

more cash into the economy. The simple supply and demand economic projection occur and currency will devalue. When the opposite occurs, and the economy is growing, the central bank will use various methods to keep that growth steady and in-line with other economic factors such as wages and prices. Whatever the central bank does or in fact don't do, will affect the currency of that country. Sometimes, it is within the central bank's interest to purposefully affect the value of a currency. For example, if the economy is heavily reliant on exports and their currency value becomes too high, importers of that country's commodities will seek cheaper supply; hence directly affecting the economy.

(i) Evaluate the tools used by the central bank to control the flow of money in domestic economy.

(ii) Evaluate the dear money policy of central bank, which is used to keep the growth steady and in-line with other economic factors done.

MBA-303(F2)

280

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Roll No.

MBA-303(F2)

M. B. A. (THIRD SEMESTER)

MID SEMESTER

EXAMINATION, Jan., 2023

**MANAGING BANKS AND FINANCIAL
INSTITUTIONS**

Time : 1½ Hours

Maximum Marks : 50

Note : (i) This question paper contains two sections—A and B.

(ii) Both Sections are compulsory.

(iii) Answer any *two* sub-questions among (a), (b) and (c) in each main question of Section A. Each question carries 10 marks.

(iv) Section B consisting of case study is compulsory. Section B is of 20 marks.

Section—A

1. (a) Describe any *five* differences between Current Account and Savings Bank Account. (CO1, CO2)

P. T. O.

(2) MBA-303(F2)

- (b) Discuss the recent technological developments in Banking sector.

(CO1, CO2)

- (c) Examine the interest rate risk management and credit risk management by banks.

(CO1, CO2)

2. (a) Explain the Statutory Liquidity Ratio different from the Cash Reserve Ratio. Discuss few more quantitative measures of credit control used by RBI. (CO3)

- (b) Illustrate the credit creation process of commercial banks with the help of a numerical example. (CO3)

- (c) Compare and contrast co-operative banks with commercial banks. (CO3)

3. (a) If a bank has initial deposit of 500 million and the CRR is 20%. Calculate the total credit creation done by the bank. (CO4)

- (b) Some economists suspect that one of the reasons that economies in developing countries grow so slowly is that they do not have well-developed financial system and markets. Does this argument make sense ? Evaluate. (CO4)

(3) MBA-303(F2)

- (c) Can you think of any financial innovation in the past ten years in banking sector that has affected you personally ? Has it made you better off or worse off ? Why ? (CO3)

Section—B

4. Case Study : 20 Marks

Read the following case study paragraph carefully and answer the questions based on the same :

The central bank of India (Reserve Bank of India) is the apex institution that controls the entire financial market. Its one of the major functions is to maintain the reserve of foreign exchange. Also, it intervenes in the foreign exchange market to stabilize the excessive fluctuations in the foreign exchange rate. In other words, it is the central bank's job to control a country's economy through monetary policy. If the economy is moving slowly or going backward, there are steps that central bank can take to boost the economy. These steps, whether they are asset purchases or printing more money, all involve injecting

P. T. O.