

AT-1413

**M.B.A. Semester—III Examination**

**BANKING SYSTEM**

**PAPER—MBA/3102/F**

Time : Three Hours]

[Maximum Marks : 70

**Note :—**(1) Attempt **ALL** questions.

(2) Figures to the right indicate marks.

**SECTION—A**

1. (a) The term 'Merchant Bank' is used to denote a bank that is not a merchant sometimes for a merchant who is not a banker and sometimes for a business house that is neither a merchant nor a bank. Discuss. 14

**OR**

- (b) 'The banking sector is the lifeline of any modern economy. It is one of the important financial Pillars of the financial system which plays a vital role in the success of an economy.' In the light of this statement explain in detail the various functions performed by Commercial Bank. 14

**SECTION—B**

2. (a) How does a bank make a profit on loans ? Discuss the importance of loans in attracting a borrower's other business with a Financial Institution. 7
- (b) A Limited Company manufacturing plastic goods (Consumer's items), approaches you as a Banker for an advance of Rs. 2 lakh against hypothecation of raw materials, finished goods and stock in-process. What precautions would you take as a banker in granting this advance ? 7

**OR**

- (c) What do you understand by the term bank management ? What are the objectives of bank management ? Explain. 7
- (d) 'Novel Bank Pvt. Ltd.' is one of the leading private sector banks in the country. The bank management has decided to start a new branch in your city. Suppose you are working in planning department as a Senior Manager, what factors you will consider for setting up of a new branch ? 7

3. (a) What do you understand by agricultural credit ? Explain the significance of agricultural credit. 7
- (b) A farmer has disbursed a loan of Rs. 20,000 for cultivation of Soyabean in his 4 acres of land. A few weeks later due to heavy rains the crop was damaged extensively. Under the circumstances the farmer approached the bank for an additional loan of Rs. 5,000 for retransplanting Soyabean seedlings. As an agriculture finance officer what will be your decision for this proposal ? 7

**OR**

- (c) What is meant by Industrial Finance ? Explain the importance and objectives of Industrial Finance. 7
- (d) Nikhil, a young boy runs his own business of 'Grah Udyog'. He wants to purchase new machinery and equipments for his business. Suggest for getting this Financial Assistance to whom he should approach ? Also elaborate the other sources available to Nikhil to get this Industrial Finance. 7

**SECTION—C**

4. (a) What do you understand by the term CRM ? Explain the importance of CRM in banking sector. 7
- (b) 'Banks are changing, their business is changing, their ownership pattern is changing, and the way they are managed is changing.' In the view of this statement discuss about the new trends in banking sector in India. 7

**OR**

- (c) What is Manpower Planning ? Explain the objectives of manpower planning in Commercial Bank. 7
- (d) Suppose you are working as a marketing manager in leading Private Sector Bank. A bank management has decided to launch a new saving scheme called 'Sanchayan Yojana'. As a marketing manager how would you promote this scheme in the market ? Give your marketing plan in this regard. 7

**SECTION—D**

5. Banks are unique financial intermediaries as they are highly leveraged which puts them in control of very large volume of Public Funds. They also administer the payment and settlement system which is the backbone of any economy. Banking is the business of money where high risk is involved. Deregulation and globalisation have introduced new types of risks. Risk may be defined as an exposure of to a transaction with loss, which occurs with some probability and which can be expected, measured and minimised. An element of risk is inherent in the banking operations.

Banks have to manage and balance risk. Banks are now involved in a variety of activities from basic lending to trading complex instruments, engaging in off-balance sheet transactions and have ventured in new markets, which have increased the risk management challenges. Risk Management System is important for Indian Banks in the reforms era. Volatility has increased and margins have squeezed and hence, if banks do not have a cushion against losses, they may face a problem of survival. Thus, risk management is necessary to ensure sound, stable and efficient banking system. Risk Management involves identifications, measurements, monitoring and controlling risks to optimise risk-reward trade-off.

Risk Management in Indian Banks was undertaken to comply with the RBI guidelines. Banks use a variety of tools to manage their risk which include hedging the credit risks by resorting to restricting fresh exposures, outright sale of an existing fund base exposure, obtaining credit guarantee cover, and more recently securitisation. Banks have adopted asset liability management and stress testing as a tool of risk management.

1. Analyse the case study. 3
2. What are the objectives of Risk Management ? 3
3. 'Risk Management is the major function of a commercial bank.' Do you agree with this statement ? Justify your answer. 4
4. What are the different risks a commercial bank faces ? 4

