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GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 3 – EXAMINATION – SUMMER 2019**Subject Code: 3539222****Date: 09/05/2019****Subject Name: Managerial Financial Services****Time: 02.30 P.M. to 5.30 P.M.****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q. No.		Marks
Q.1	Definitions following term (a) securitization (b) factoring (c) NBFC (d) Bill Discounting (e) Depository Participant (f) Hire purchase (g) Four major function role of SEBI	14
Q.2	(a) What is credit rating? Explain the importance of credit rating	07
	(b) What is merchant banking? Discuss services provided by merchant banker.	07
	OR	
	(b) What is financial system? Discuss functions of financial system.	07
Q.3	(a) What is leasing? Discuss various type of lease.	07
	(b) Differentiate lease, hire purchase, credit sales and installment sales.	07
	OR	
Q.3	(a) Discuss process of securitization and the obstacles in the development of securitization in India.	07
	(b) Discuss the meaning and process of letter of credit.	07
Q.4	(a) Explain the term depositories. Give reasons for setting up depository in India. Discuss services and benefits provided by depository.	07
	(b) What is money market? Discuss instruments of money market.	07
	OR	
Q.4	(a) Discuss the role of RBI, IRDA & SEBI in Indian financial market.	07
	(b) Discuss functions of primary market and role of primary market in Indian financial system	07

On May 18, 2016, Punjab National Bank (PNB), the third largest Public Sector Bank (PSB) in India, reported Rs. 53.67 billion quarterly losses in the quarter that ended in March 2016 against the Rs. 3.06 billion profits for the same period in 2015. This was the largest ever quarterly loss reported by any bank in India. PNB also reported a steep rise in Gross Non-Performing Assets (GNPAs), which increased from 8.47% of advances in the previous quarter to 12.9% of advances in the fourth quarter of financial year 2016 (FY16). In value terms, NPAs had increased by Rs. 214.8 billion to Rs. 558.18 billion in the fourth quarter of FY16. PNB also increased provisioning for bad debts from Rs. 32.81 billion in the fourth quarter of FY15 to Rs. 113.8 billion in the fourth quarter of FY16.

PNB was not the only bank to report this kind of performance. All Scheduled Commercial Banks (SCBs), especially PSBs, reported higher NPAs in FY16.

Since ancient times, an indigenous banking industry had prevailed in India with some communities being traditionally involved. These communities mostly ran huge businesses apart from their small banking business. They dealt mainly in money lending, did not accept deposits from customers, and discouraged savings.

The western type of banks came into the picture in the late 18th century in India when the Bank of Hindustan was established in 1770 in Calcutta (now Kolkata) in eastern India. Calcutta became the center of banking activities mainly due to the trading activities of the British Empire. In the 19th century, the major development in the Indian banking industry was the establishment of three presidency banks by the British East India Company. In 1935, the RBI was established under the provisions of the Reserve Bank of India Act, 1934...

NON-PERFORMING ASSETS IN INDIAN BANKING INDUSTRY

In 1996-97, the GNPA in the Indian banking industry was 15.7%. It fell to 2.35% at the end of March 2011 due to various reforms introduced by the RBI and the Government of India, such as implementation of the reforms suggested by the second M. Narasimham Committee on the banking sector in 1998, enactment of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), and Credit Information Companies (Regulation) Act, 2005 etc.

However, due to various reasons, the total stressed assets, which stood at 9.8% at the end of March 2012, increased to 11.06% by March 2015 and then to 14.5% by the end of December 2015. This affected the growth in the net profit of the SCBs, which declined from 2011-12 and led to a fall in the ROA and the ROE of banks

REASONS FOR HIGH GROWTH IN NON-PERFORMING ASSETS

There were many environmental factors which were responsible for the high growth of NPAs in India. One of the main reasons was the US financial crisis in 2008 which had a global impact. In addition to this, a fall in commodity prices and dumping from China had decreased the competitiveness of the Indian manufactures, which led to the reduction in cash flow of manufacturers which made it tough to repay their loans. This led to the growth in NPAs...

RAGHURAM RAJAN'S POLICIES ON NPAs

Rajan became the RBI governor in September 2013 and from day one, he focused on the NPA problem of the Indian banking system. In his very first speech as the governor, he said, "We have to improve the efficiency of the recovery system, especially at a time of economic uncertainty like the present [2013].... I have asked Deputy Governor Dr. Chakrabarty to take a close look at rising NPAs and the restructuring/recovery process, and we too will be taking next steps shortly..."

EFFORTS OF THE INDIAN GOVERNMENT

To give a boost to the Indian banking sector, Arun Jaitley (Jaitley), Finance Minister of India, came up with a seven-pronged plan called 'Indradhanush' in August 2015. The seven elements of this plan were appointments, board of bureau, capitalization, de-stressing, empowerment, framework of accountability, and governance reforms...

Questions (Attempt Any Two)

- A. Analyse NPA Problem in Indian Financial System.
- B. Debate on Action taken by Raghuram Rajan.

OR

- A. What is your view on government initiative?
- B. According to you what can be done further?

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