Roll No…………

GL BAJAJ Institute of Management & Research Greater Noida
FIND YOUR SPARK
Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) –201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2024-26)
END TERM EXAMINATION (TERM -III)

Subject Name: **Banking Financial Services and Fintech** Time: **02.00 hrs**
Sub. Code: **PGF33** Max Marks: **40**

Note: All questions are compulsory. Section A carries12 marks:6 questions of 2 marks each,Section B carries 18 marks having 3 questions (with internal choice question in each) of 6 marks each and Section C carries 10 marks one Case Study having 2 questions of 5 marks each.

Kindly write the all the course outcomes as per your TLEP in the box given below:

CO1- Students will be able to understand Fundamentals of the financial services and its various types
CO2- Students will be able to critically examine the Structure, Regulation and Innovation in BFSI sector
CO3- To inculcate databased decision making with macro level data available for Financial Access of India and other economies
CO4- To analyze the regulatory framework of banking with reference to Asset Liability Management in India
CO5- Students will be able to develop understanding of FinTech Ecosystem and Digital Transformation of Banking
CO6- Students will be able to understand the complex, dynamic nature of the Blockchain and its impact on a business(workshop mode)

SECTION - A

Attempt all questions. All questions are compulsory. **2×6 = 12 Marks**

Questions	CO	Bloom's Level
Context for 1 (A-C) A neo-bank launched in Mumbai targets salaried millennials and gig economy workers. It offers fully digital onboarding, instant credit lines, budgeting tools, and no-fee accounts. Within a year, the bank gained 5 lakh customers, but started facing customer retention issues due to a lack of physical touchpoints and inconsistent service during app downtimes. **Questions:** **Q. 1: (A).**Compare the customer experience expectations from traditional banks versus neo-banks in urban India. (CO1) **Q. 1: (B).**What strategies can neo-banks adopt to build trust and reliability comparable to traditional financial institutions? (CO1) **Q. 1: (C).**Discuss the operational risks faced by neo-banks that rely heavily on digital platforms. (CO1) **Context for 1 (D-F):** A 32-year-old salaried professional in Delhi is exploring life insurance options to	CO1	

<table>
<tr><td>secure his family's financial future. He is offered three types of policies:

1. Term Life Insurance – Low premium, high coverage, no maturity benefit.
2. Endowment Plan – Moderate premium, life cover, and lump sum return at maturity.
3. ULIP (Unit Linked Insurance Plan) – Life cover along with market-linked investment component.

He is confused about which plan suits his goals: protecting his family in case of his untimely death, saving for his child’s education, and building long-term wealth.

Questions:

Q. 1: (D). Differentiate between term insurance, endowment plans, and ULIPs in terms of coverage, premiums, returns, and risk. (CO2)

Q. 1: (E). Based on the customer's financial goals, suggest a suitable combination of plans (if any) and justify your recommendation. (CO2)

Q. 1: (F).How can life stage and financial goals influence the choice of a life insurance policy? (CO2)</td><td>CO2</td><td></td></tr>
<tr><td colspan="3"><u>SECTION – B</u>

All questions are compulsory (Each question has an internal choice. Attempt anyone (either A or B) from the internal choice) 6 x 3 = 18 Marks</td></tr>
<tr><td>Questions</td><td>CO</td><td>Bloom’s Level</td></tr>
<tr><td>Context for 2 A and 2 B:
In 2021, a major FinTech company launched a mobile banking platform specifically designed for low-income and rural populations in India. The platform offered zero-balance savings accounts, micro-credit, and UPI-enabled transactions in multiple regional languages. Within 18 months, the app recorded over 15 million downloads, with 65% of users coming from Tier 3 and rural areas. However, many users still struggled with digital literacy and cybersecurity concerns.

Questions:

2 (A)What are the key challenges in ensuring effective financial inclusion through digital platforms in rural India, despite high adoption numbers? (CO3)

or

2 (B)Propose two strategic measures FinTech companies can implement to improve financial literacy and trust among first-time users in underserved regions. (CO3)

Context for 3 A and 3 B:
In 2023, the Reserve Bank of India (RBI) raised policy rates multiple times to control inflation. This led to a steep rise in market interest rates, affecting both the asset and liability sides of banks' balance sheets. A mid-sized private sector bank in India, X Bank, started facing a mismatch in its asset-liability profile. It had extended long-term home and infrastructure loans at fixed rates, while most</td><td>CO3

CO4</td><td></td></tr>
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of its liabilities (deposits) were short-term and re-priced at higher rates. The bank's Net Interest Margin (NIM) began to shrink, and its liquidity coverage ratio came under pressure. The RBI, through its Asset Liability Management Guidelines and periodic reviews by the ALCO (Asset Liability Committee), emphasized stricter monitoring of interest rate sensitivity, duration gaps, and liquidity buffers. X Bank now needs to revise its ALM strategy to align with the regulatory framework and market realities. **Questions:** **3** (A) Explain the role of the Asset Liability Committee (ALCO) in managing interest rate risk and liquidity risk in Indian banks. How does it contribute to compliance with RBI's ALM guidelines? (CO4) or **3** (B) Analyze how a rising interest rate environment impacts banks' asset-liability mismatches. What regulatory tools and risk management strategies can Indian banks use to maintain ALM discipline? (CO4) **Context for 4 A and 4 B:** A small manufacturing business in Pune applied for a Rs 10 lakh working capital loan. The traditional public sector bank offered a 10% interest rate with a 20-day processing time and heavy documentation. A digital lending startup approved the loan within 48 hours at a 14% interest rate with minimal paperwork, using alternative credit scoring based on GST and utility payment data. **Questions:** Q 4 A In the context of small business financing in India, analyze the trade-offs between cost and convenience when choosing between traditional banks and digital lenders. (CO4) or Q 4 B What risks and regulatory concerns should policymakers consider as digital lenders become more prominent in MSME financing? (CO4)	CO4	

SECTION - C

Read the case and answer the questions **5×02 = 10 Marks**

Questions	CO	Bloom's Level
Q. 5: Case Study: **Fintech, Age and Respect for Central Banking** (The content was first published in the month of March 2024) According to the Financial Stability Board (FSB), fintech is "technology-enabled innovation in financial services that could result in new business models, applications, processes or products with an associated material effect on the provision of financial services". FSB, headquartered in Basel, Switzerland,is an international body that monitors and makes recommendations on the global financial system.The first transatlantic cable (1866) and Fedwire (1918) in the	CO5	

USA marked the first stage of fintech as they enabled the maiden electronic fund transfer, using technologies such as telegraph and Morse code.The second stage kicked off in 1967 when Barclays set up the ATM. A few years later, in the 1970s, the Society for Worldwide Interbank Financial Telecommunications (SWIFT) started facilitating large volumes of cross-border payments. SWIFT is a communication protocol between financial institutions.Digital banking appeared on the scene in the 1990s. By 1998, the launch of PayPal, an US multinational financial technology company, laid the path for the new payments systems in the world that started shifting to online. It continued exactly for a decade when the global financial crisis, triggered by the fall of iconic US investment bank Lehman Brothers Holdings Inc., changed the track of fintech.Bitcoin was born in 2009, followed by other cryptocurrencies using blockchain technology. Meanwhile, the proliferation of smartphones and mushrooming of startups started redefining products and services in the fintech space. They have helped create the so-called neo-banks or digital banks and changed the customer experience. At the forefront of this revolution are China and India.

Going by data from the Department for Promotion of Industry and Internal Trade (DPIIT) of the Ministry of Commerce and Industry, in seven years between 2016 and 2023, the number of startups in India grew from around 300 to at least 1.17 lakh, generating more than 1.24 million jobs. India is home to 10,224 fintech companies working in diverse sectors and segments, making the fintech ecosystem the third largest in the world. It has been expanding at 14 per cent compound annual growth rate.The driver of all innovations is changing the customer experience in a secure way.In the current stage, going beyond blockchain and open banking, machine learning is set to redefine both banking and insurance. Fintech is changing the way money is collected through a wave of integrated payments providers.

There is a shock and surprise that have gripped the fintech industry after the Reserve Bank of India ‘s (RBI's) action against Paytm Payments Bank Ltd and the reactions of some fintech leaders.The founder of an Indian multinational fintech company that sells digital payment and financial services to small merchants and grocery stores is not happy with the RBI’s “punitive” action against the payments bank. According to him, the message being sent by such an action is that “banks are (systematically) important but fintechs are not”.“In the RBI, individuals responsible for making decisions and handling calls are typically around 60 years old. They have experience managing a system of banks. However, there seems to be a lack of trust in a 40-year-old individual, especially if they are considered a maverick, to run a core system,” the 41-year-old founder said. The founder of the payments bank in the eye of the storm is 45.This gentleman is entitled to have his opinionabout the inability of sexagenarians to appreciate the innovations of quadragenarians, but just as car inventors could not escape traffic rules fintech innovators — however great their contributions are to the growth and development of the industry — are not above the rules that govern the flow of money on earth.And, more importantly, what does the payments bank in question have to do with innovations that are supposedly under threat? The promoter of the bank in question is into fintech, but not the bank that has been punished for violation of KYC (know your customer) norms, among other irregularities.“In RBI’s view, Paytm is not systemically important. ‘If it dies, it dies, what do we care?’” the founder of the fintech company has said.

Yes, Paytm Payments Bank is not systemically important. For that matter, no payments bank in India is systemically important. The maximum money a depositor can keep with a payments bank is ~2 lakh, which enjoys insurance cover. And 75 per cent of their deposits are invested in government securities. Where is the systemic risk? Moreover, such banks have very small balance sheets. (Paytm Payments Bank had posted ~14.5 crore profit on an asset base of ~9,844 crore in FY23.)Nonetheless, Finance Minister Nirmala Sitharaman’s recent meeting with startups must be reassuring to the fintech ecosystem. Following this, we expect the RBI to hold monthly meetings with fintech startups as innovative solutions are essential to the financial services sector while adhering to regulations.A few months ago, the banking regulator issued a draft framework for the recognition of self-regulatory organisations (SROs) for the fintech sector. An SRO will also come in handy in putting the fintech house in order, maintaining a balance between adherence to regulations and innovations.

The RBI and DPIIT will now start working with the finance ministry to examine issues relating to change of ownership holdings and control of listed fintech companies to enable them to be in sync with regulatory compliance requirements.Innovations in the fintech sector will continue, but 40-year-old innovators will never have the freedom to ignore the regulations set by central bankers in their sixties so long as their products are meant for the financial system. The message is clear: The 60-year-old wise uncles need to handhold the 40-year-old entrepreneurs when, obsessed with ambition and greed for growth, they become a victim of hurbris.A sexagenarian banker has been instrumental in cleaning the balance sheet of the fintech company founded by the gentleman who is not comfortable with the age of central bankers. And the payments bank's

promoter has recently appointeda septuagenarian to strengthen governance and regulatory issues involved in the parent company. He was not a central banker but a regulator. **Questions: (5 marks each)** **Q. 5: (A).**What strategies can fintech innovators adopt to ensure regulatory compliance while maintaining the pace of technological innovation, and how can regulatory bodies create a framework that supports both financial stability and industry growth? CO5, L4 **Q. 5: (B).**Considering the RBI's regulatory action against Paytm Payments Bank, what lessons can fintech companies learn about governance, compliance, and risk management to ensure sustainable growth in the financial sector? CO5, L4		

Kindly fill the total marks allocated to each CO's in the table below:

COs	**Question No.**	**Marks Allocated**
CO1	1(A-C)	6
CO2	2 (D-F)	6
CO3	2	6
CO4	3&4	12
CO5	5	10
CO6	Not for end term	

(Please ensure the conformity of the CO wise marks allocation as per your TLEP.)

Blooms Taxonomy Levels given below for your ready reference:

L1= Remembering
L2= Understanding
L3= Apply
L4= Analyze
L5= Evaluate
L6= Create