

Roll Number:

Date:

Q1: Bank of Baroda case study:

12 marks

(CO1)

- What exactly went wrong at Bank of Baroda, and what it tells about India's digital banking

Veteran banker KV Kamath said at the Global Fintech Summit in Mumbai last month that Chinese banks are "far less digital" than Indian lenders now, even though they had embarked on the digital journey very early. Indian banks' breathless race to digitisation — spurred by the government, aided by the digital public infrastructure and hastened by demonetisation and then the pandemic — is indeed remarkable. In a span of just six years, India, primarily a cash-based economy, has become a leader in the world in real-time digital payments, accounting for almost 40 per cent of all such transactions. Banks are a key player in this process, trying to digitalise their services.

Amid the rush to digitise banking, the news that employees of Bank of Baroda (BoB), India's leading bank, tampered with bank accounts to inflate the number of digital users flags serious gaps in banking digitisation and lack of oversight as well as foolproof standard operating procedures. A blind race for racking up big digital numbers will only undermine India's exceptionally successful digital payments journey.

- BoB, with an ambitious plan to digitise its banking, announced the launch of a digital banking app 'bob World' in September 2021, aimed at providing all banking services through the app under four key pillars — Save, Invest, Borrow and Shop. BoB planned to position 'bob World' as the main banking platform, added to which all the other banking channels will function. It was following another state-owned bank, SBI, which was integrating all its services on its YONO digital platform.

'bob World' was an ambitious and a much-required move. But then something went utterly wrong with the drive to add customers to 'bob World'. In a race to meet unrealistically high targets to move existing BoB customers to 'bob World', the bank staff started fudging the onboarding process. A report by a news channel, based on accounts of whistle-blowers, highlighted in July this year how the bank staff found an easy workaround for a tedious process to persuade the clients, most of them in rural and semi-rural areas and not digitally savvy, to join 'bob World'. They would list accounts not linked to mobile numbers, link these accounts to any mobile numbers they could gather — of bank staffers, sanitation and security workers and their relatives — to generate the one-time password needed to join the

app, and sign up these accounts from the back end, the report had claimed. The employees would then deregister these customers from the app and reuse the same mobile numbers in the same manner with other bank accounts.

Even though customers were deregistered after they signed up on the app, it led to an artificial increase in the number of downloads and sign-ups, thus inflating artificially the digital success of 'bob World'.

While the bank staff linking strangers' mobile numbers to accounts amounted to tampering, it had far more serious implications. The owner of the linked mobile number could get access to the account and change password and withdraw all the money from the account.

At that time, BoB refuted allegations of misusing customer data to promote its mobile banking app and emphasized that a fully system-authenticated and customer consent-based process had always been followed for mobile banking app registrations. About two weeks ago, the news channel claimed that internal documents of the bank's head office acknowledged this malpractice and showed that the bank's agents, called business correspondents, have withdrawn tens of thousands of rupees from customers' accounts.

Share your views on

- a) What lead to such catastrophic failure with a reliable public sector bank that RBI had to block new "bob world app" sign ups
- b) What could have the bank management done to prevent such failure
- c) What processes could have been put in place to make sure such events or malpractices can be prevented
- d) Why are sales targets not always the best way to ensure quality growth... yet the entire world doesn't live without sales targets... what are your thoughts on should a business have sales targets or not?
- e) Any other observations or thoughts

The evaluation will be done basis your logical explanations.

Q2: List three major risks faced by health insurance companies and how do they mitigate the same.

5 marks

(CO1)

Q3: What are the key risks faced by the new age digital lenders in India offering instant unsecured personal/ buy now pay later loans? How do they mitigate the same? How do they price for these risks, illustrate with some basic P&L?

8 marks

(CO1, CO2, CO3)

Q4: A loan company does not accept deposits, however has an attack on its servers and all its data is encrypted by the hackers and who are now demanding ransom to decrypt the same? What is the risk that a loan customer faces from such cyber-attack on the loan company?

5 marks

(CO 1)