**Retail Banking**

**June 2023 Examination**

**Question 1: Monetary Policy is one the important drivers in growth & development of an economy. Illustrate at least four instruments/tools which are used universally in implementation of monetary policy**

**Ans1.**

**Introduction**

**Reserve requirements:** This tool establishes a minimum percentage of deposits banks must retain in reserve with the relevant financial institution. This reserve must be held in compliance with the requirements of the valuable financial institution. The conditions mentioned in the device ought to be followed when it comes to the protection of this reserve. The Reserves are most effective to be had by some people who save the imperative bank, which has exclusive access to them. The central financial institution can affect the amount of cash banks have available to lend. As a result, the number of coins is handy in the financial

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**Question 2: Regulators of Retail Bank use Capital Adequacy Ratio (CAR) extensively to check excessive growth of credit in the bank. What is the significance of CAR in credit policy of Banks and how it works?**

**Ans 2.**

**Introduction**

The Capital Adequacy Ratio, or car, measures a bank's capital in proportion to its chance-weighted assets. This ratio is likewise called the capital adequacy degree. Regulators use it to guarantee that banks have enough cash to withstand unforeseen losses and maintain customers' confidence in the banking system. The car is essential for financial institutions not to forget when estimating their capacity to offer credit scores and manage risk.

Car is essential to credit score coverage because it guarantees the protection and soundness of

**Question 3. a:Explain Credit Risk, Operational Risk, and Liquidity Risk & Interest rate Risk.**

**Ans 3a.**

**Introduction**

Credit score danger is the likelihood that borrowers cannot satisfy their financial commitments. If this occurs, the lending business enterprise will need more primary quantity and the hobby amassed on loan. In terms of credit risk, banks are up against a significant

**Question 3. b: What are the reasons of, non-performing assets.**

**Ans 3b.**

**Introduction**

This is why nonperforming properties are called NPAs. Those loans or advances are considered nonperforming assets when you think they may no longer be repaid. Nonperforming assets, also known as NPAs, are loans or advances that have ceased to generate sales for banks or different financial establishments because the borrower has ceased