Marks are given to the conceptual clarity and examples.

Marks

BL

CO

Q. No 1 (All Questions are Compulsory)

Q. No.	Questions	Marks	BL	CO
Q. 1	Case/Case-let Study			

The CAMELS rating system is an internationally recognized framework used to evaluate the soundness of financial institutions based on six criteria: Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity to market risk. The following tables focus on four major Indian banks—State Bank of India (SBI), HDFC Bank, ICICI Bank, and Bank of Baroda (BOB)—analyzing their financial performance using key ratios from 2016 and 2017.

Table 1- Capital Adequacy Ratio

Table 2- Advances to Total Assets Ratio

Bank	2016	2017	Bank	2016	2017
SBI	13.12	13.11	SBI	0.63	0.55
HDFC	15.53	14.55	HDFC	0.66	0.64
ICICI	16.64	17.39	ICICI	0.60	0.60
BOB	13.18	12.14	BOB	0.57	0.55

Table 3- Net NPA to Total Advances

Table 4- Net NPA to Net Advances

Bank	2016	2017	Bank	2016	2017
SBI	0.023	0.028	SBI	3.81	3.71
HDFC	0.002	0.002	HDFC	0.28	0.33
ICICI	0.018	0.033	ICICI	2.98	5.43
BOB	0.028	0.026	BOB	5.06	4.72

Table 5- Profit Per Employee

Table 6- ROE

Bank	2016	2017	Bank	2016	2017
SBI	0.51	0.52	SBI	7.3	6.31
HDFC	1.5	1.6	HDFC	18.26	17.95
ICICI	1.4	1.2	ICICI	11.43	10.33
BOB	-1	2.6	BOB	-13.48	3.44

Table 7- Net Interest Income to Total Income

Table 8- Operating Profit To Total

Assets					
Bank	2016	2017	Bank	2016	2017
SBI	0.81	0.77	SBI	1.96	2.01
HDFC	0.85	0.85	HDFC	3.21	3.21
ICICI	0.77	0.74	ICICI	3.49	3.55
BOB	0.9	0.86	BOB	1.27	1.61

Table 9- Liquid Assets To Total Assets

Table 10- Liquid Assets To Total Deposits

Assets					
Bank	2016	2017	Bank	2016	2017
SBI	0.069	0.079	SBI	0.091	0.105
HDFC	0.055	0.057	HDFC	0.071	0.076
ICICI	0.083	0.098	ICICI	0.142	0.155
BOB	0.199	0.217	BOB	0.233	0.250

(Source- A CAMEL Model Analysis of Selected Public and Private Sector Banks in India- International Journal of Management, IT & Engineering, Vol 8, Issue 8, August 2018)

	a.	Examine the performance of the given banks based on Capital Adequacy and Liquidity.	6	Level 4	CO4																		
	b.	Based on the information given above, evaluate the position of the banks in terms of management and asset quality.	6	Level 5	CO5																		
Q. 2		Answer Any one from the following.																					
	a.	In a recent Monetary Policy Committee meeting the following rates were changed by the RBI <table border="1" style="margin: 10px auto;"> <thead> <tr> <th>Policy Rate</th> <th>Original Rate</th> <th>Changed Rate</th> </tr> </thead> <tbody> <tr> <td>Bank Rate</td> <td>6.75%</td> <td>6.50%</td> </tr> <tr> <td>Cash Reserve Ratio</td> <td>4.50%</td> <td>4%</td> </tr> <tr> <td>Statutory Reserve Ratio</td> <td>18%</td> <td>17.50%</td> </tr> <tr> <td>Repo Rate</td> <td>6.50%</td> <td>6.20%</td> </tr> <tr> <td>Reverse Repo Rate</td> <td>3.35%</td> <td>3.15%</td> </tr> </tbody> </table> Evaluate the impact of the changes in the above rate on credit creation capacity of the bank. (You are expected to show the impact of individual policy rates). (Note- These rates are illustrative only.)	Policy Rate	Original Rate	Changed Rate	Bank Rate	6.75%	6.50%	Cash Reserve Ratio	4.50%	4%	Statutory Reserve Ratio	18%	17.50%	Repo Rate	6.50%	6.20%	Reverse Repo Rate	3.35%	3.15%	6	Level 5	CO5
Policy Rate	Original Rate	Changed Rate																					
Bank Rate	6.75%	6.50%																					
Cash Reserve Ratio	4.50%	4%																					
Statutory Reserve Ratio	18%	17.50%																					
Repo Rate	6.50%	6.20%																					
Reverse Repo Rate	3.35%	3.15%																					
	b.	The Malkapur Urban Co-operative Bank Limited was one of the leading Urban cooperative banks in Malkapur district of Buldhana, Maharashtra. There were more than 25 branches of the bank in Buldhana District. On 4 th July 2023, RBI issued an order to cancel the licence of the bank with effect from 5 th July 2023. Determine the process that would have been followed by RBI under Banking Regulation Act, 1949 to issue an order. Also explain on what basis the licence could have been cancelled.	6	Level 5	CO5																		
Q. 3		Answer Any one from the following.																					
	a.	SHG Bank model was launched by NABARD in 1992. You are working as a branch manager in rural	6	Level 4	CO4																		

		area. Mahila Vikas Samrudhi- a SHG of 10 women has approached you to take a loan under NABARD scheme. All SHGs are strong, and they require no help in mentoring. Mahila Vikas Samrudhi is unable to decide which SHG model they should adopt. Analyse which model will be suitable to them.							
	b.	You are working in ALCO Committee of SKC Bank Ltd. The following information has been collected from all the branches and GAP report is prepared. As a member of ALCO committee, Examine , how you will handle liquidity risk for each basket of maturities.	6	Level 4	CO4				
Amount is in Rs. Crore									
Particulars	1-14 D	15-18 D	29D-3M	3-6 M	6-12M	1-3 Y	3-5 Y	Over 5 Y	Total
Term Deposits	851	613	1835	1858	2372	6601	3729	1172	19030
Total Outflows (A)	3414	849	2806	3099	2799	18798	4092	4903	40758
Total Inflows (B)	3440	752	2105	2636	2630	8036	4481	16501	40581
Net Gap (C)	26	-96	-702	-462	-170	-10761	389	11598	-177
Cumulative Gap (D)	26	-70	-772	-1234	-1404	-12165	-11776	-177	-177
Q. 4		Answer Any two from the following.							
	a.	You are working as a credit officer in Apna Bank Ltd. You have received a housing loan application from Mr. Vishal for Rs. 1.5 Crore. He is a working as AVP in one of the leading IT companies. His monthly gross salary is Rs. 25 Lakhs. He is ready to offer a collateral of his existing house which is worth Rs. 95 Lakhs. Identify , the characteristics which you will look into to consider this collateral as safe from bank's perspective.	6	Level 3	CO3				
	b.	You are working as branch manager of ABC Bank Ltd. in Thane. While working in the branch the following incidences took place- (1) Mr. Sameer has deposited cash of Rs. 5 Lakhs thrice in a day. (2) A young student had approached you to enquire about opening of a savings account. When he has been asked to show original KYC documents, he ran away from the branch. (3) Mr. Lal, a sole proprietor operating Kirana store, deposited Rs. 10,000/- where one of the Rs. 2000/-, note found to be counterfeit. Making use of the concept of Transaction Monitoring and Reporting, identify the reports which you will prepare.	6	Level 3	CO3				
	c.	You are working as an officer in a bank. You are entrusted with the process of cheque clearing (Inward and outward). The following cheques have been presented for the clearing-	6	Level 3	CO3				

		<p>(1) M/s Peekay Enterprises have opened current account on 1st April 2024 with your bank. Cheque book was issued on the same day. A cheque has been presented in clearing for Rs. 60,000/- in favour of EMART bearing a date of 30th March 2024.</p> <p>(2) A cheque is presented in clearing bearing date of 29th February 2023.</p> <p>(3) A cheque is presented for clearing by M/s Kirana which is a partnership firm operated by Mr. A and Mr. B. Mode of operation is Either or survivor. Partner, Mr. A has issued a cheque of Rs. 50,000/- to Mr. C. However, the amount of cheque is altered to Rs. 65,000/- and signed by Mr. B only.</p> <p>In the above cases, apply the provisions of Negotiable Instrument Act, 1881 and identify whether the cheque can be passed or not in clearing.</p>			
Q. 5		Answer Any two from the following.			
	a.	Explain any three fee-based products offered by the bank.	6	Level 2	CO2
	b.	Summarise the role of Back Office in treasury department.	6	Level 2	CO2
	c.	Illustrate direct consequences of NPA on banks.	6	Level 2	CO2
Q. 6		Answer Any two from the following.			
	a.	What are the differences between Development Bank and Commercial Bank?	6	Level 1	CO1
	b.	List the steps involved in process of Asset-Liability Management of Bank.	6	Level 1	CO1
	c.	What are the outcomes of SMART Banking reforms?	6	Level 1	CO1