**Commercial Banking System & Role of RBI**

**June 2023 Examination**

**1. Banking has changed radically over a period of 50 years starting from nationalization in 1969 of 14 private sector banks to privatization of banks in 1990s. Year 2014 resulted in setting of small Payments Banks in different parts of the country to a diametrically opposite step of mergers and consolidation of many weak public sector banks with a few large PSU banks in 2018/19. What has been the economic and financial compulsions/reasons for such changes in five decades? (10 Marks)**

**Ans 1.**

**Introduction**

The 14 banks that were nationalized in 1969 were Syndicate bank, Punjab national bank, Canara bank, Allahabad bank, relevant bank of India, Canara bank, UCO financial institution, United bank of India, bank of Baroda, bank of Maharashtra, bank of India, Union bank, Indian overseas bank, Dena bank. On July 19, 1969, 14 banks were nationalized under Mrs. Indira Gandhi's leadership, including about 85 percent of the country's bank deposits.

In 1969, 14 banks got here beneath the Indian authorities to use their resources inside the county's development. These banks constituted more than 50 crores, intended to meet the

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**2. Why banks are focusing more on shifting fund based lending to non-fund based lending? Explain different types of fund based and non-fund based lending activities. (10 Marks)**

**Ans 2.**

**Introduction**

Non-fund-based investment isn't bodily but extra of a promissory note of financial help than actual finances. Non-budget-based credit consists of-

A) A bank guarantees

b) A letter of credit score

A financial institution's assurance can be described as creditors' guarantee that borrowers can pay off loans. If they can't settle it, the bank covers it. A letter of credit score can be described as a prison report that outlines that the business could pay the fee.

A non-fund-based credit score helps companies use finances to extend and develop their

**3. Commercial banks are known for providing array of services to customers, the conventional one being on liability side are time and demand liability products.**

**a. Distinguish between time and demand liabilities and their characteristics (5 Marks)**

**Ans 3a.**

**Introduction**

In the commercial period, the financial institution may be defined as accepting deposits, providing checking account offerings, giving essential monetary products like certificates of deposits and financial savings accounts to people and small corporations, and making numerous loans. A business financial institution is wherein many people do their economic

**b. What are reasons for large financial institutions like Industrial Development Bank of India (IDBI) converting to commercial bank like IDBI Bank? Similarly, like Industrial Credit and Investment Corporation of India (ICICI) converted itself as ICICI Bank. (5 Marks)**

**Ans 3b.**

**Introduction**

Massive financial institutions, just as the industrial improvement bank of India and the industrial credit and investment employer of India, are turning to business banks for many reasons. Allows discussing them