

Post Graduate Diploma in Management / PGDM (IB)
Term III -Term End Examination April 2015
Retail Banking and Financial Inclusion
Course Code: (DM 313 / IB 313)

Time allowed: 2.5 hours

Maximum marks : 50

Total 5 pages

Instructions:

Students are required to write **Roll No.** on each page of the Question Paper. Writing anything other than Roll No. will be treated as **Unfair Means**. In case of rough work, please use the answer sheet.

Section A :**15 marks****Attempt any 3 questions. Each question carries 5 marks . Word limit : around 150**

1. a) Describe the nature of banker- customer relationship in following situations:
- i. Ravi has a locker facility with the bank and has deposited Rs.10000 in fixed deposit to avail this locker facility.
 - ii. Pankaj has received a demand draft at Pune drawn on HDFC Bank, Pune in his name from his previous employer.

b) Describe the KYC norms prescribed by RBI for banker customer relationship. What are the 3 major objectives that are met by these norms?

2.5+2.5

2. Ravi's monthly gross salary is Rs.80,000 . He has to pay another EMI of Rs.5000 for auto loan for 5 years till March, 2016. Ravi is to retire in December 2035. At an interest rate of 11 percent p.a , the EMI of a Rs.1 lakh loan for a 10/15/20-year loan is Rs. 1378 / 1137 / 1032 respectively. Bank X considers minimum repayment capacity at 40% of gross income and insists on 80% LTV (Loan to Value ratio).

How much home loan repayment period bank will allow to Ravi. Calculate A's home loan eligibility for a flat costing Rs.30 lakh for that repayment period.

What is the role of CIBIL Score in deciding approval or rejection of a retail loan?

4+1

3. Describe the kind of security is available and kind of a charge a bank can create on security in following cases to recover loan amount in case of default:-
- a. Cash credit against Electronic goods at showroom run and owned by the borrowing firm,
 - b. Loan for purchase of flat by the borrower.
 - c. The loan given against LIC policy in name of borrower.
 - d. The loan against fixed deposit in name of the borrower himself.
 - e. Purchase of Demand Documentary bill (DP Bill).

1x5

4. a) Define a banker and a customer as per banking law. Elaborate on banker's two main obligations towards a customer?

b) RBI reduced repo rate in quick succession to the tune of 0.5% during last month. What are its implications for retail banking? What are the possibilities of further reduction or enhancement in repo rate in coming 6 months and why?

2.5+2.5

5. a) In account of A and B, operated by Former or survivor , you receive instructions from B to revoke the authority of A to operate the account. A issues a cheque next day. Will you pay the cheque issued by A ?
- b) A customer has three fixed deposits of Rs.5000. Rs.10,000 and Rs.8,000 due on 03.10.15, 05.04.16, and 01.06.17, respectively. On 03.10.15, the due date for FDR for Rs.5000 customer wants to get cash payment of this deposit only. Will bank pay cash?

2.5+2.5

Section B :**20 marks****Attempt any 2 questions. Each question carries 10 marks. Word limit: around 300**

1. Write only one major point of difference between the following pairs of terms:

- i. Credit Card & Charge Card
- ii. TAD and MAD
- iii. De-dupe and Negative Area
- iv. Balance transfer home loan and Refinance home loan
- v. Home Purchase Loan and Loan Against Property (LAP)
- vi. Co-branded card and Proprietary card
- vii. Mortgage and Reverse mortgage
- viii. Fixed deposit Receipt and Certificate of deposit issued by a bank
- ix. Credit worthiness and Credit appraisal
- x. Bank rate and Base rate

1x10

2. a) Describe the factors that influence the pricing of a bank product ?
- b) Give two examples each for Overt and Covert pricing.
- c) Briefly describe the various distribution channels for bank products and services and advantage of each.
- d) Why there should be need for a branch net work in a metro city when one can have internet banking, phone banking, mobile banking, DD and FDR delivery, cash /cheque collection from home/office like facilities all available simultaneously ?

2.5 x4

- 3 a) What is Financial Inclusion and its importance? What are the financial services intended to be provided for citizens under Pradhan Mantri Jan Dhan Yojna -2015 as an anchor scheme for financial inclusion in India?
- b) How MFIs are engaged in Financial Inclusion?
- c) Define Priority sector loan components as targets from RBI for banks?
- d) Briefly describe the types of loans given by banks in rural areas.

2.5 x 4

Section C :**15 marks****Compulsory case Word limit : around 500****Retail Asset products of a foreign Bank**

HSBC is one of the largest banking and financial services organizations in the world. The first ever ATM in India was established by HSBC way back in 1987. HSBC's

governing objective is to provide a satisfactory return on shareholders' capital. HSBC does this by having a talented and motivated staff and competitive services and products.

RETAIL ASSET PRODUCTS

CLASSIC CREDIT CARD

The classic credit card from HSBC offers much more than just credit facilities. It is designed to maximize the value of the customer's hard earned money through a combination of money saving features and value-added benefits as given below.

0%. Balance Transfer from Other Credit Cards for the first 3 months:

0% Fuel Surcharge

Instant Loan on Phone at Low Interest Rates

The customer can take the holiday of his dreams, buy jewellery, a new TV, or a computer- HSBC makes all this so easy through the exciting new 'Loan on Phone' feature on his HSBC credit card. All a customer needs to do is the following:

- Make a purchase of a minimum of Rs 10,000 on a HSBC credit card.
- Call HSBC within 15 days of making the purchase to convert it into to a loan. Equated monthly installments (EMIs) are calculated at an interest rate of only 1.5 per cent per month (as against 2.95 per cent per month on revolver credit).
- Choose between loan tenor options of 6 and 12 months.
- EMIs will be charged to his credit card account, to make repayment convenient for him.

Credit Shield Extension

HSBC has structured a special life insurance cover for Classic credit cardholders for Rs 20,000 in association with Tata AIG Insurance Company Ltd for non-accidental death. This insurance cover is utilized, to first offset any balance remaining on the customer's HSBC card in the event of non-accidental death, with any part of the cover remaining after that going to the cardholder's nominee. The service comes at a nominal premium of Rs 10 per month along with a processing fee of Rs 10 per month.

Free Credit

Up to 48 days, without any finance charge being levied.

GOLD CARD

The Gold credit card from HSBC is globally recognized as a symbol of success and achievement. The holder is eligible for all the facilities offered to classic card holders such as 0 per cent balance transfer from other credit cards 0 per cent fuel surcharge.

LOANS

HOME LOANS-SMART HOME

With the Smart Home product, the customer gets a bank account. The customer then needs to put his usual savings, from other accounts, into the Smart Home account. Depending on the savings put into the Smart Home account, the customer can reduce the quantum of interest paid by up to 50 per cent. That's because the principal on which loan interest is calculated, is the principal outstanding minus the savings deposited in the Smart Home account every month, over and above the EMI. The key benefits are as follows:

- Reduction of the tenor of loan to own the house quicker.
- Flexibility to use the Smart Home account as the main account where full access to the account is given through cheque book, debit card and Internet banking.

The Smart Home account is categorized as a PowerVantage relationship. The interest will be calculated on this debit balance in the account on a daily basis, i.e., if the customer pays an excess amount over the EMI, the excess amount will remain available for use in the Smart Home account but helps save the amount of interest cost. Loans can be repaid by depositing at least the EMI amount into the Smart Home account every month.

LOAN AGAINST PROPERTY

In this scheme, the loan tenor ranges from 1 to 10 years. The customer can opt for floating interest rates and the residential property would be the collateral.

Other features are:

- Loan transfer-there is an option to transfer an existing loan against residential property from another bank.
- Banking benefits-loan against property account will be categorised as a PowerVantage relationship.

PERSONAL LOAN

Features of the personal loan facility are:

- A flexible loan tenor of up to 4 years.
- Loans available from a minimum of Rs 50,000 up to a maximum of Rs 6,00,000.
- Easy monthly repayment through EMIs with either post-dated cheques or direct debit to the bank account.
- Flexibility of choosing the EMI dates.
- Transfer of an existing personal loan from another bank to HSBC, at attractive interest rates.
- Existing HSBC customers are entitled to special relationship discounts on processing fees.
- No collateral / guarantor required.
- Hassle free loan based on 12 months credit card / retail loan track record.
- Special schemes for Corporate Salary Account holders.

EDUCATIONAL LOANS

HSBC offers comprehensive educational loans that go beyond just providing the fee. A funding ranges from Rs 50,000 to Rs 25,00,000 to support education in India or abroad. There is flexibility to opt for loans up to 4 years for unsecured loans and 7 years for secured loans. HSBC offers competitive interest rates on education loans with a choice between fixed and a floating rate.

FLEXI FINANCE

This flexible overdraft facility lets the customer draw money against assets such as balance sheets, salary slips, fixed deposits, shares and cars. Interest is paid only on

what is withdrawn and for the period of withdrawal of funds. Flexi Finance is offered as a floating interest rate product, to give the benefit of changing base rates.

Required:

1. Make a comparative table for **Three (3)** of the above retail asset products taking only **Three (3)** most important features of each of the 3 products of HSBC with those similar products of any one other existing Indian bank of your choice. Also write the target segment intended for each product of both banks as indicated in the table below.

HSBC Bank				Another Bank (_____)			
Sr.	Name of product	3 Most important features	Target segment	Sr.	Name of product	3 Most important features	Target segment
1		1		1		1	
		2				2	
		3				3	
2-3				2-3			

2. From the entire product portfolios of both the banks, which bank shows the innovativeness in its products? Justify your answer with examples from case material.
3. Which one of the two banks has more customized product portfolio? Does the customization of products give competitive edge to a bank? Give some affirmative examples?

5+5+5