

**NCRD's Sterling Institute of Management Studies,
Nerul, Navi Mumbai**

SEMESTER END EXAMINATION MMS SEM II April 2016

Sub: - Banking & Insurance

Date: 23.04.2016

Time: 11am to 2.00 pm

Day: Saturday

Marks: 60 Marks

Roll No: _____

Instructions: Question No. 1 is compulsory. (Total 20 Marks)

Attempt Any Four Questions from the Rest. (Total 40 Marks)

Q1. Study the paragraph and solve the questions mentioned below:

Digitization in the banking industry essentially means making banking smooth and seamless for customers

Banks have changed in their operations and moved towards universal banking along with the increased usage of technology and technology-based services offering alternate channels such as smart cards, ATMs, usage of the internet, mobile and social banking. Banks have started deploying core banking, human resource management (HRM) and enterprise risk (ERP) management and process re-engineering etc to improve on their performance and productivity. Majority of banks are insisting on cashless and paperless payment modes.

According to a KPMG study, a research analysts says, as of FY2012, non-cash payments constituted 91 per cent in value terms as compared to 88 per cent in FY in 2010 and 48 per cent in terms of value from 35 per cent in FY 2010. A bank analyst says the payments made through cheques in total non-cash transaction too has come down to 52 per cent from 83 per cent in volume terms, and to nine per cent from 85 per cent in value terms during between FY 2006 and FY 2012.

Information Technology (IT) today has become an important tool for an efficient banking system, and Indian banks have put in place a fairly strong infrastructure to leverage its benefits.

The 'Digital India' campaign has the potential to transform the Indian banking industry. Highlighting the progress of 'Digital India', more than 12,000 rural post office branches have been linked into payment banking.

Apart from giving licences to new payment banks, many other policies and regulations are expected to be in place in the upcoming years which can bring a paradigm shift in the Indian banking sector. The Digital India vision aims to transform our country into a digital economy with participation from citizens and businesses.

JAM (Jan Dhan-Aadhar-Mobile) is another step in digitizing India through a synchronised banking system covering the whole nation. It is assumed that bank accounts opened under Jan-Dhan-Yojana now said to have a total balance of almost Rs 26,000 crore.

Over 190 million accounts have been opened under the financial inclusion scheme, with around 38 per cent of these being zero-balance accounts. It aims at achieving the maximum -- maximum value, maximum empowerment to people and maximum technological penetration among the masses.

With the increase in convergence of wireless and mobility, it has transformed smartphone into a fully operational personal bank.

India, being a nation which continues to be driven by cash, is also moving towards a cashless economy with financial inclusion policy and 'Digital India' campaign by the government, with the aim of controlling the flow of black money.

Digitisation in banking industry essentially means making banking smooth and seamless for the customers.

In the recent years, there is a notable drop in the usage of branches and tremendous increase in digital banking consumption. Most of the private banks and public sector banks are focused on offering new technology-based services to its customers like mobile banking, mobile banking apps and e-wallets.

The biggest advantage of digital channeling in banking is its ability to provide new propositions and customer specific business models by analysing this banking pattern which explores the customer value to the maximum.

To create a digital environment is now the priority of all banks and they need to devote a considerable budget for a full transformation to a completely digitised circle of consumers.

High success rate of digitisation also raises security concerns that can destroy the business and the brand name. Cyber risk management in the business environment is one of the complex issues being faced by the banks, requiring incorporating sophisticated techniques and new skills and capabilities to be embedded in the people.

However, the availability of biometric technologies and integration of Aadhaar cards has essentially digitised the customer inclusion process in a secure and streamlined manner.

We all know that technology is the driving force behind every industry today. The banking sector is no exception. While a large chunk of the Indian consumer still prefers to go the traditional route with cheque books and pass books, young Indian customers are becoming tech savvy as far as personal banking is concerned. BI India lists down top five banks that have taken tech innovations in their services to the next level.

HDFC Bank

The private sector bank has leveraged the popularity of wearable devices in the country and has launched 'watchbanking' with its Apple watch. The bank will provide all its banking services through all wearable devices across platforms like iOS and Android. "HDFC Bank will provide a total of 10 banking transactions in the current launch phase. Some of them being View Account Information, Bill Payments, Recharges, Hotlisting facilities, locate nearest branch, ATM, offer, request statement and chequebook among other," said the bank in a statement.

Axis Bank

If you can recall the bank's advertisement that stars Bollywood actress Deepika Padukone, then you know what exactly we are talking about. The bank has launched a multi-social payment app across social platforms such as Facebook, Twitter, Whatsapp, SMS or email. The app allows sending and receiving money without asking for bank details. The user just has to use the hashtag #PingPayKaro in order to make a transaction.

IndusInd Bank

At the beginning of the year, IndusInd Bank has launched facetime wherein a customer can speak to his manager directly via video conferencing. The video branch is available on Android and Apple mobile devices in the respective app store.

IDBI Bank

IDBI Bank will soon e-huts, which will be a one-stop solution for all banking services that the bank offers. The bank announced its plans to launch e-huts while inaugurating its branch in Goa. "We will be launching e-huts across the country. It's a concept that is widely accepted in the West, but in India, it's yet to pick up," said M O Rego, deputy managing director of IDBI bank.

State Bank of India

The largest public sector bank is in for a major overhaul in its operations with a sharp focus on technology. The bank will not expand its existing services such as InTouch and InTouch light, it also plans to start e-corners in its existing branches in a bid to make it easier for its young consumers.

Answer the following questions:

(Marks: 10*2=20)

- i) Explain how the above mentioned banks are taking help of Digitization in banking transaction.
 - ii) State the challenges of Digitization in Banking, which a Bank or Customer may face.
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Attempt Any Four out of the Remaining Six Questions

Q2. Answer Any Two:

(Marks: 5*2=10)

- a) Discuss about Post Independence Banking scenario.
- b) Define Banking .What do you mean by Scheduled Banks and Unscheduled Banks.
- c) Describe Banking Industry as per Porter's Five Forces Model.
- d) Discuss the Evolution of Banking in India.

Q3. Answer Any Two:

(Marks: 5*2=10)

- a) Discuss the Indian Banking Structure.
- b) Define Interest Rate Risks faced by the Banks and the ways to manage Interest Rate Risk.
- c) State the primary functions of 'Commercial Banks'.
- d) Explain Principle of Indemnity and Principle of Insurable interest.

Q4. Answer Any Two:

(Marks: 5*2=10)

- a) What is a Co-operative Bank? State the functions of Primary Agricultural Credit Society.
- b) Discuss the problems of Regional Rural Banks in India. Give few suggestions to solve the same
- c) State the benefits of Consolidation in the Indian Banking Industry.
- d) Discuss the Components of Balance sheet of a Bank. Draw a specimen Balance sheet showing the components

Q5. Answer Any Two:

(Marks: 5*2=10)

- a) Explain the benefits and uses of Insurance.
- b) How does RBI acts as Bankers Bank and Lender of Last Resort for the Commercial Banks.
- c) Discuss the various Loans and Advances a Commercial bank can make to its customers.
- d) State the history of Co-operative Banks in India.

Q6. Answer Any Two:

(Marks: 5*2=10)

- a) Explain the terms 'Cash Reserve Ratio' and 'Statutory Liquidity Ratio'
- b) What do you mean by Credit Risk? What are the components of Credit Risk and how Credit Risk can be managed?
- c) Explain in brief the history of Life Insurance and General Insurance sector in India.
- d) State the Objectives and Capital Structure of Regional Rural Banks.

Q7. Answer Any Two:

(Marks: 5*2=10)

- a) What are the reasons of Risks in Banking Industry?
- b) What do you understand by Nationalization? What are the objectives behind Nationalization of Banks in India?
- c) Define Insurance and the three essential Elements of Insurance.
- d) What were the Intent, Benefits and Drawback behind the merger of Standard Chartered Acquires ANZ Grindlays Bank?
