GALGOTIAS UNIVERSITY

ADMISSION NUMBER

School of Business

Bachelor of Business Administration
Semester End Examination - Jun 2024

Duration : 180 Minutes
Max Marks : 100

Sem IV - D1UE402T - Retail Banking Assets and Liabilities

General Instructions
Answer to the specific question asked
Draw neat, labelled diagrams wherever necessary
Approved data hand books are allowed subject to verification by the Invigilator

1) Illustrate why is retail banking often considered to be mass-market driven? K3(3)
How do Automated Teller Machines (ATMs) and online banking contribute to this mass-market approach?

2) What are the key challenges faced by traditional retail banks in implementing multi-channel strategies, and how are they addressing these challenges? Can you analyze the impact of these strategies on the distribution of sales and services among different channels? K4(4)

3) Determine how does the product development process differ between asset and liability products in retail banking? K3(6)

4) Explore the types of savings account and current account frauds in detail and analyze the common methods used by fraudsters to commit fraud, such as identity theft, phishing, and account takeover. Also evaluate the impact of these frauds on individuals, businesses, and banks, including financial losses and reputational damage. K6(6)

5) How do banks decide on the most suitable implementation model for their retail banking initiatives? Explain the factors that influence the choice between end-to-end outsourcing, predominant outsourcing, partial outsourcing, and in-house sourcing. K6(6)
Discuss the implications of regulatory prescriptions, product range, process requirements, technology preparedness, and delivery capabilities on the implementation model.

Provide examples of banks that have successfully implemented each model and the impact it has had on their retail banking operations.

6) Digital Banking Transformation at ABC Bank K4(8)
ABC Bank has embarked on a digital banking transformation journey to enhance its retail banking services. The bank has introduced several technology-driven initiatives, including mobile

banking apps, online account opening, and AI-powered chatbots. These initiatives aim to improve customer experience, increase operational efficiency, and drive digital adoption among customers.

Questions:

a) How has ABC Bank leveraged mobile banking apps to enhance customer experience in retail banking? What benefits has ABC Bank realized from introducing online account opening for its retail customers? (2 marks)

b) How are AI-powered chatbots helping ABC Bank improve customer service and engagement? What challenges might ABC Bank face in implementing these technology-driven initiatives, and how can they be addressed? (3 marks)

e) How can ABC Bank measure the success of its digital banking transformation efforts in terms of customer satisfaction and business outcomes? (3 marks)

7) A customer has experienced unauthorized transactions on his credit card. Illustrate how would you handle this situation to ensure customer satisfaction and protect the bank's interests? K3(9)

8) A customer is unhappy with the fees associated with their checking account and is considering switching banks. Illustrate how would you address the customer's concerns and retain their business? K3(9)

9) ABC Bank has a home loan customer, Mr. Sharma, who is facing financial difficulties due to a major illness in his family. His loan is at risk of default, and the bank is considering restructuring the loan to help him meet his obligations. Restructuring: Determine if Mr. Sharma's integrity and willingness to repay are intact, but his ability to repay is impaired due to unforeseen circumstances. Assess if Mr. Sharma's cash flows are sufficient to repay the loan over a longer period, even if the current EMI is unaffordable. Consider allowing Mr. Sharma to repay the overdue amount and interest charges over an extended period without changing the EMI. Evaluate if Mr. Sharma's situation falls under any other circumstances warranting a loan restructuring, such as a delayed housing project or a family emergency. Annual Review of Credit Rating: Review Mr. Sharma's credit rating annually. Consider factors like his repayment record, documentation compliance, security coverage, property value, income improvement, and liquidity. Use these parameters to assess Mr. Sharma's ability to meet his loan obligations and to determine if further restructuring or assistance is required. K5(10)

Questions:

a) How can ABC Bank ensure that loan restructuring is a sustainable solution for Mr. Sharma and does not lead to further financial distress? (5 marks)

b) Determine the measures that ABC Bank can take to proactively identify customers at risk of default and offer them restructuring options before the situation escalates? (5 marks)

10) Interchange fees for plastic cards: Globally, there are only a few major card scheme providers to which many banks are affiliated, MasterCard and Visa being key examples . One of the ways in which banks profit from issuing cards and 'acquiring' retailers or merchants who will accept these cards is the 'interchange fee'. The merchant's bank pays the fee to the cardholder's bank to compensate it for the risks and costs it incurs in processing the payment request. The merchant's bank recoups the cost by charging the merchant a fee based on the type and value of the transaction processed. Thus there are a handful of card schemes that have the opportunity to fix prices or to influence them heavily in a way that would subvert open competition. The implication of this is that charges to merchants – and thus prices for consumers – are being kept artificially high, and that MasterCard and Visa are competing unfairly. Competition authorities around the world look carefully at complaints and investigate any abuses of market position that they find. K4(12)

Questions:

a) How does the concentration of major card scheme providers, like MasterCard and Visa, impact competition in the payment card industry? What measures can be taken to promote a more competitive environment and protect consumers from artificially high fees? (4 marks)

b) How effective are competition authorities in monitoring and regulating interchange fees? What additional steps can be taken to ensure that fees are fair and transparent, and that consumers are not unduly burdened by high transaction costs? (4 marks)

c) How do interchange fees influence innovation and the development of new payment technologies in the industry? Are there potential barriers to entry for new players that could hinder competition and innovation? (4 marks)

11) Auto/Vehicle Loan at Velocity Bank K6(12)

Velocity Bank is a leading financial institution offering competitive auto/vehicle loan products. With the rise in demand for vehicle purchases, the bank is looking to optimize its loan approval process to ensure efficient service and customer satisfaction.

Case 1: The Smiths

Mr. Smith, a young professional, is looking to purchase a new car for his daily commute. He has a stable job and a good credit score. However, Mr. Smith is unsure about the loan amount he should apply for and the repayment terms that would suit his budget. How should Velocity Bank assess Mr. Smith's loan application and provide him with the best financing option for his new car? (5 marks)

Case 2: The Johnsons

The Johnson family is considering upgrading their family vehicle to accommodate their growing family. They have found a suitable vehicle and are looking for a loan to finance the purchase. However, the Johnsons have a mixed credit history, with some late payments on their credit report. How should Velocity Bank evaluate the Johnsons' loan application and mitigate the risks associated with their credit history? (5 marks)

Case 3: The Browns

The Brown family runs a small business and is looking to purchase a fleet of vehicles for their delivery services. They need a significant loan amount to finance the purchase but are concerned about the impact on their cash flow. How should Velocity Bank assess the Browns' loan application and offer them a financing solution that meets their business needs while minimizing financial risks? (5 marks)

12) Case Study: Public Sector Banks' Limitations in Issuing Look Out Circulars Background: In a recent legal development, the High Court ruled that public sector banks (PSBs) in India do not have the authority to issue Look Out Circulars (LOCs) against defaulters. This ruling has raised concerns about the ability of PSBs to recover loans from individuals who may attempt to leave the country to evade legal action. Case Details: Legal Precedent: The ruling was based on the interpretation of relevant laws, which specify that only law enforcement agencies such as the police and the Central Bureau of Investigation (CBI) have the authority to issue LOCs. PSBs, being financial institutions, do not fall under this category. Impact on Loan Recovery: This decision has significant implications for PSBs' efforts to recover loans from defaulters. Without the ability to issue LOCs, PSBs may find it challenging to prevent defaulters from leaving the country and to pursue legal action against them. Regulatory Oversight: The ruling highlights the need for clearer regulatory guidelines regarding PSBs' actions against defaulters. It raises questions about the coordination between financial institutions and law enforcement agencies in dealing with economic offenses. K5(15)

Questions:

a) How can PSBs enhance their collaboration with law enforcement agencies to prevent defaulters from fleeing the country, considering their limited authority in issuing LOCs? What strategies can PSBs employ to mitigate the risk of defaulters evading legal action? (5 marks)

b) What implications does this ruling have for the banking sector's approach to addressing non-performing assets (NPAs) and improving asset quality? How can PSBs adapt their loan recovery strategies in light of this limitation? (5 marks)

c) In the absence of the power to issue LOCs, what alternative measures can PSBs explore to ensure the effective recovery of loans from defaulters? How can regulatory authorities and policymakers support PSBs in this endeavor? (5 marks)