**Commercial Banking System & Role of RBI**

**December 2022 Examination**

**Q1. There is an ongoing debate whether Central Bank (RBI) should be independent of the Central Government dictates/control or it should be under the control of Central Government. What is your view on the same; supplement your answer with reasoning/logic with instances in the past in context of India.** **(10 Marks)**

**Ans 1.**

**Introduction**:

RBI (Reserve Bank of India) is India's largest bank, regulating the entire banking system. It has the authority to make decisions on issues connected to the banking system in India. It was established under RBI Act, 1934. When we speak about the independence of any institution or regulative body, Montesquieu's ideas of Separation of Power turn up in our minds. Separation of power ensures efficient performance of the essential body organs of the government as no individual organization can amass political syndicates and abuse It is only half solved

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**Q2. The survival of brick and mortar banking today is a major challenge today from host of its competitors that includes NBFCs, Fintech, Shadow banking and latest Neo Banking. Technology which at one time was savior of banks in early 1990s now seems to gobble up the banks. What do you think is the future of traditional banks and will they survive the onslaught of Neo Banks. Focus your answer in perspective of Indian conditions. (10 Marks)**

**Ans 2.**

**Introduction:**

When we gained independence in the year 1947, the Indian Economy was a socialist kind of Economy. Pt. Jawahar Lal Nehru assumed that India had already and just recently dealt with the era of colonialism for over 200 years. The Britishers, nonetheless, get this chance to conquer us from the profession. Trading was of the significant elements when it concerned reasons leading to Indian Colonization. Nehru thought India should initially create its economy and let the other investors trade with us. That's why he determined to maintain India

**Q3. Stressed Assets or Non-Performing Assets (NPAs) in the cancer of Banking sector and the subject of much discussion and scrutiny. Today banks are burdened with high NPAs and decreasing profitability. The banks capacity to lend has been severely affected by mounting NPAs, net worth of many banks have eroded and a number of banks have reported huge losses. Though many remedial steps have been taken to check this malady but solution seems to ebb out/fade away. In light of above statements:**

**a. Explain the reasons for increasing NPAs since last decade (5 Marks)**

**Ans 3a.**

**Introduction:**

Non-performing assets, widely known as NPAs, are several assets (advances or loans) in default or arrear. When we discuss any type of loan as a non-performing asset, we usually describe those loans where the buyer does not pay off the loan, and the lenders think about the loan agreement being damaged. Boosting Non-Carrying Out Assets is a significant

**b. How to manage or mitigate NPAs effectively** **(5 Marks)**

**Ans 3b.**

**Introduction:**

**Non-performing assets, popularly called NPAs, are some of the assets (breakthroughs or loans) in default or arrear. Popularly when we talk about any loan being a non-performing asset, we usually refer to those loans where the buyer does not settle the loan, and the lenders think that the loan agreement is damaged. Boosting Non-Doing Assets is a severe problem**