

*Roll No. ....*

**OPEN BOOK EXAMINATION**

*Time allowed : 3 hours*

*Maximum marks : 100*

*Total number of questions : 6*

*Total number of printed pages : 11*

**NOTE :** *Answer ALL Questions.*

**PART-I**

**1. Reserve Bank of India (Digital Lending) Directions 2025**

Reserve Bank is statutorily mandated to operate the credit system of the country to its advantage. In this endeavour, Reserve Bank encourages innovation in the financial systems, products and credit delivery methods while ensuring orderly growth, financial stability and protection of depositors' and borrowers' interest. Certain concerns had emerged around the methods of designing, delivering and servicing digital credit products, which if not mitigated, may impact the borrower's confidence in the digital lending ecosystem. The concerns primarily relate to unbridled engagement of third parties, mis-selling, breach of data privacy, unfair business conduct, charging of exorbitant interest rates, and unethical recovery practices. To address these concerns, pursuant to the recommendations made by the "Working Group on Digital Lending", the Reserve Bank has, from time to time, issued guidelines to its regulated entities on digital lending. These Directions consolidate the earlier instructions along with certain new measures for arrangements involving Lending Service Providers partnering with multiple regulated entities as mentioned under para 6, and for creation of a directory of digital lending apps as mentioned under para 17 of these Directions.

Accordingly, in exercise of powers conferred by Sections 21, 35A and 56 of the Banking Regulation Act, 1949, Sections 45JA, 45L and 45M of the Reserve Bank of India Act, 1934, Sections 30A and 32 of the National Housing Bank Act, 1987, Section 6 of the Factoring Regulation Act, 2011 and Section 11 of the Credit Information Companies (Regulation) Act, 2005, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest to do so, hereby issues these Directions hereinafter specified.

These Directions shall be called the Reserve Bank of India (Digital Lending) Directions, 2025. These Directions shall be applicable to all digital lending activities of the following entities, hereinafter referred to as a Regulated Entity (RE) and collectively as Regulated Entities (REs), as the context may require :

- (i) All Commercial Banks,
- (ii) All Primary (Urban) Co-operative Banks, State Co-operative Banks, Central Co-operative Banks,
- (iii) All Non-Banking Financial Companies (including Housing Finance Companies), and
- (iv) All-India Financial Institutions.

For the purpose of these Directions, unless the context otherwise requires, the terms herein shall bear the meaning assigned to them below :

- (i) Annual Percentage Rate (APR) : APR as defined under, as amended from time to time.
- (ii) Default Loss Guarantee (DLG) : A contractual arrangement, called by whatever name, between the RE and another entity, under which the latter guarantees to compensate the RE, for the loss due to default up to a certain percentage of the loan portfolio of the RE, specified upfront. Any other implicit guarantee of similar nature, linked to the performance of the loan portfolio of the RE and specified upfront, shall also be covered the definition of DLG.

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- (iii) Digital Lending : A remote and automated lending process, largely by use of seamless digital technologies for customer acquisition, credit assessment, loan approval, disbursement, recovery, and associated customer service.
- (iv) Digital Lending Apps/Platforms (DLAs) : Mobile and / or web-based applications, on a standalone basis or as a part of suite of functions of an application with user interface that facilitate digital lending services. DLAs shall include applications of the RE as well as those operated by Lending Service Provider (LSP) engaged by RE for extending any credit facilitation services in conformity with extant outsourcing guidelines issued by the Reserve Bank.
- (v) Lending Service Provider (LSP) : An agent of a RE (including another RE) who carries out one or more of RE's digital lending functions, or part thereof, in customer acquisition, services incidental to underwriting and pricing, servicing, monitoring, recovery of specific loan or loan portfolio on behalf of RE in conformity with extant outsourcing guidelines issued by the Reserve Bank.

In view of the above, answer the following questions :

- (a) What are the general requirements for Due diligence with respect to LSPs ?  
(4 marks)
- (b) How to assess the borrower's credit worthiness ?  
(2 marks)
- (c) What are the disclosure requirements for borrower ?  
(5 marks)
- (d) What is the process of loan disbursal, servicing and repayment ?  
(5 marks)

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(e) What is the system of collection, usage and sharing of data with third parties ?

(4 marks)

2. (a) With reference to Reserve Bank of India (Know Your Customer (KYC)) (Amendment) Directions, 2025, what do you know about the following concepts ?

(i) Use of Business Correspondents (BCs) by banks for updation/periodic updation of KYC.

(4 marks)

(ii) Due notices for periodic updation of KYC.

(4 marks)

(b) What categories of Risks are involved (Financial and Non-Financial aspects) in a Banking Industry ? Write any seven categories of risks.

(7 marks)

*Attempt all parts of either Q. No. 3 or Q. No. 3A*

3. (a) M/s XYZ, a Partnership Firm sanctioned a Cash Credit Limit of ₹ 25.00 lakhs by a bank on 03.04.2025 on the Margins and other conditions as per Sanction letter issued by the Bank is as follows :

(i) On Stocks (Moving) = 20%

On Stocks (Non-Moving) = 100%

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(ii) On Debtors (not more than 60 days)	= 30%
On Debtors (61 days to 90 days)	= 60%
On Debtors (more than 90 days)	= 100%

The following are the data submitted by the firm on 31.3.2026.

Total Stock of ₹ 30.00 lakhs, out of which ₹ 2.00 Lacs for creditors and Non-Moving Stock of ₹ 2.00 lakhs.

Total Book Debts of ₹ 10.00 lakhs, out of which ₹ 2.00 lakhs ageing for than 61 days but less than 90 days and ₹ 2.00 lakhs ageing is more than 90 days and balance of ₹ 6.00 lakhs ageing is less than 60 days.

Required :

- (i) As a consultant, you are required to calculate drawing power at the time of renewal of limit of the Firm. State whether sanction limit is up to the mark or not with regard to drawing power ? Also, state whether the drawing power is within the sanctioned level or not ?

(8 marks)

- (ii) What is your opinion if the sanction limit is of ₹ 26.00 lakhs ?

(2 marks)

- (b) There was a theft of goods in the warehouse of ABC Pvt. Ltd. in the previous year 2022-23 amounting to ₹ 25 lakhs. At the time of physical verification of inventory, the same was detected in the current year 2023-24. How do you account for this theft and its discovery in the financial statements of 2023-24 with reference of Accounting Standard ?

(5 marks)

*Or (Alternate Question to Q. No. 3)*

3A. (i) The key provisions relating to Nomination under the Banking Laws (Amendment) Act, 2025 came into effect from 1st November 2025 through Sections 10, 11, 12 and 13 relate to nomination facilities in respect of deposit accounts, articles kept in safe custody, and the contents of safety lockers maintained with banks. What are the key features of the following ?

- (a) Multiple Nominations.
- (b) Nomination for Deposit Accounts.
- (c) Nomination for Articles in Safe Custody and Safety Lockers.
- (d) Simultaneous Nomination.
- (e) Successive Nomination.

*(2 marks each)*

(ii) The Government has revised the definition of MSME, thereby enhancing the investment and turnover limits for classification as MSMEs with effect from 01.04.25. What is the limits of Investment in Plant and Machinery and Turnover for :

- (a) Micro Enterprises.
- (b) Small Enterprises.
- (c) Medium Enterprises.

*(1 mark each)*

(iii) What is the difference between Pledge, Hypothecation and Mortgage ?

*(2 marks)*

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**PART-II****4. India's Insurance Sector**

India's Insurance Sector continues to demonstrate strong growth, driven by rising awareness, regulatory reforms, technological adoption, and private sector participation. In FY 25, the industry recorded a total premium income of approximately ₹ 7.05 Lakhs Crore (US\$ 82.49 Billion), reflecting a 5.6% Year on Year (YoY) increase. New business premiums (NBP) grew by 5.1% YoY to ₹ 3.97 Lakhs Crore (US\$ 46.5 Billion), with individual NBP rising 11% to ₹ 1.74 Lakhs Crore (US\$ 20.36 Billion), supported by digitization and the addition of over 11 Lakhs new agents. Life insurers' New business premiums for April-January FY 25 reached ₹ 3,05,912 Crores (US\$ 35.5 Billion), with LIC commanding a 57.05% share and other players such as SBI Life, HDFC Life, and ICICI Prudential Life leading collections among insurers. By June 2025, LIC held a 63.5% market share, reporting ₹ 27,395 Crores (US\$ 3.2 Billion) in premiums, up 3.43% YoY, while Q1 FY 26 net premium income rose 5% YoY to ₹ 1,20,000 Crores (US\$ 14 Billion).

Gross direct premiums written by non-life insurers Q1 FY 26 stood at ₹ 1,65,161 Crores (US\$ 18.89 Billion), up 7.32% the corresponding period of the previous year. Motor Insurance grew 25.6%, fresh life policies rose over 60%, and SME insurance surged 112%, driven by digital adoption, Point-of-Sale Person (PoSP) networks, and regional outreach. In September 2025, standalone health insurers' premiums grew 3.09% YoY to ₹ 3,492 Crores (US\$ 399.2 Million), reflecting rising demand and wider health coverage adoption.

India's Crop insurance market is projected to grow at a CAGR of 7.62% from FY 25 to FY 32, expanding from ₹ 39,020 Crore (US\$ 4.57 Billion) in FY 24 to ₹ 70,253 Crore (US\$ 8.22 Billion) by FY 32. The Motor Insurance market is expected to increase from ₹ 1,12,867 Crores (US\$ 13.21 Billion) in 2025 to ₹ 1,83,204 Crores (US\$ 21.44 Billion)

by 2030, at a CAGR of 10.25%. Additionally, the mobile phone insurance market, valued at ₹ 17,743 Crores (US\$ 2.1 Billion) in 2024, is projected to grow at 12.1% CAGR to ₹ 57,680 Crores (US\$ 6.7 Billion) by 2033, driven by increased smartphone adoption, bundled insurance offerings, and demand for comprehensive coverage.

Regulatory and structural reforms have also supported sector growth. The FDI limit in insurance companies has been raised from 74% to 100%, allowing full foreign ownership and facilitating capital inflows into the long-term, capital-intensive industry. Insurers now have the flexibility to launch new health and retail insurance products without IRDAI approval, further encouraging innovation. Public-private partnerships, such as Bajaj Allianz Life's tie-up with City Union Bank, and strategic joint ventures like Allianz Jio Reinsurance Limited, are expanding distribution reach and leveraging digital platforms. On September 17, 2025, IRDAI launched the 'Bima Sugam'.

Mergers and acquisitions are playing an increasing role in the sector, exemplified by Zurich Insurance acquiring a 70% stake in Kotak General Insurance, Bajaj Group acquiring Allianz SE's 26% stake, and the Mumbai NCLT approving the merger of Exide Life Insurance with HDFC Life. These moves reflect the sector's capital-intensive nature and the focus on consolidation and specialization.

The insurance industry's long-term outlook remains strong. Premiums from the life insurance sector are expected to reach ₹ 24 Lakhs Crore (US\$ 318 Billion) by FY 31, and the domestic market is projected to expand to ₹ 19,30,290 Crore (US\$ 222 Billion) by FY 26. Tier-III cities and smaller towns now contribute 62% of new premiums, highlighting the role of regional markets in driving growth. The BFSI sector is expected to add 2,50,000 jobs by 2030, supported by rising demand in insurance, mutual funds, and digital finance. Leading players such as SBI Life, HDFC Life, ICICI Prudential Life, Bajaj Allianz, and Tata AIA, along with LIC, continue to drive competition through product innovation, enhanced

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distribution, and digitization. Recent initiatives include AI-powered health insurance tools, mobile apps integrating wellness and policy management, and vehicle insurance platforms by PhonePe, reflecting the sector's dynamic and technology-driven evolution.

With rising demand, digital transformation, and growing private and foreign participation, the industry is well-positioned to enhance financial inclusion and emerge as a key pillar of India's expanding financial ecosystem.

In view of the above, answer the following :

- (a) What reforms have been made for strong growth in Insurance Sector in India ?  
(3 marks)
- (b) Mention the features of 'Bima Sugam' Portal.  
(2 marks)
- (c) Who are the leading Private Players in Insurance Sector (Life & General) in India ?  
(2 marks)
- (d) Enumerate the steps to design an Insurance Product ?  
(7 marks)
- (e) What are the significant factors to be considered for a Life Insurance Product ?  
(6 marks)
5. (a) Explain the role of insurance in Indian Economic Development.  
(5 marks)
- (b) (i) What is meant by Available Solvency Margin ?  
(2 marks)

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(ii) Calculate the Solvency Ratio and Available Solvency Margin in the following situation :

- Net Income of the Insurance Company was of ₹ 1,00,000
- Depreciation of ₹ 35,000
- Capital & Reserve Fund was of ₹ 6,00,000
- Short Term Liabilities of ₹ 5,00,000
- Long Term Liabilities of ₹ 2,00,000
- Total Assets of ₹ 13,00,000

(4 marks)

(iii) How many types of solvency ratios are used in Insurance Sector ?

(4 marks)

*Attempt all parts of either Q. No. 6 or Q. No. 6A*

6. (a) Explain the key documents required to start an Insurance Marketing Firm in India ?

(5 marks)

(b) (i) 'A' insured his house against fire with "X" Company for ₹ 60,000 and with "Y" Company for ₹ 1,00,000. Fire broke out in the building and a loss of ₹ 50,000 occurs. Whether 'A' file a suit against both the insurers or against one only.

What is the liability of each insurer in this regard ?

(2 marks)

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- (ii) An industry that is insured for ₹ 1,000 Crores with a Premium of ₹ 50 Crores, that is shared by A, B and C Insurance Companies, the detail is as follows :

Insurer	Share	Sum Insured	Premium
A	35%	₹ 350 Crores	₹ 17.50 Crores.
B	25%	₹ 250 Crores	₹ 12.50 Crores.
C	40%	₹ 400 Crores	₹ 20.00 Crores.

The loss occurred of ₹ 200 Crores. Calculate the claim payable by each company to insured.

(3 marks)

- (c) Distinguish between Insurance Broker and Insurance Marketing Firm.

(5 marks)

**OR (Alternate question to Q. No. 6)**

**6A.** Explain the following terms of principles of Insurance :

- (i) Principle of Contribution.  
(ii) Principle of Mitigation of loss.  
(iii) Principle of Uberrimae fide.

(5 marks each)

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