

H. L. College of Commerce (Autonomous)

Self-Financed Programmes

Banking and Financial Services Syllabus

Sem: 3	Course Code:	Course Title: Commercial Banking
Credits: 4	BFM206-2C	Course Category: Major Course

Course Objective: This course aims to provide a foundational understanding of the structure, functions, and regulatory framework of commercial banks. Students will explore the components of bank financial statements, including balance sheets and income statements, to assess the financial health of banks. The course also emphasizes the fundamentals of commercial lending, various types of loans, and key lending principles. Through credit appraisal techniques like ratio analysis, cash flow analysis, and risk assessment tools, students will gain insights into evaluating loan proposals and understanding priority sector lending, collateral, and credit enhancements. The course bridges theory with practical banking applications to prepare learners for informed decision-making in commercial banking operations.

Course Outcomes: Upon successful completion of this course, students will be able to:

CO	Cognitive Abilities	Course Outcomes
CO1	Remembering	Remember the basic concepts, forms, and functions of commercial banks; the various components of financial statements of commercial banks; types of commercial loans; key financial ratios etc.
CO2	Understanding	Understand the key regulatory bodies and terminologies related to commercial banking operations; structure and components of financial statements of commercial banks
CO3	Applying	Apply factors influencing bank deposits and lending approaches; banking principles to identify suitable types of commercial loans; assess borrower eligibility using techniques such as financial statement analysis.
CO4	Analyzing	Analyze and interpret repayment structures and interest terms creditworthiness; analyze the financial ratios and break-even analysis to process loan applications.
CO5	Evaluating	Evaluate loan proposals, assess working capital and term loan needs and the effectiveness of credit rating models, collateral in credit decision-making

Course Content

Unit No.	Unit Contents	Sessions Allotted
1	Introduction to Commercial Banking	15

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Unit No.	Unit Contents	Sessions Allotted
	<ul style="list-style-type: none">- Understanding Commercial Banks- Forms of Commercial Banks- Functions, Importance, Goals and Constraints of Commercial Banks- Regulation of Commercial Banks	
2	Financial Statements of Commercial Banks <ul style="list-style-type: none">- Understanding Financial Statements of Commercial Banks<ul style="list-style-type: none">• Structure & Components of Balance Sheet• Structure & Components of Profit & Loss / Income Statement• Commercial Banks Assets• Commercial Bank Liabilities• Approaches of Bank Lending• Factors affecting Bank Deposits	15
3	Fundamentals of Commercial Lending <ul style="list-style-type: none">- Definition and objectives of Commercial Loans- Types of Commercial Loans:<ul style="list-style-type: none">• Working capital loans• Term loans• Project finance• Trade credit and export finance• Loans to MSMEs, Corporate borrowers, & Infrastructure finance- Eligibility criteria, interest rates, and repayment structures- Difference between retail and commercial lending- Introduction to credit policy and credit cycle	15
4	Credit Appraisal and Loan Processing <ul style="list-style-type: none">- Loan application documentation and legal due diligence- Techniques of credit appraisal:<ul style="list-style-type: none">• Financial statement analysis• Ratio analysis (DSCR, Current Ratio, TOL/TNW, etc.)• Cash flow and fund flow analysis• Break-even and sensitivity analysis- Credit rating models: External and internal- Assessment of working capital and term loan requirements (MPBF and Tandon/Nayak Committee norms)- Lending to priority sectors, SMEs, and startups- Collateral security & credit enhancements (mortgage guarantees, hypothecation, etc.)- ECL concept, Risk Management in Banks	15

Recommended Reading:

1. Reference Books:

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Banking and Financial Services Syllabus

- a) IIBF
- b) Modern Commercial Banking by H.R. Machiraju
- c) An Introduction to Commercial Banking by Dr. T. S. Kavitha Dr. P. Savitha Dr. B. Vidya Ms. N. Ramalakshmi
- d) Commercial Banking Hardcover by Christopher Gan (Editor)

2. Assessment Techniques:

- 1. Class participation, discussions and attendance
- 2. MCQs / Quizzes
- 3. Assignment project for real-world application of the learnings