Enrolment No. _____

AHMEDABAD UNIVERSITY

AMRUT MODY SCHOOL OF MANAGEMENT

UNDERGRADUATE PROGRAMMES

2023-2024 WINTER SEMESTER

END-SEMESTER EXAMINATION

BANKING (FAC241)

Date: 28-04-2024 Total Marks: 60

Time: 8:00 am – 10:30 am No. of printed pages: 04

Instructions:

- This is a CLOSED-BOOK TEST.
- All questions are compulsory.
- Numbers in brackets indicate marks
- Please write relevant and precise answers.
- Please write all sub-questions to a question together.

Q. 1 Bank of India is one of the oldest public sector banks in the country. The bank has been doing fairly well over the years. The following are the key values taken from the bank's annual reports. (NOTE: they are only selective numbers, so the total won't tally).

A) Look at some data based on income, expenses, liabilities and assets of the bank over the last 2 financial years.

(Rs. in Mn.)

	2022-23	**2021-22**
Interest earned	4,76,477.22	3,80,758.26
Other income	70,998.90	78,787.32
Interest expensed	2,73,728.20	2,40,137.29
Operating expenses	1,39,821.72	1,19,523.74
Net profit for the year	**40,229.40**	**34,046.96**
EPS (Rs.)	**9.80**	**8.84**
LIABILITIES	**2022-23**	**2021-22**
Capital	41,043.05	41,043.05
Reserves & Surplus	5,48,663.09	5,10,269.40
Deposits	66,95,857.71	62,78,959.59
Borrowings	649,790.23	2,67,603.66
Other liabilities and provisions	220,202.06	2,48,264.47
TOTAL LIABILITIES	**81,55,556.14**	**7,346,140.12**
ASSETS		
Cash and balances with RBI	4,40,345.05	402,805.78
Balances with Banks and money at call and short notice	4,03,608.13	512,770.61
Investments	20,43,978.77	1,744,484.06
Advances	48,58,996.35	4,208,417.91
Fixed Assets	99,610.02	97,749.53
TOTAL ASSETS	**81,55,556.14**	**7,346,140,12**

- Return on Assets (RoA) of the Bank improved from 0.43% in FY22 to 0.49% in FY23
- The Net Interest Margin for FY22 was 2.36% whereas 3.01% for FY23.
- Credit-deposit ratio for FY23 stood at 72.57% against 67.02% for FY22.

Based on the above information, answer the questions below **(2 marks each * 6 = 12)**

i) What can be other income for a bank? Discuss the sources. What do you say from the numbers?

ii) What is the Net Interest Margin? How do you interpret the change?

iii) Look at the profitability numbers and give your views on the same.

iv) What is/are the key source/s of funds for BOI? Is it the case with most banks? Why?

v) Analyse the credit-deposit ratio. What does the bank do with the rest of the deposit money?

vi) Is the order of listing the assets correct? Justify your answer.

B) Following are the details relevant to asset quality and capital adequacy of the bank.

(Rs. in Mn.)

Category	2022-23	2021-22
Sub Standard	50,506.69	43,813.03
Doubtful	1,51,324.35	2,19,219.88
Loss	1,76,628.60	1,94,180.31
Total Gross NPA	3,78,459.65	4,57,213.22

- Gross NPA ratio lowered from 9.98% in March 2022 to 7.31% in March 2023.
- Capital Adequacy Ratio / CRAR stood at 16.28% as on 31.03.2023 as against 16.51% as on 31.03.2022.

i) What is NPA? Look at the shared details about NPA and give your analysis in terms of implications for the bank. (2)

ii) Discuss the asset classification. (3)

iii) Look at the shared details of asset classification and discuss the implications of the changes over the year. (2)

iv) What is the Capital Adequacy Ratio? Why is it important for a bank? (2)

C) Following are the information relevant to the operations of the bank.

- Priority Sector Advances rose by 8.48% YoY and it constituted 43.28% during 2022-23.
- Domestic CASA went up by 2.72% YoY and CASA percentage declined from 45.02% in March 2022 to 44.73% in March 2023.

Based on the above information, answer the questions below **(3 marks each * 3 = 9)**

i) Discuss what is priority sector lending and why a bank should lend to priority sectors.

ii) How do you interpret priority sector lending by BOI? Does such lending have any financial implications for the bank?

iii) What is CASA? What does it mean by Domestic CASA? What are the financial implications of CASA on the bank's performance?

iv) How do you understand change in CASA for BOI?

Q. 2 Answer the following (ANY 4): (15)

A) While digital is the way everywhere including banking, inclusion should not be ignored. Do you think digital banking promote financial inclusion? How or why not?

B) Different banks have different focus. Banks like Kotak Mahindra focus on corporate banking. What does it mean? Discuss the banking services with corporate focus.

C) "IBC is a game changer". Do you agree in context of banks in India?

D) "It's not a cakewalk for small finance banks to grab a market share in the presence of microfinance institutions, RRBs and priority sector lending requirements for the banks." Discuss.

E) Why is it said that the bearer cheques are highly risky? Explain the alternatives available to a drawer to reduce such risk.

Q. 3 Discuss the following in detail.

Your younger sister, who is a food technologist, is in the process of setting-up manufacturing facilities for artisan cheese. Your parents have agreed to provide certain resources from their savings. She does not know ABC of finance. She has reached out to you for some valuable input.

A) She first needs to open a bank account to receive grant money and, later, when she sets up the manufacturing facility, to make a variety of payments. She needs your help as you understand banking. Explain her -

i) What type of account should she open and why? (2)

ii) Explain her the details of the documents required to be submitted while opening (2) an account.

iii) She is also not able to understand why a bank would need all these documents to (1) open an account. Explain her.

iv) She has a busy travel schedule lined up. She is wondering if she can open the account without actually visiting the bank branch. (1)

B) Immediately after that, she will need resources to buy the raw material, maintain inventory and to run the operations. Since the financial support from the family would largely be utilised for plant set-up, she is concerned that she may not have enough resources to run the operations.

i) She would like to know if a bank can help in this and how. (3)

ii) She would also like to know the kind of collateral she would be required to provide in such case. (2)

C) She would like to make all the payments in the due time from wherever she is. She is not sue if she can operate her account from different location again without actually visiting the bank branch. Following is the expected scenario of payments she would be required to make.

i) Mainly she would be required to make payments to her suppliers at fixed intervals and salaries to the employees. How can she ensure the fixed payments are done at the right time? Can this be automated how? (2)

ii) She would like to ensure the sales team does not misuse the travel allowances. They either make pre-approved payments or at the right place. How is this possible? (2)

***** ALL THE BEST *****