**Retail Banking**

**April 2024 Examination**

**1. Retail banking is an important arm of growth and development in the economy. Explain three each asset and liability product of Retail Banking. NRI banking is another extended arm of retail banking. Explain its contribution in the economy from the perspective of foreign currency. (10 marks)**

**Ans 1.**

**Introduction**

Retail banking, a fundamental sector within the financial services industry, plays a pivotal role in the economic growth and development of a nation. Serving as the primary interface between the banking system and individual customers, retail banking offers a wide array of financial products and services directly to consumers. These offerings, which include various asset and liability products, not only cater to the everyday financial needs of individuals but also contribute significantly to the mobilization of savings and the efficient allocation of capital across the economy. Furthermore, the inclusion of Non-Resident Indian (NRI) banking as an extended arm of retail banking enhances this sector's scope by facilitating the

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**2. Monetary policy is one of the important tool available with RBI to check inflation in the economy. Discuss five monetary tools frequently used to bring stability and price decrease in the economy. (10 marks)**

**Ans 2.**

**Introduction**

Monetary policy stands as a critical instrument wielded by the Reserve Bank of India (RBI) to maintain economic equilibrium and control inflation, a persistent challenge that affects the purchasing power of the citizenry and can destabilize the overall economic environment. By adjusting the supply of money and influencing interest rates, the RBI endeavors to achieve a balanced economic growth trajectory, ensuring stability and fostering a conducive environment for investment and consumption. The significance of monetary policy in mitigating inflation cannot be overstated, as it directly impacts the cost of borrowing, consumer spending, and investment decisions across the economy. This policy mechanism utilizes a set of tools designed to regulate the amount of money circulating in the economy,

**3. For an asset to be classified as NPA, it has to undergo different stages of classification till it is finally classified as loss asset.**

**a. Highlight different stages of NPA. (5 marks)**

**Ans 3a.**

**Introduction**

The classification of Non-Performing Assets (NPAs) is a critical process in the banking and financial sector, serving as a barometer for assessing the financial health of lending institutions. NPAs signify loans or advances that have ceased to generate income for the bank, either due to default in repayment or interest payments. The Reserve Bank of India (RBI) has laid down specific guidelines for the classification of NPAs to ensure transparency

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**b. Banks also makes provisions for NPAs. Explain different provisions made by the bank. (5 marks)**

**Ans 3b.**

**Introduction**

Banks are required to make provisions for Non-Performing Assets (NPAs) to cover potential losses that may arise from the inability of borrowers to repay their loans. This provisioning is a prudential measure that ensures banks maintain a healthy balance sheet and are prepared for any financial setbacks. It acts as a buffer to absorb losses, thereby protecting the bank's capital. The Reserve Bank of India (RBI) mandates specific provisioning norms, which vary