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Register Number:

DATE:

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**BBA/BBASF – VI SEMESTER**

**SEMESTER EXAMINATION: APRIL 2022**

**Examination conducted in July 2022**

BBA DEB 6519 - Risk Management for Banks & Insurance Companies

Time- 2 ½ hrs. Max Marks-70

**This paper contains \_\_\_\_\_ printed pages and four parts**

**Section A**

**I.** Answer ***any five*** of the following. (**5x2 = 10 Marks)**

1. What is Risk Management?
2. What is Hazard?
3. What is Reverse Repo?
4. What is Unsystematic Risk?
5. Give the meaning of Hedging.
6. What is Risk Pooling in insurance?

**Section B**

**II.** Answer ***any three*** of the following. (**3x5 = 15 Marks)**

1. Differentiate between Marginal Cost of Funds Based Lending Rate and Base Rate.
2. Write a short note on functions of Banking Ombudsman.
3. Give an outline on diversification strategy for risk management in banks.
4. Illustrate Principle of Indemnity and Principle of Proximate Cause with an example.

**Section C**

**III.** Answer ***any two*** of the following (**2x15 = 30 Marks)**

1. Discuss the types of risks in bank and its management techniques.
2. A) Explain the Basel Accords. (*10 marks)*

B)Analysis the impact of Basel norms in risk management in Indian Banking. (*5 marks)*

1. Elaborate the Principles of Fire Insurance and explain the measures for fire prevention.

**Section D**

**IV. Answer the following (1x15=15 Marks)**

14. For many years, it is witnessed that massive political and financial scams/frauds in the country involving multi-million-dollar sums of money. It is noted that India’s total fraud loans in 2020-21 alone amount to Rs 1.37 lakh crore, accounting for 99 per cent of all bank frauds.

According to the Reserve Bank of India (RBI) data acquired under the Right to Information (RTI) Act, banks operating in India accounted for fraud of Rs 4.92 trillion as of March 31, 2021, accounting for over 4.5 per cent of total bank credit.

The public sector banks have borne the worst of the scams by far. According to the figures for 2019-21, public sector banks are responsible for Rs 2.94 lakh crore in frauds, while private sector banks are responsible for Rs 86,355 crore. Even though the number of frauds in the private sector was more (3,710) than in the public sector in 2020-21, (2,903).

The public sector banks are linked to a higher level of fraud due to their increasing corporate exposure to high-risk sectors of the economy, which the government has purposefully promoted to assist its “corporate champions. “The “ease of business” pressures of India’s market fundamentalist-driven system has aided the process of large-scale, long-term lending of public money through commercial banks. Ordinary citizens’ hard-earned resources were released for speculative, dangerous, and occasionally fraudulent businesses.

Rather than squandering public funds by continuously writing off large corporate bad loans, India has to improve loan recovery processes, strengthen regulatory and lending regulations, perform frequent audits, and separate long-term infrastructure funding to private firms from commercial banks

The NPAs of India’s commercial banks totalled Rs 8.35 lakh crore in March 2021. The loans that stayed unpaid by larger corporate borrowers, largely from public sector banks, accounted for around 77.9% of the total. The unrestricted private-sector investments in risky large-scale projects have worsened these nonperforming assets. Is it defective lending policy that has contributed to the rise in fraud loans and non-performing assets (NPAs) over time? With so much money being transacted in frauds, one can’t help but question if India would still be a developing economy if the money had been spent on what it was intended for.

Questions:

1. In light of above case elucidate the role of risk management in commercial bank. (5 marks)
2. Suggest fund management strategy and risk compliance mechanism for banks with reference to NPA. (5 marks)
3. Is privatization of banks being solution for NPA? Give your opinion. (5 marks)