Roll No…………

GL BAJAJ
Institute of Management & Research, PGDM Institute
Greater Noida
FIND YOUR SPARK

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POST GRADUATE DIPLOMA IN MANAGEMENT (2022-24)
END TERM EXAMINATION (TERM -V)

Subject Name: **Commercial Bank Management** Time: **02.00 hrs**
Sub. Code: **PGF52** Max Marks: **40**

Note:
All questions are compulsory. Section A carries 5 marks: 5 questions of 1 marks each, Section B carries 21 marks having 3 questions (with internal choice question in each) of 7 marks each and Section C carries 14 marks one Case Study having 2 questions of 7 marks each.

SECTION - A

Attempt all questions. All questions are compulsory. **1×5 = 5 Marks**

Questions	CO	Bloom's Level
Q. 1: (A). Outline the term DICGC.	CO1	L2
Q. 1: (B). What is principle of Doubling.	CO1	L1
Q. 1: (C). Interpret the term ALM	CO1	L2
Q. 1: (D). Summarize the term Sub Standard Assets	CO1	L2
Q. 1: (E). What is Current MCLR as per RBI credit policy review on 23rd November 2023	CO1	L1

SECTION – B

All questions are compulsory (Each question have an internal choice. Attempt any one (either A or B) from the internal choice) **7 x 3 = 21 Marks**

Questions	CO	Bloom's Level
Q. 2: (A). Identify the "4 Cs "framework of Credit Analysis.	CO2	L3
Or		
Q. 2: (B). Inference the importance of net interest margin, the loan-to-assets ratio, and the return-on-assets (ROA) ratio to analyze retail banks.	CO2	L4
(internal choices with two questions corresponding to the same CO)		
Q. 3: (A). Analyze risk based pricing for loan to different borrowers with suitable example.	CO3	L4
Or		
Q. 3: (B). Examine the key components of customer profitability analysis.	CO3	L4
(internal choices with two questions corresponding to the same CO)		
Q. 4: (A). Identify the factors contributing to boost credit score	CO3	L3
Or		
Q. 4: (B). **"**Banks are subjects to many kind of risk**"**. Inspect the same in context	CO3	L4

of PMC and Yes Bank.		

<u>SECTION - C</u>

Read the case and answer the questions **7×02 = 14 Marks**

Questions	**CO**	**Bloom's Level**
Q. 5: Case Study: The Rise and Fall of Global Trust Bank "GTB had been sliding for several months now. Perhaps enough vigilance was not maintained in the past. **" – P Chidambaram, Union Finance Minister of India** "I would have loved to see Global Trust Bank remain as an independent entity, but in the best interests of depositors and employees this is the best decision." – **Ramesh Gelli, Founder Promoter,** Global Trust Bank (GTB) "It is a big relief that GTB is to be merged with Oriental Bank of Commerce. I have decided never to park any money with a private sector entity." – **A Depositor of GTB** The case describes the growth and collapse of Global Trust Bank, a leading private sector bank in India. Since 2001, GTB's name was associated with scams and controversies, thereby casting shadows over the credibility of the bank and its management. Due to the overexposure to capital markets and huge NPAs, the bank was in a financial mess. When GTB tried to cover up its monumental NPAs through under provisioning, RBI - the Central bank and the regulatory authority for banks in India, appointed an independent team to review the finances of the bank. The review revealed various financial discrepancies kept covered by the bank. RBI imposed a three-month moratorium on GTB on the ground of "wrong financial disclosures" and within two days the bank was merged with Oriental Bank of Commerce (OBC), a public sector bank. With the merger becoming effective, GTB's identity came to an end and it became a part of OBC. The Moratorium On July 24, 2004, the Government of India imposed a moratorium on Global Trust Bank (GTB), a leading private sector bank, on the grounds of 'wrong financial disclosures.' The moratorium was for three months from close of business on July 24, 2004 till October 23, 2004. Earlier, the Reserve Bank of India (RBI) had announced that GTB's net worth had turned negative as it had incurred huge losses and accumulated a significant number of Non-Performing Assets (NPAs). RBI stated that the numbers reported in GTB's balance sheet did not match its audited figures. Moreover, GTB failed to provide satisfactory explanations to most of RBI's queries regarding its capital market exposures and why prudent lending norms were not observed in disbursing huge amounts for investments in the stock market. RBI said the moratorium was imposed in public interest and to protect the interests of depositors. All operations of GTB were frozen and it was ordered not to give loans without RBI permission. It was allowed only to make payments for day-to-day. operations or for meeting obligations entered into before the order. Background Note The liberalization process initiated by the Government of India, during the early 1990s witnessed the entry of several private players in the Indian banking sector. GTB was one of	CO4	L6

the earliest private sector banks to be incorporated on October 30, 1994, in Hyderabad. GTB was promoted by Jayant Madhab (Madhab), Ramesh Gelli (Gelli) and Sridhar Subasri (Subasri). Madhab, a development banker, was employed with the Asian Development Bank, Manila. Gelli who was Chairman of Vysya Bank for 10 years had played a major role in transforming that bank into one of India's top private sector banks. Subasri was a former bank executive and a close friend of Gelli. Though the licence to GTB was given in the name of Jayant Madhab and Associates, Madhab's involvement with GTB was affected by the loss of his only son. The bank's operations were managed by Gelli. Apart from the three promoters, the International Finance Corporation (IFC) and the Asian Development Bank (ADB) were the bank's major shareholders. GTB offered an array of products and services in retail, wholesale, corporate, treasury and investment banking and products for non-resident Indians, apart from depository and advisory services. The bank specialized in lending to the software, energy, telecom, textiles, pharmaceuticals and gems and Jewellery sectors. Since its inception, GTB had been in the news several times. The three promoters raised 400 Mn, considered a substantial amount for individual promoters. With two international financial institutions – IFC and ADB - as shareholders, GTB became the first Indian private sector bank to attract equity participation from international investment banks.

The Initial Public Offer (IPO) in late 1994 was oversubscribed 60 times. Subscription worth Notes ` 62.40 Bn from over one Mn investors was received as against the original size of ` 1.04 bn. On opening day, the bank reportedly received deposits worth ` one Bn, which increased to ` 10 bn by the end of the first year; and ` 27.06 Bn in three years. In three years of operations, the total business exceeded ` 43.02 Bn, making it one of the fastest growing banks in India. It was also the first among Indian banks to raise Tier II capital from multilateral institutions. In five years, GTB's deposits were worth ` 40 Bn out of which 70 per cent were from retail investors. The Fall The collapse of GTB resulted from many mistakes committed by the bank's management. GTB's problems started in 2000 and the imposition of the moratorium finally ended its independent existence. RBI's probe into GTB's accounts revealed a significant erosion of the bank's net worth and huge number of NPAs reflected its weak financials. Moreover, GTB's attempts to strengthen its capital base through investments from overseas failed due to regulatory problems, resulting in the total collapse of the bank. Nexus With Ketan Parekh In mid-2000, GTB disbursed loans of ` 1.4 Bn to Ketan Parekh (KP), a leading stockbroker at the Bombay Stock Exchange (BSE). He used the money to purchase GTB shares from the BSE and the National Stock Exchange (NSE). The Merger All these factors resulted in the imposition of moratorium by RBI on GTB. On July 26, 2004, RBI announced that GTB would be merged with the Oriental Bank of Commerce (OBC). As per the scheme, OBC took over all the assets and liabilities of GTB on its books. It acquired all 104 branches of GTB, 275 ATMs, a workforce of 1400 employees and one million customers at an estimated merger cost of ` 8 bn. OBC's total business volume was expected to reach ` 65 bn and the total branch network to cross 1,100. All corporate accounts including salary accounts were transferred to OBC. The entire amount of paid-up equity capital of GTB was adjusted towards its liabilities. There was no share swap between GTB and OBC, which meant that GTB shareholders were the ultimate losers, as they did not get any shares of OBC. Moreover, OBC enjoyed a huge tax break by acquiring GTB's NPAs worth ` 1.2 bn and impaired assets of ` 3 bn. The Aftermath Though RBI's decision to merge GTB with OBC came as a relief for the former's depositors, analysts and industry experts raised concerns about the way RBI handled the entire issue. They said RBI had announced the merger of GTB and OBC, in less than 48 hours of the imposition of the moratorium. If

the deal was already in process, they wondered why RBI took the extreme measure of imposing a moratorium instead of announcing the mandatory merger straight away. This step would have prevented panic and anxiety among GTB's depositors. Analysts also wondered why RBI rejected the proposal of equity injection from New Bridge, which would have solved the recapitalization problem of GTB easily and could have prevented the bank's eventual collapse. They wondered why RBI favored the merger with OBC and did not try for competitive bidding to acquire GTB. Moreover, though the interests of GTB's depositors were protected, its shareholders lost their total investments in the bank overnight. **Questions:** **Q. 5: (A)** Appraise the importance of proper supervision and control systems in a bank to mitigate risks. **Q. 5: (B).** Determine how overexposure to capital markets can lead to huge NPAs for a bank? (Entire Sec C to be assigned one CO. Both questions corresponding to the same CO)		

Kindly fill the total marks allocated to each CO's in the table below:

Cos	Marks Allocated
CO1	5 Marks (Example)
CO2	
CO3	
CO4	
CO5	

(Please ensure the conformity of the CO wise marks allocation as per your TLEP.)

Blooms Taxonomy Levels given below for your ready reference:

L1= Remembering
L2= Understanding
L3= Apply
L4= Analyze
L5= Evaluate
L6= Create