SME Banking

The sample questions are related to the JAIBP Specialization course "***SME Banking***". The students are advised to thoroughly read the exam guidelines and the syllabus guide for this course before start studying for the paper. The questions are shared to give an idea to the student about the paper format and types of questions. For further information visit the IBP website www.ibp.org.pk

Multiple Choice Questions

Each MCQ carry one and half mark.

Q1. Aggregate SME Exposure of a bank depends upon the

A. SME classified portfolio. (Answer)
B. overall classified portfolio.
C. non-SME classified portfolio.
D. overall portfolio.

Q2. Which marketing tool is gaining popularity among SMEs to spread their businesses?

A. Sales Promotion
B. Relationship Marketing
C. Online Marketing (Answer)
D. Socially Responsible Marketing

Q3. Credit Risk in SME banking is an important concern for banks because unlike larger corporation, SME cannot provide

A. verifiable financial information. (Answer)
B. adequate collateral.
C. sufficient personal guarantee, having inadequate personal net worth.
D. documentation work.

Constructed Response Question

Each CRQ carry five marks.

Question:

A) Explain the criteria on which SME is classified in Pakistan. **(3 Marks)**

B) List down any four common characteristics of SME? **(2 Mark)**

Answer

Part-A

1. Manufacturing: Enterprises engaged in manufacture & productions- Employee less than 250, total assets excluding land and building is 100M, and sale is 250M.
2. Trading: Enterprises engaged in retail and wholesale trading of goods including their repair. Employee less than 50, total assets excluding land and building is 50M, and sale is 250M.
3. Services: Enterprises engaged in providing rendering of services like transport, internet, and health. Employee less than 250, total assets excluding land and building is 300M, and sale is 250M.

Part-B

1. Born out of individual Initiative Skills
2. Greater Operational Flexibility
3. Lower cost of production
4. High Employee orientation.

Extended Response Question

Each ERQ carry ten marks.

Question:

Usually SME is classified as family owned businesses. One of your customers who is running a family owned textile business since the last 20 years is maintaining an account with your bank since the last 10 years, with handsome amount of turnover and deposit in the account. He has received export orders from a foreign buyer. Since the customer is short of working capital, he has approached the bank for running finance facility.

- **A.** Being a banker, how will you analyze this customer's request for financing facility, keeping in mind the mentioned factors plus issues in family owned business? **(6 Marks)**

- **B.** List down and define any TWO positive and TWO negative aspects of a family owned business. **(4 Marks)**

Answer
Part-A
This is open end question; there is no specific answer of such question. Some specific information which should be available so that understanding of candidate can be judged. Some valuable information for checking (analysis of customer's request).

- **a.** Customer relation to bank.
- **b.** Customer industry & industry overview is considering at the time of sanction of loan.

- **1-** Does business have any Succession planning or not
- **2-** Creditworthiness of Customer.
- **3-** No of export order customer received & no of export order customer fulfilled.
- **4-** Credit history of customer with any bank.
- **5-** Managerial Skills of Owner.
- **6-** Financial Statement of customer.
- **7-** Collateral available for financing facility.
- **8-** Technology available with customer.
- **9-** Future plan, if order is cancelled

Part-B

Positive Aspects:

1. Long term perspectives
2. Dependable Culture That encourage long lasting with all business partner
3. Strong identification /commitment, stability.
4. Knowing business
5. Family culture is source of pride, greater resilience in hard time.

Negative Aspect:

1. Static thinking
2. Managerial Difficulties when family objective & business objectives are in conflict

3. Less access to capital market
4. No succession planning
5. Nepotism.