**Commercial Banking System and Role of RBI**

**December 2021 Examination**

# Question No 1. Indian Banking has witnessed major changes starting from nationalization in 1969 of 14 private sector banks again to privatization of banks in 1990s. Year 2014 resulted in setting of small Payment Banks in different nooks & corners of the country to a diametrically opposite step of mergers and consolidation of many weak public sector banks with a few large banks in 2018/19. What has been the economic & financial compulsions/reasons for such changes in five decades? (10 Marks)

## Ans 1.

## Introduction

When banks are owned privately, their significant authorities have less control and are less concerned with the normal operations of those banks. It is conceivable that the federal government may delegate to nonpublic company investors its controlling request within the PSB.

In order to increase and enhance competition, public spending, infrastructure spending, and enhancing excellent and volume of output, governments approach privatization to eliminate their burdens through inefficiencies of resources, overuse and redundant work possibilities, financial

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**Q2. Independence of RBI has been a major subject of debate in India of late. A few Governors resigned on this issue, as there was too much interference from the government in deciding the policies of RBI. Do you agree/disagree on the question of RBI deciding its own course of action while formulating macroeconomic policy of country or should it listen to its political masters? (10 Marks)**

# Ans 2.

# Introduction

In comparison to all of the other central primary banks around the world, the Reserve Bank of India has outperformed them all. This party controlled the supply of economic products, the stability of economic markets, the rate of economic growth, and the consequent economic equilibrium. Through all financial crises and crises,, both local and global, the chairman and his staff were able to effectively serve the interests of the country.

# Question No 3. on-Performing Assets (NPAs) in the Indian Banking sector has become the subject of much discussion and scrutiny. Bank’s lending capacity has been severely eroded by mounting NPAs, net worth of many banks have declined and a number of banks have reported huge losses. In recent year’s plethora of rules and regulations have come from RBI, Government, IMF, BASEL recommendations, etc to keep a tab on stressed assets and timely resolution.

# In light of above statements:

# a. Write the major reasons for increase on NPAs since last 10 years (5 Marks)

# b. According to you what would be the mitigating factors/solutions for NPA management. (5 Marks)

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## Ans 3.

## Introduction

The nonperforming asset category consists of debts that have either defaulted or are behind on the precepts or interest charges scheduled by a banking organization. Bank assets that do not feature, that is, do not generate profits, are known as nonperforming assets (NPAs) or risky debt.

**Ans 3B.**

**Ways to Reduce NPAs**

It is past time for financial institutions to take reasonable-sized measures to rein inside the inexorable increase inside the wide variety of non-appearing assets (NPAs). Until stringent standards to decrease non-acting property (NPA) are put in the area, they might hold to build up