

DESCRIPTION & LEARNING OBJECTIVES

You are about to embark on an exciting journey in the world of experiential learning. 'Bank On Us' is an interactive on-line simulation game that will help you learn functioning of traditional banks and develop the required management skills for running one. The game requires you to apply banking concepts and business sense in a decision-making setting to achieve the objectives of running a profitable bank. As a top-level management executive you would have to take up to 17 critical decisions. The learning objectives of the simulation experience are to-

1. Apply management decisions in a simulated economy and regulatory environment
2. Understand the "macro picture" of managing a bank and importance of cohesion of all the functional areas for deliverance of outstanding business results
3. Experience the difficulty of making short & long run decisions in face of uncertainty and learn the importance of prudent risk taking
4. Effective introspection of financial statements to make key capital and expense decisions
5. Practice the strategic management process and enhance critical thinking
6. Have fun competing against your peers

The mechanics of playing the game are very simple. As a player you compete against banks in a simulated economy that are managed by other players. The general process is to enter your firm's operating decisions for a given period. Then, in the tournament game, you will advance to the next time period in accordance to the specified schedule that will be given to you. You must make sure your decisions are submitted before the specified times otherwise your previous round decisions would get repeated. (Note: in other games, you will be competing against computer managed firms and will be able to advance the game by yourself). After end of each period, your decisions are evaluated relative to the competition and a set of reports are generated for your introspection.

DESCRIPTION OF GAME DECISIONS

The purpose of this section is to describe the game decisions and their effects on the bank in the simulation.

Interest Rate for Term Deposits

This is the rate which you would be paying to customers who would open a term deposit with your bank. In general, a bank offering a higher interest for term deposit accounts would attract higher deposits.

The factors which will affect the term deposit openings with your bank will depend on:

- Interest Rate

In case of term deposit, the interest rate primarily acts as the major pull factor. The central bank has suggested the indicative range of savings account IR to be 7% to 9%.

Interest Rate for Current Account

This is the rate which you would be paying to customers who would open a current account with your bank. In general, a bank incurs greater operational costs for a current account and hence should be looking to charge current account customer instead of paying the interest. But on the flip side, current account does provide the bank with low cost money for lending activities and a higher interest rate should help attracting more customers.

The factors which will affect the current account openings with your bank will depend on:

- Interest Rate
- Number of Bank Branches
- Number of ATMs

In case of current account, the customer values ease of banking over interest rates. The central bank has suggested the indicative range of current account IR to be -1% to 1%.

Interest Rate for Corporate Loan

This is the rate which you would be charging to corporate customers who would opt for a loan from your bank. In general, a bank offering a lower rate would attract greater number of customers.

The central bank has suggested the indicative range of corporate loan to be 10% to 12%.

Interest Rate for Personal Loan

This is the rate which you would be charging to personal customers who would opt for a loan from your bank. In general, a bank offering a lower rate would attract greater number of customers.

The central bank has suggested the indicative range of corporate loan to be 18% to 22%.

Interest Rate for Letter of Credit

This is the rate which you would be charging for opening a Letter of Credit with your bank. In general, a bank offering a lower rate would attract greater number of customers.

The central bank has suggested the indicative range of letter of credit to be 6% to 8%.

Interest Rate for Credit Card

This is the rate which you would be charging to credit card customers who would delay making payments beyond the due date. In general, a bank offering a lower rate would attract greater number of customers.

The central bank has suggested the indicative range of corporate loan to be 28% to 35%.

Interest Rate for Mortgage Loan

This is the rate which you would be charging to customers who would opt for a mortgage loan from your bank. In general, a bank offering a lower rate would attract greater number of customers.

The central bank has suggested the indicative range of corporate loan to be 14% to 16%.

Investment in G-Sec

This is the amount which your bank would be investing in bonds issued by the government. This is generally dictated by the regulatory requirements. The investment in G-Sec helps in earning a low but assured return on investment and also helps in controlling the liquidity in the market economy.

Strictness Parameter

This will set the amount of paperwork and due-diligence which your bank personnel will do before selling any Asset product to a customer. High level of strictness will result in lower default rates, which is good for the bank but at the same time it will lead to a dip in the number of customers a bank gets.

Number of ATMs

This will decide the number of ATMs you want to setup for your bank customers. The greater the number of ATMs more will be the publicity and customers. The cost of operating 1 ATM per period is around 0.1 cr.

The central bank has suggested the indicative range of ATMs to be 30 to 50.

Number of Branches

This will decide the number of Branches you want to setup for your bank customers. The greater the number of Branches more will be the publicity and customers. The cost of operating 1 Branch per period is around 0.5 cr.

The central bank has suggested the indicative range of Branches to be 15 to 30.

Investment in IT

Investment in IT helps in reducing Operational Costs.

The central bank suggests investment in range of 1-2% of average of total deposits and loans for high operational efficiency. The number to be entered will be in Crores.

Number of Shares to be Issued

This will issue more shares of your bank in the open market at current market prices. The purpose can be anything from meeting capital requirements or readying a war-chest for organic or inorganic expansion. The number to be entered will be in Thousands ('000s) of shares.

DESCRIPTION OF REPORTS

You are provided with a set of reports at beginning of each period. These reports will help you understand your performance and ways to improve the same. It is critical to clearly understand the reports before you make any decision.

Profit & Loss Statement

Profits are an important parameter for any kind of organization but when it comes to Banks, one should look at P&L statement for Net Interest Income, Net Interest Margin, Operational Costs and also the Default Provisioning carried out by the Bank.

The screenshot displays the 'Profit & Loss Statement' section of the LearnBiz simulation. The header shows 'LEARNBIZ' and user options: 'Home', 'My Account', and 'Log Out [Aakash]'. The main content area features a dropdown menu for 'Select Player' with options: 'aakash', 'Alpha', 'Beta', 'Theta', and 'Vega'. Below the dropdown is a 'Go' button. The table below shows the P & L Statement (in Crores) and Market Share.

P & L Statement (in Crores)		Market Share	
Interest Income	121.50	Term Deposits	20.0%
Interest Expenses	60.00	Current A/c	20.0%
Net Interest Income	61.50	Corporate Loan	20.0%
Operating Expenses	24.53	Mortgage Loan	20.0%
IT Expenses	0.00	Personal Loan	20.0%

Interest Income

It is the interest received on the various loans given out by the Bank.

Interest Expenses

It is the interest given to savings and current account customers of the bank.

Net Interest Income

It is the difference between Interest Income and Interest Expense.

Operating Expenses

It is the expense incurred over the period for running the bank. It includes ATM and Branch costs as well as expenses of account maintenance, which are rounded to 35% of net interest income generated.

IT Expenditure

It is equal to the IT Investment done by you in the period to reduce account maintenance expenses. IT Investment calculated as a % of average of total deposits and loans will have the following effect on the Operating Expense.

IT Investment	<1%	1%*-2%	>2%*
Op. Exp (%of Nil)	35%	15%	10%

Total Defaults

This is the total of defaults in various loan segments. It is dependent on the interest rate charged by your bank, strictness parameter applied and general economic environment. A deteriorating economy results in greater defaults because of surge in willful defaults!!

Profit before Tax

This calculated by subtracting Operating Expenses, IT Expenditure and Total Defaults from Net Interest Income.

Taxes

Income Tax applicable to Banks is about 20% of Profit before Tax. *It is interesting to note that if the Profit before Tax is negative, then the Corporate Income Tax will be negative. What this means is that the firm will receive a tax rebate.*

Net Profit

This is Profit before Tax minus Taxes.

Important Ratios – RoA

It is the return generated by your Bank on the Assets held by it. It is equal to the Net Profit divided by Total Assets in the last period.

Important Ratios – GoA

It is the growth in loan assets witnessed by your Bank. It is equivalent to growth in Loan Assets in current period over the Loan Assets in the last period.

Important Ratios – CAR

It is calculated by dividing your capital (reserves and equity) by the risk-weighted assets in the last period.

Important Ratios – NIM

It is calculated as difference between average rate charged on Bank Assets and average rate paid on Bank Liabilities.

Important Ratios – SLR

It is calculated by dividing sum of cash and investment (before system induced borrowing or lending to the central bank)* in G-Sec by the deposits of your Bank in the last period.

**Refer to Lending/Borrowing from Central Bank definition in the Balance Sheet Section*

Important Ratios – CDR

It is the ratio of total loans to total deposits with the Bank in the last period. The central bank advises the credit-deposit ratio to be between 0.65 and 0.85.

Market Share

It is the portion of the Asset/Liability product market cornered by your bank in the last period.

Default Rate

It is calculated as the % of Non-Performing Assets.

Balance Sheet

The most important Financial Statement for the Banks in the Balance Sheet. It is the health of Balance Sheet which gives the insights into sustainability of the Bank.

The screenshot shows the 'Bank on Us' interface. The main content area displays the 'Balance Sheet at the end of Round 0'. A 'Select Player' dropdown menu is open, showing options: 'aakash', 'Alpha', 'Beta', 'Theta', and 'Vega'. The 'aakash' option is selected. Below the dropdown is a 'Go' button. The balance sheet table is as follows:

Assets (in Crores)		Liabilities (in Crores)	
Cash	129.57	Current A/c Deposits	300.00
Investment in G-Securities	150.00	Term Deposits	750.00
Corporate Loans	300.00	Borrowing from Other Banks	0.00
Personal Loans	100.00	Accumulated Reserves	29.57

Cash

It is the amount held by your Bank as cash. Some amount is mandated by the central bank to be held as cash only.

Investment in G-Sec

It is equal to the investment done by your Bank in G-Sec. Ideally it should atleast meet the regulatory requirements.

Corporate Loan

It is the total amount of outstanding corporate loans that have been taken from your Bank.

Personal Loan

It is the total amount of outstanding personal loans that have been taken from your Bank.

Credit Card

It is the total amount of outstanding credit card loans that have been taken from your Bank.

Letter of Credit

It is the total amount of outstanding letter of credit loans that have been taken from your Bank.

Mortgage Loan

It is the total amount of outstanding mortgage loans that have been taken from your Bank.

Deposit with Other Banks

The deposit with the Other Bank is decided automatically by the system in case you have cash excess of the CRR & SLR requirement. This is done to ensure that the bank earns interest on excess cash. The interest rate paid on such deposits is equivalent to reverse-repo rate set by the central bank.

However, please note that Cash with Bank or SLR which is indicated in the P&L Statement is calculated basis the Cash with the bank before system induced lending.

Total Assets

It is the total of Cash, Investment in G-Sec, Corporate Loan, Personal Loan, Mortgage Loan, Letter of Credit, Credit Card and Lending to Central Bank.

Term Deposits

It is the total amount of outstanding term deposits of customers of your Bank.

Current Account

It is the total amount of outstanding deposits in the current account of customers of your Bank.

Borrowing from Other Banks

The borrowing from Other Banks is decided automatically by the system in case cash is falling short of the SLR requirement. This will result in an additional expense as borrowing from other banks is done at an interest rate equaling the repo-rate set by the central bank.

However, please note that SLR which is indicated in the P&L Statement is calculated basis the Cash with the bank before system induced borrowing.

Reserves

It is the cumulative profit that has been logged by the Bank under your administrative guidance.

Equity

It is equal to the money raised from the promoters. At the start, you have raised Rs. 50 crores by issuing 50 lakh shares of Rs. 100/- each. If in a round, your Bank was found to violate minimum CAR requirements, then adequate number of shares would be issued at 15% discount to prevailing share price as an emergency measure to ramp-up capital.

Total Liabilities and Shareholders' Equity

It is the total of savings account, current account, borrowings from central bank, reserves and equity.

Market Information

Market Information is important to understand the overall economy and the likely regulatory changes. Your decisions concerning interest rates, strictness, and others, should be modified based on your assessment of the conditions. The Market Information report includes information on competitive landscape, an Economic Statement and New Regulatory Requirements of the Central Bank and also the values of those parameters of your Bank.

The screenshot shows the 'Market Information' section for 'Round 1'. It contains three tables:

GDP Index	
Current	100
Projected	102

Competition	
Avg ATMs	5
Avg Branches	5
Avg IT Investment	0.0
Avg Default Rate	0.0

Regulator	
Risk Weights	
Corporate Loan	20%
Personal Loan	150%
Credit Card	300%
Letter of Credit	10%
Mortgage Loan	100%
Policy Rates	

Competition – Averages

This represents the average of the ATMs, Branches, IT Investment and Default Rates of the various players in the economy.

Range of Interest Rates

This indicates the lowest and the highest interest rates charged/offered by the competing banks in the economy. You may use this information to understand the impact of interest rates on your bank's market share.

Economic Statement & New Regulatory Requirements

You will be informed in advance about any important regulatory change and also the expected reading of the GDP of the economy.

The customer growth rates and the default rates are impacted by change in GDP. The variation depends on the type of product, the below table provides indicative figures-

Overall Market Growth	GDP Growth Rate			
	<1%	1%-2%	2%-3%	>3%
Term Deposits	10%	5%	0%	-5%
Current Account	0%	0%	5%	10%

Corporate Loan	-5%	0%	5%	10%
Mortgage Loan	-10%	5%	10%	15%
Personal Loan	-15%	0%	5%	10%
Credit Card	-10%	0%	5%	10%
Letter of Credit	-5%	0%	0%	5%
Default Rate				
Corporate Loan	1%	0.75%	0.5%	0.1%
Mortgage Loan	3%	1.5%	0.75%	0.25%
Personal Loan	3%	2%	0.9%	0.25%
Credit Card	3.5%	2.25%	1%	0.25%
Letter of Credit	1%	0.25%	0%	0%

Note: The Default Rate for any asset is dependent on the GDP rate (as mentioned above) as well as the strictness factor. Also, lower the interest rate charged more will be the probability of default.

Capital Adequacy Requirement

It is the amount of capital that your Bank would have to keep against the loans issued by it. It is announced in percentage terms and is calculated by dividing capital (reserves and equity) by the risk-weighted assets. The default weights for various kind of assets is as follows-

Asset	Default Risk-Weights
Corporate Loan	20%
Mortgage Loan	100%
Personal Loan	150%
Credit Card	300%
Letter of Credit	10%

The above helps in keeping a balance between the profits and risks faced by Banks

Cash Reserve Ratio Requirement

It is the minimum amount of cash that your Bank would have to keep against the deposits with it. It is announced in percentage terms and is calculated by dividing cash by the deposits.

Statutory Liquidity Ratio Requirement

It is the minimum amount of cash plus Investment in G-Sec that your Bank would have to keep against the deposits with it. It is announced in percentage terms and is calculated by dividing sum of cash and investment in G-Sec by the total deposits.

Repo Rate

It is the rate of interest charged by the central bank for borrowing money from it.

Reverse Repo Rate

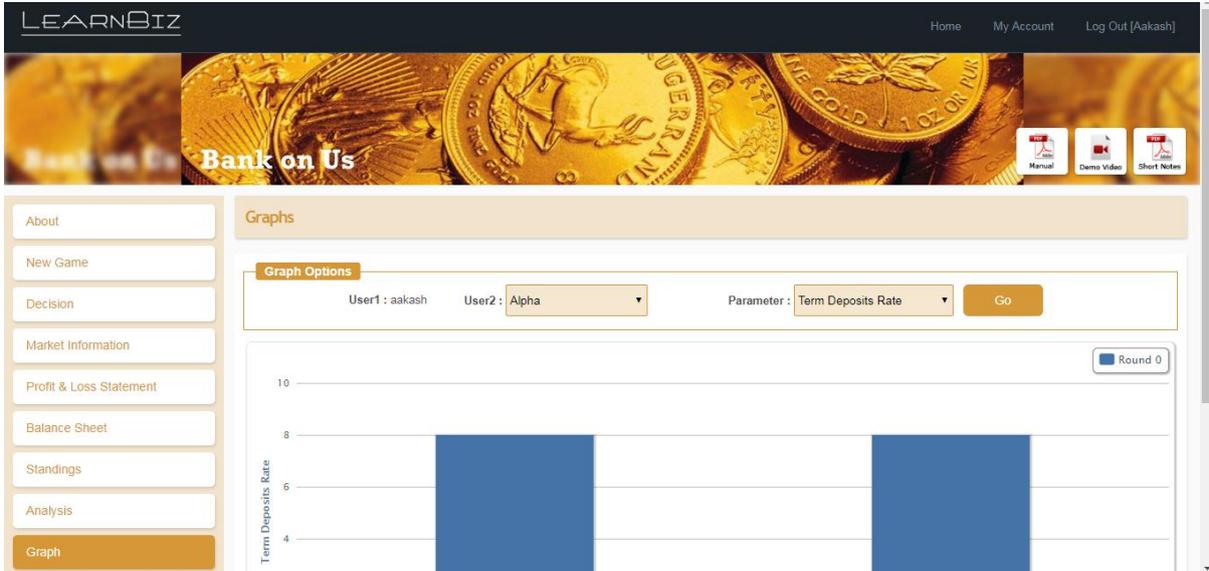
It is the rate of interest paid by the central bank for depositing money with it.

G-Sec Return

It is the expected rate of return for investment in G-Sec.

Graphs

The Competitive Analysis Report Graphs are available for you to check the performance drivers of each firm in the game.



Standings

The Standings lists the share price of each firm in the game. The firms are ranked by share price. The share price is calculated by using the CAMELS parameters, viz. Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Systems & Controls. The quantitative factors which have been used are Return on Assets, Growth in Loan Assets, Overall Default Rate, Cash Reserve Ratio, Capital Adequacy Ratio, Credit-Deposit Ratio and Statutory Liquidity Ratio of the Bank.

The screenshot displays the 'Standings' page in the 'Bank on Us' simulation. The page title is 'Standings' and it shows the results for 'Standings at the end of Round 0'. The table below lists the players and their share prices.

Rank	Player	Share Price
1	aakash	₹100.00
1	Alpha	₹100.00
1	Beta	₹100.00
1	Theta	₹100.00
1	Vega	₹100.00

CAR

If a firm does not meet CAR requirements as set by central bank will have its share price decreased by 15%. If CAR is 2% more than the CAR requirements set by central bank then share price will decrease by 5%. Otherwise share price will increase by 10%.

Default Rate

The firm with highest Default Rate will have its share price decreased by 10% whereas the firm with lowest Default Rate will have its share price increased by 5%. Other firms will have their share price affected by anything between +5% and -10%.

RoA

The firm with highest RoA will have its share price increased by 5% whereas the firm with lowest RoA will have its share price decreased by 5%. Other firms will have their share price affected by anything between +5% and -5%.

GoA

The firm with highest GoA will have its share price increased by 10% whereas the firm with lowest GoA will have its share price decreased by 10%. Other firms will have their share price affected by anything between +10% and -10%.

NIM

The firm with highest Net Interest Margin will have its share price increased by 5% whereas the firm with lowest Net Interest Margin will have its share price decreased by 5%. Other firms will have their share price affected by anything between +5% and -5%.

SLR

If a firm meets SLR requirements as set by central bank will have its share price increased by 2.5%, otherwise share price will decrease by 5%.

CDR

If credit-deposit ratio of a firm is not between 0.65 and 0.85, then its share price will decrease by 5%, else share price will increase by 10%.