

TRIBHUVAN UNIVERSITY
FACULTY OF MANAGEMENT
SARSWATI MULTIPLE CAMPUS, KATHMANDU
Full Marks: 100 Pass Marks: 50 Marks Time: 3 Hours
BBA/Seventh Semester/BNK 206: Commercial Bank Management

Candidates are required to answer all the questions in their own words as far as practicable

Brief answer questions:

Group - A

(10 × 2 = 20)

1. What are the functions performed by commercial banks?
2. What is firm specific credit risk and how does it differ with systematic credit risk?
3. What is deposit insurance?
4. How the loans are classified and what provision is required for the loan losses?
5. What is Cash Management?
6. What are the different kind of agency related service provided by banks to its customers?
7. What is trade financing?
8. What is Vostro and Nostro Account?
9. What will be the Return on Equity (ROE) if the banks net profit is NPR. 200 million and total equity capital is NPR. 1500 Million.
10. What is the difference between mobile banking and internet banking?

Short answer questions (Attempt any Six)

Group B

(6 × 5 = 30)

What is know Your Customer (KYC), what are its component and why it is important to the Banks?

1. What is clearing System? What are the different electronic clearing system service in Nepal?
2. What is Foreign Exchange Dealers Association of Nepal? What are the different roles of FEDAN?
3. What is Assets Liability-management? What are the roles and responsibilities of Assets Liability Management Committee?
4. What are the functions of front office, mid office and back office in treasury department?
5. What are the major performance indicators of commercial bank in Nepal?
6. What are the Opportunities and Threats of Financial Technology (Fin Tech) sector in Nepal?

Comprehensive answer questions (Attempt any Three) Group C ($10 \times 3 = 30$)

1. What is commercial bank management? Provide an overview of the historical development of commercial bank in Nepal.
2. Risk is an event that may negatively affect the financial health of an organization. In light with the above statement, explain the different kind of risk faced by Banks and Financial Institutions in Nepal.
3. What is bank credit? Explain the entire process involves in the bank credit.
4. What is letter of Credit? Explain the entire procedure of opening letter of credit with pictorial representation.

Group D

Case Study: Read the following case carefully and answer the following questions (4 × 5 = 20)

Nepal's banking sector is currently facing a notable excess liquidity—banks have far more deposits than they can lend. As on Ashad end 2082, The total deposit at the banking sector was NPR. 72 Kharba and 92 Arba whereas the total loan amounts NPR. 56 Kharba. This accounts for the CD ratio to remain at 75.78% where the allowable CD ratio threshold for the Banks and Financial institutions to be 90%. The Gap of Nearly 14.22% of CD ratio reflects there is around NPR.7-8 Kharba excess liquidity in the Banking sector of Nepal currently.

For the Month of Shrawan 2082, most of the Bank and Financial Institutions have decreased their interest rate on deposit, which is the reflection of high liquidity in the banking. At the same time, NRB has absorb the deposit from BFIS repeatedly to minimize the impact of increasing liquidity. The decreasing interest rate in deposit has decreased the cost of fund, base rate and lending rate of the Bank as a result Banks have been offering loan at 8-9%.

Despite the lower rates, people and businesses have not been borrowing much because the economy is sluggish and many businesses are cautious. This means banks still cannot lend the money—they are just keeping it parked or handing it over to the central bank at low rates. The reason behind the increase in the liquidity in the banking sector is attributed to the factors like slow credit demand, booming remittance inflow, low confidence from the investors and entrepreneurs in the market, tight lending regulations, delays in government spending and some policy constraints.

The increasing liquidity and declining credit growth has the several impact in the business and economy. From the banking perspective, increasing liquidity and lower credit growth leads to decrease their profitability. From the economic perspective, it slower down the overall economic activity. Specifically, lower credit growth lowers the private sector investment that leads to decline in demand, production, distribution, supply, employment, income generation and similar other facets. Similarly, it reduces effectiveness of monetary policy and overall, this situation leads to lower economic growth.

Therefore, we need to diagnose the root cause for the increase in liquidity and slow credit growth in the economy. Government need to accelerate the capital expenditure, focus on start ups and SME friendly lending products, strengthen credit demand by improving business environment. Overall, the government and BFIS need some policy level decision to boost the public confidence among the investors and entrepreneurs in the market to boost the overall economic activity.

- A. What are the different kind of credit facilities provided by the commercial Banks? Explain.
- B. What is excess liquidity in banking and what is the reason behind facing excess liquidity by Banks?
- C. How the problem of excess liquidity and slow credit growth can be managed in the Banking sector?
- D. What is the impact of excess liquidity and slow credit growth in the overall economy?

Best of Luck