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St. Claret College

Autonomous, Bengaluru

ROLL NO:
DATE:

PG END SEMESTER EXAMINATION-JUNE/JULY 2026

M.COM: II SEMESTER

MCO 2124: MODERN INDIAN BANKING

TIME: 3 hours **MAX. MARKS: 70**

This paper contains TWO printed pages and FOUR parts

Instructions:
1. Verify and ensure that the question paper is completely printed.
2. Any discrepancies or questions about the exam paper must be reported to the COE within 1 hour after the examination.
3. Students must check the course title and course code before answering the questions.

PART-A

Answer EIGHT questions out of TEN. Each answer carries TWO marks. **[8x2 = 16]**

1. What are Small Finance Banks? Give two examples.
2. State any two features of Payment Banks.
3. Define LAF.
4. Mention any 2 qualitative methods of monetary policy.
5. What is meant by Siphoning Off Funds?
6. How do the CIBIL scores impact the Credit Risk and NPA?
7. What is the Capital Adequacy Ratio?
8. State the objective of the Basel Committee on Banking Supervision.
9. Define Asset Liability Management.
10. What is cyber fraud in banking?

PART-B

Answer any FOUR questions out of SIX. Each answer carries FIVE marks. **[4x5=20]**

11. Examine the role of Cooperative Banks in promoting financial inclusion in India.
12. Discuss the evolution of the Indian Banking System through various phases of development.
13. Which monetary policy tools can the RBI use to control the situation? Explain with examples.
14. Elucidate the IRAC norms regarding asset classification and provisioning.
15. Analyze the role of ALM in maintaining liquidity and profitability in banks.
16. How can e-frauds affect customer confidence in banking institutions?

PART-C

Answer any TWO questions out of THREE. Each answer carries TEN marks. [2X10=20]

17. Critically evaluate the role of VAR analysis, stress testing, and back-testing in risk management.
18. "Prevention is better than recovery in NPA management." Analyze the statement using suitable strategies to reduce NPAs in Nationalized Banks.
19. Examine how Basel norms can strengthen the resilience of the banking sector.

PART-D

Answer the following. Answer carries Fourteen Marks. [1X14=14]

20. In the early 2000s, banks and financial institutions in the United States aggressively expanded housing loans, including loans to borrowers with weak credit histories (subprime borrowers). These loans were bundled into complex financial instruments such as Mortgage-Backed Securities (MBS) and sold to investors worldwide. Since housing prices were continuously increasing, banks assumed that the risk of default was low. However, by 2007, housing prices began to decline, and many borrowers failed to repay their loans. As defaults increased, the value of mortgage-backed securities collapsed. Major financial institutions suffered significant losses, triggering a severe liquidity crisis. In September 2008, Lehman Brothers, one of the largest investment banks in the United States, declared bankruptcy. Financial markets worldwide experienced panic, stock markets declined sharply, and credit availability became severely restricted. The crisis exposed weaknesses in risk management practices, excessive leverage, inadequate capital reserves, and poor regulatory oversight. In response, governments and central banks introduced rescue packages, liquidity support measures, and stricter banking regulations. The Basel III framework was subsequently introduced to strengthen capital adequacy, liquidity management, and risk governance in banks. Although Indian banks were relatively insulated due to conservative banking practices and RBI regulations, the crisis highlighted the importance of effective risk management and regulatory compliance in the banking sector.

a) Identify and explain any five major causes of the 2008 Global Financial Crisis. (7 Marks)

b) As a Risk Manager of a commercial bank, suggest measures that could have been adopted to reduce the severity of the crisis. (7 Marks)

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