QUESTIONNAIRE

FINANCIAL MANAGEMENT IN BANKS IN KERALA

1.1 Name of the bank

1.2 Address of the registered office

1.3 Total number of branches

1.4 ATM

1.5 Does a separate department exist for financial management?
   1. Yes  □  2. No  □

1.5a If so, what is the designation of the highest authority of
   department?
   1. Assistant general manager (Finance)  □
   2. Assistant general manager (Accounts)  □
   3. General Manager (Finance)  □

1.6 What are the duties of the higher authority in relation to this
   department?
   1. Financing Decision  □
   2. Investment Decision  □
   3. Dividend Decision  □

1.7 What are the basic functions of the financial department?
1. Financial forecasting
2. Investment decision
3. Dividend decision
4. Cash flow and requirements
5. Deciding upon borrowing policy
6. Negotiation for outside financing
7. Checking upon financial performance
8. Supervision of cash receipts and safeguarding of cash balance
9. Proper custody and safeguarding of the important and valuable papers, securities and insurance policies.
10. Taking care of all the mechanical details of financing.
11. Record keeping and reporting
12. Cash planning and credit management

1.8 What are the main objectives of the financial department?
1. Wealth maximization
2. Ensuring a fair return to shareholders
3. Building up reserves for growth and expansion
4. Ensuring Maximum operational efficiency by efficient and effective utilisation of finances

1.9 To whom is the department accountable?
1. Managing Director
2. General Manager
3. General Manager (Finance)
2 Risk Return management

2.1 Can you define the term risk in relation to your bank?
1. Yes ☐ 2. No ☐

2.2 Can you define the term uncertainty in relation to your bank?
1. Yes ☐ 2. No ☐

2.3 What are the types of risks you face in the day-to-day financial management activities?
1. Credit risk ☐
2. Operational risk ☐
3. Market risk ☐

2.4 Which of the following methods do you adopt for risk management?
1. Avoidance of risk ☐
2. Prevention of risk ☐
3. Retention of risk ☐
4. Transfer of risk ☐
5. Insurance ☐

2.5 What techniques are employed in each of the above five methods of risk management?
1. Credit risk management committee (CRMC) take care of credit ☐
2. Operational risk management committee (ORMC) at the execute level manage the operational risk

3. Asset liability management committee (ALMC) take care the entire rupee assets and liabilities

2.6 Do you apply the following criteria for evaluating proposals to minimize risk?

1. Select the least risky proposals
2. Apply Hurdle rates
3. Avoid Proposals with fluctuating results
4. Adopt weighted average approach

2.7 Do you define the term return?

1. Yes  2. No

2.8 Which approach do you adopt for the measurement of return?

1. Profit approach
2. Income approach
3. Cash flow approach
4. Ratios approach

2.9 Do you have the following components in your rate of return?

1. Return at zero risk
2. Premium for business risk
3. Premium for financial risk
2.10 What are the major risk return decision areas in your bank?

1. Financial analysis and control
2. Budgeting and profit planning
3. Capital budgeting
4. Financial planning
5. Working capital management
6. Cost of capital
7. Acquisitions

3 Financial Planning and analysis

3.1 Do you have a financial plan?
1. Yes  2. No

3.2 If yes, state its contents?
1. The quantum of finance i.e., the amount needed for implementing the business plan
2. The patterns of financing, i.e., the form and proportion of various corporate securities to be issued to raise the required amount.
3. The policies to be pursued for the floatation of various corporate securities, particularly regarding the time of their flotation.

3.3 What are the principles you apply while designing a financial plan?
1. Simplicity
2. Long-term view
3. Foresight

4. Optimum use

5. Contingencies

6. Flexibility

7. Liquidity

8. Economy

3.4 Do you have financial planning in your bank?

1. Yes ☐ 2. No ☐

3.5 If yes what are the ingredients of financial planning?

1. Estimating the amount of capital required ☐

2. Determining the form and proportionate amount of securities (Capital Structure) ☐

3. Administrative policies of financial plan ☐

3.6 Do you adopt the following steps for financial planning?

1. Collect and assess data ☐

2. Identify financial goals ☐

3. Locate financial problems ☐

4. Produce a professional written plan ☐

5. Co ordinate and implement recommendations ☐

6. Review and update the plan ☐

3.7 What is the pattern of finance?
1. Internal

2. External

3. Ownership

4. Creditor ship

5. Short term

6. Medium term

7. Long term

3.8 What are the sources of your finance?

1. Internal

2. External

3. Ownership

4. Creditor ship

5. Short term

6. Medium term

7. Long term

(Full details of all types of finance by the bank for ten years)

3.9 How do you assess the fixed capital requirements at any point of time?

1. Preparing a list of the fixed assets

2. Ascertain the total funds required for the purchase of fixed assets
3. Invite quotations for the fixed assets  

3.10 What are the factors you consider for determining fixed capital?

1. Nature of business  
2. Size of the business  
3. Type of the products  
4. Diversity of product lines  
5. Method of production  
6. Method of acquisition of fixed assets  

3.11 What principles do you observe for an efficient management of fixed capital?

1. To increase the earning capacity of the bank  
2. There should not be any idle capacity  
3. Fixed assets should be managed properly  
4. Should have a proper relationship with profits  
5. Fixed capital should be met out of long term funds  
6. Proper depreciation should be provided out of profits to enable the timely replacement of the fixed assets  

3.12 Do you know the distinction between capital and capitalization?

1. Yes  2. No  

3.13 Is there over capitalization in your Bank?

1. Yes  2. No
3.14 List the causes of over capitalization?

1. Raising more money by issue of shares
2. Borrowing amount at a rate of interest higher than the rate of the bank earnings
3. Payment of excessive amount for acquisition of fixed assets
4. Under estimation of the capitalisation rate or over estimation of Earnings

3.15 Is there under capitalization in your Bank?

1. Yes  2. No

3.16 If yes, how do you know that there is under capitalization?

3.17 What are the causes of under capitalization?

1. Under estimation of the initial earnings
2. Using low capitalisation rate
3. Conservative dividend policy (Low payment of dividend)
4. Purchase of assets at low prices during recession period
5. Maintaining high standards of efficiency

3.18 What are the effects of under capitalization?

1. It encourages acquisition competition
2. High rates of dividend give an opportunity to workers to demand high wages
3. Customers develop a feeling that they are being exploited
4. Encourages the management to manipulate the share values

5. It may lead to more government control

3.19 How can you rectify under capitalization?

1. Splitting up of shares
2. Issue of bonus shares
3. Increase the par value of shares

3.20 Do you adopt the following techniques of financial analysis?

1. Comparative financial statements
2. Common size financial statements
3. Trend percentages
4. Fund flow analysis
5. Cash flow analysis
6. Cost volume profit analysis
7. Ratio analysis

(Complete details of the techniques of financial analysis of each bank should be collected)

4 Cost of capital and capital structure

4.1 What is the pattern of capital structure?

1. Equity shares only
2. Equity shares and preference shares
3. Equity shares and Debentures
4. Equity shares, Preference shares and Debentures
4.2 Is your capital structure optimum?
1. Yes ☐ 2. No ☐

4.3 How do you achieve the optimum capital structure?
1. Equity shares only ☐
2. Equity shares and Reserve and surplus ☐
3. Equity shares and preference shares ☐

4.4 Do you consider the following as the features of an appropriate capital structure?
1. Profitability ☐
2. Solvency ☐
3. Flexibility ☐
4. Conservatism ☐
5. Control ☐

4.5 Do you consider the following as the factors determining the capital structure?
1. Trading on Equity ☐
2. Retaining control ☐
3. Nature of enterprises ☐
4. Legal requirements ☐
5. Purpose of financing ☐
6. Period of finance ☐
7. Market sentiments

8. Requirements of investors

9. Size of the company

10. Government policy

11. Provision for the future

12. RBI guidelines on any financial matters of bank

4.6 Do you know the meaning of cost of capital in relation to your bank?

1. Yes  [ ]  2. No  [ ]

4.7 What is the importance of cost of capital in your bank?

1. Capital Budgeting decisions  [ ]

2. Capital structure decisions  [ ]

4.8 What are the classifications for cost of capital in your bank?

1. Explicit cost  [ ]

2. Implicit cost  [ ]

3. Future cost  [ ]

4. Historical cost  [ ]

5. Specific cost  [ ]

6. Combined cost  [ ]

7. Average cost  [ ]

8. Marginal cost  [ ]
4.9 What are the problems you face on computation of cost of capital?

1. Controversy regarding the dependence of cost of capital upon the method and level of financing
2. Computation of cost of equity
3. Computation of cost of retained earnings and depreciation funds
4. Future cost versus historical cost
5. Problem of weights

5 Working capital management

5.1 What is the concept of working capital in relation to your bank?

1. Gross Working capital
2. Net Working capital

5.2 What is the operating cycle for the banks?

1. Cash
2. Advances
3. Accounts receivable

5.3 What are the current assets of the bank?

1. Cash &Balance with RBI and Balance with banks & MAC & SN (SH- 6+ SH- 7)
2. Advances (SH- 9)
3. Other Assets (SH- 11)
5.4 What are the current liabilities of the bank?
1. Other Liabilities & Provisions (SH-5) 
2. Deposits (SH-3) =DD+SB

5.5 What are the types of working capital in your bank?
1. Permanent working capital
2. Variable working capital

5.6 Is there adequate working capital in your bank?
1. Yes  
2. No

5.7 Do you estimate working capital requirements?
1. Yes  
2. No

5.8 If so, how?
1. As per the directions of Board of directors
2. As per the guidelines of RBI

5.9 What are the techniques used for the assessment of working capital requirements?
1. Estimation of components of working capital
2. Percentage of interest method
3. Operating cycle approach

5.10 What are the sources of the working capital?
Short term (with percentage)
5.11 Which approach do you follow for determining the working capital financing mix?

1. Hedging approach □
2. Conservative approach □
3. Trade of between hedging and conservative approach □
4. Any other □

5.12 What are motives for holding cash in your bank?

1. Transaction □
2. Precautionary □
3. Speculative □
4. Compensation □
5. Any other □

5.13 What are the objectives of cash management?

1. Meeting cash disbursement □
2. Minimizing funds locked up as cash balances □
3. Any other □

5.14 Does the following basic problems exist for the yearly cash management in the bank?

1. Controlling levels of cash □
2. Controlling inflows of cash □
3. Controlling outflows of cash □
4. Optimum investment of surplus cash

5.15 Do you have over trading?
1. Yes  2. No

5.16 What are the causes of over trading?
1. Depletion of working capital
2. Faulty financial policy
3. Over expansion
4. Inflation and rising prices
5. Excessive taxation

5.17 What are the consequences of over trading?
1. Difficulty in paying wages and taxes
2. Costly purchases
3. Reduction in advances
4. Difficulty in making payments
5. Obsolete plant and machinery

5.18 What are the remedial measures of over trading?
1. Effective control in the payment of wages and taxes
2. Manage purchases
3. Increase advances
4. Control payments
5. Management of fixed assets
5.19 How do you control working capital?

1. As per RBI guidelines
2. As per the directions of Board of directors
3. As per the directions of Board of directors and the RBI Guidelines

6 Capital Expenditure and Investment Decision

6.1 What types of investment decisions do you take?

1. Independent
2. Contingent or Dependent
3. Mutually exclusive

6.2 Does your investment decisions

1. Increase revenue
2. Reduce cost
3. Any other

6.3 What factors do you take into account while taking a capital investment decision?

1. Amount of investment
2. Minimum rate of return on investment
3. Return expected from the investment
4. Ranking of investment
5. Risk and uncertainty
6. Any other

6.4 Do you follow investment appraisal methods?
1. Yes ☐ 2. No ☐

6.5 Do you practice capital rationing?
1. Yes ☐ 2. No ☐

6.6 Do you prepare capital investment budget?
1. Yes ☐ 2. No ☐

6.7 Is the economic analysis done to determine the financial viability of the Investment?
1. Yes ☐ 2. No ☐

7 Leverages

7.1 Do you know the meaning of leverage?
1. Yes ☐ 2. No ☐

7.2 Do you calculate operating leverage?
(Calculation full details)

7.3 Do you calculate financial leverage?
(Calculation full details)

1. Financial statements of all banks for 10 years:

(2005-06) and (2006-07) with other details should be collected

2. Any financial analysis done during these years

3. RBI guidelines on any financial matters of bank

4. Any studies made by any agencies on Financial Management

5. Institute of bankers (Bombay)

6. Training institutes