

Question 1: Why consumer says that info disclosure practices are poor in bank?

Question 2: Banks provide investment facilities to its customers. How customers can judge the management soundness and profitability of the banks?

Answer:

The financial statements of the banks are not easy for everyone to interpret. As a result in order to judge the management soundness what one can do is check the various operational and profitability ratios of the concerned banks against the ones shown by the good banks and against the averages for the banking industry. One of the ratio is the amount of income generated against the expenses incurred to earn the same. This will enable us to know the margin of safety. Another way can be to compare the interest income against interest expense. Also one can compare how much fixed expenses are being incurred, how much are the overheads etc and compare with other banks to see the soundness of management.

Question 3: Define merchant banks.

Answer:

Merchant banks are those banks which are involved in any type of trading. These kind of banks also provide shares to customers. They also buy and sell companies. They raise capital for the companies in various ways like IPO, Debt instruments and convertible instruments.

Question 4: For investment purpose customers always judge the profitability of the bank. To attract more customers how a bank can enhance its profitability?

Answer:

Banks can increase their customer base and their profitability by providing all services under one roof namely traditional banking services and the more modern financial services like investment banking, credit card services, mutual fund services, life insurance products. Also by charging customers based on their credit profile i.e higher charges for low credit worthy clients they can increase their charges and fees. Also by developing new products which will be used by people in their everyday life and then charging a small fee for the same the banks can increase their profits.

Question 5: If State Bank has capital shortage and wants to borrow, what are the possible sources through which it can get loan?

Answer:

In order to raise liquidity the SBP can do the following:

1. Sell securities in the open market and raise cash.
2. Change the reserve requirements of the bank.
3. Borrow from domestic lenders and financial institutions.
4. Issue new domestic bonds.
5. Borrow from external agencies like the IMF or ADB.
6. Issue foreign bonds to Pakistanis residing abroad.
7. Issue foreign bonds to the world markets.

Question 6: Pakistan is not able to sustain growth over the long term. Do you agree with this statement. Give reasons to support your answer.

Answer:

Pakistan has been trying like all its neighbours to achieve a growth in excess of 7% however there have been multiple of factors that has pegged it back namely, the US led war in Afghanistan, the earthquakes, which have happened, the riots that have taken place in Karachi, global slowdown, the ever present threat of a war with India. In spite of all these factors Pakistan economy has shown great strength and