

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

TERM END EXAMINATION MMS SEM III Nov- Dec. 2013

Sub: - Banking & Insurance

Date:

Time: 10.30 am to 1.30 pm

Day:

Marks: 60 Marks

Roll No:

Instructions: Section I is compulsory. (1 Question x 20 Marks = Total 20 Marks)

Section II - Attempt any two. (2 Questions x 10 Marks = Total 20 marks)

Section III - Attempt any four. (4 Questions x 5Marks = Total 20 marks)

Section I

Q.1 Solve the following case study as directed.

ET Awards 2012: HDFC Bank recognised as Company of the Year

Company of the Year: HDFC Bank

HDFC Bank provides correspondent bank services to Co-operative Banks, Private Banks, and Foreign Banks & RRB's. Banks can leverage HDFC bank's branch network, technology and product capability. It offers a wide range of products engineered to suit the needs of the banking sector this is backed up by a dedicated Relationship Management Team and dedicated servicing department.

Sometime in 1995, an ex-Citibank executive, Aditya Puri put together a team comprising mostly his former colleagues, tied up with Chase Manhattan Bank for technology and started a bank, which, for the first time, provided the kind of service to the salaried class that was reserved for the super rich at international banks.

Puri stuck to some of the concepts he learned at Citi — have single-minded clarity on target market, keep costs under control, adopt cutting edge technology, think professionally, and act with integrity — as he built HDFC Bank, the country's second-largest private sector bank.

On the way, it acquired small-sized banks like Times Bank and Centurion Bank of Punjab to increase its footprint and scale. It took the bank less than two decades to topple the venerable State Bank of India,

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and, for a while, become the most valuable bank in India. Now, as far as the banking business model goes, the Puri-led bank is considered the gold standard.

"HDFC Bank is a customer-centric organization, which is run professionally by the board, management and employees, adhering meticulously to our core values of ethical standards, professional integrity, corporate governance and regulatory compliance. Team HDFC Bank is delighted to receive the prestigious 'Company of the Year' award from The Economic Times," said Puri, MD & CEO of HDFC Bank.

The bank enjoys one of the highest margins among India's banks, even though it has a full bouquet of products across corporate, commercial and retail banking. Its net interest margin has always — even in the worst of times — been over 3%. The bank's earnings and performance remained steady even during the financial crisis in 2008. When most of its peers were withdrawing and consolidating their position in the consumer banking space, HDFC Bank gained market share. But the bank has been measured in choosing its customers.

HDFC Bank has been consistently posting 30% growth in net profit. It has stuck to basic banking and stayed away from the long-term project finance business, which is haunting the state-run banks during these times of slowing economic activity. It is largely known to be a working capital financing bank: the mix of loans between the retail and wholesale segments was 52:48 as on June 30, 2012.

The bank, with a network of 2,544 branches across 1,399 cities, is now focusing on tier-II and tier-III Centres to market deposit and loan products. It has always focused on low-cost current and savings account growth. The CASA ratio for the bank has always been in the high 40s. However, with the change in the investment habits of customers, it will be a challenge for the bank to maintain growth in low-cost savings accounts. The bank's total balance sheet size at the end of June 2011 stood at Rs 3, 60,001 Crore.

HDFC bank is the best as per as the customer service is concerned but charges too much for everything and savings bank interest rate is only 4% and penalty on premature withdrawal of FD is 1% which is too high.

Puri is now investing in building investment banking capabilities, unlike some of the bank's peers which looked at acquiring teams and capabilities to build this business. This came after Kumar Mangalam Birla, chairman of Aditya Birla Group — one of the bank's valued corporate clients — asked Puri why it couldn't handle the group's investment banking business.

Puri recruited talent from high-profile foreign and investment banks that were retrenching staff during the financial crisis, even though this was somewhat against the bank's tradition of internal promotions to fill key positions. The bank has always tried to maintain depth in management three levels down. A few

years ago, when it saw some senior officials resign, many felt the bank should hire from outside. However, Puri took charge and saw to it that the bank gained significant market share in the retail space.

Questions:

- a. Critically analyse Mr. Aditya Puri's Contribution in the development of HDFC Bank.
- b. Provide SWOT analysis of HDFC Bank.

Section II

Q.2 What is the difference between Commercial banks and Regional Rural banks? Explain briefly the functions of commercial banks.

Q.3 what were the objectives of Nationalization of Banks in India post independence? Has Indian Banking sector been benefitted by nationalization. Critically examine the achievements and problems in Indian Banking sector after Nationalization.

Q.4 Define the term Insurance. What are the essentials of an Insurance Contract? Discuss its functions focusing on its role in the financial system of an economy.

Section III

Q.5 What is open Market operation? How does it control credit?

Q.6 Write short notes on any one:

- a. Money Market instruments
- b. Marine Insurance

Q.7 Explain in detail the essentials of a valid Insurance contract.

Q.8 Explain the process of credit creation by banks.

Q.9 Briefly discuss general guidelines issued by Insurance Regulatory and Development Authority of India for the management of Insurance business.

Q.10 Discuss the role of RBI in the rural development of India.

All the Best !!!
