

BANKING AWARENESS CAPSULE FOR SBI PO, CLERK & BOB PO EXAM

Exclusively prepared for RACE students

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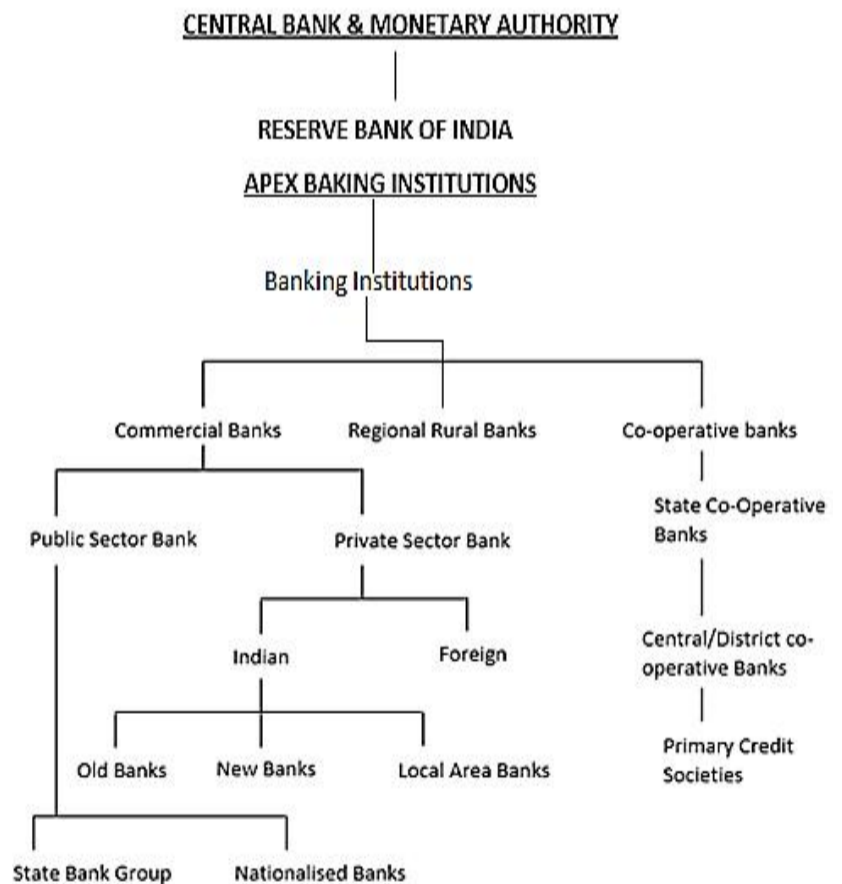
BANK

Bank is an institution which **attracts deposits from the public and lends the money** to the needy persons at various interest rates. **Under Banking Regulation Act 1949**, controls Banking Activities in India.

History of Banking in India

- First bank established in India: **Bank of Hindustan** in 1770.
- Second Bank: **General Bank of India**, 1786
- The **Imperial Bank of India** (IBI) was the oldest and the largest commercial bank of the Indian subcontinent. It was created in Jan 1921 by amalgamation of three presidency banks, those are, **Bank of Bengal, Bank of Bombay, Bank of Madras**.
- After nationalization in 1955, the Imperial Bank of India was named as **State Bank of India (SBI)**.
- State Bank of India merged with three banks namely Bank of Bengal, Bank of Bombay and Bank of Madras in 1921 to form the Imperial Bank of India which was converted as State Bank of India.
- **Central Bank of India** was the first public bank to introduce credit card.
- **Central Bank of India** is the first commercial bank which was managed by Indians.
- **ICICI Bank** was the first bank to provide Mobile ATM
- **Bank of Baroda** has the maximum number of overseas branches.
- India's first "Talking" Automated Teller Machine (ATM) launched by **Union Bank of India (UBI)** for visually impaired, was launched in Ahmedabad (Gujarat).
- The National Payments Corporation of India (NPCI) launches India's first rural bank ATM card with a regional rural bank in **Varanasi**.
- First Indian bank got ISO: **Canara Bank**
- First Indian Bank started solely with Indian capital investment is **PNB (Punjab National Bank)**. Founder of Punjab National Bank is Lala Lajpat Rai.
- Reserve Bank of India (RBI) **was instituted in 1935**.
- First Governor of RBI: **Mrs. Osborne Smith**
- First Indian Governor of RBI: **Mr. C. D. Deshmukh**
- First Bank to introduce Savings Account in India: **Presidency Bank** in 1833
- First Bank to introduce Cheque System in India: **Bengal Bank** in 1833
- First Bank to introduce Internet Banking: **ICICI Bank**
- First Bank to introduce Mutual Fund: **State Bank of India**
- Largest Commercial Bank in India – **State Bank of India**
- First Bank to introduce Credit Card in India: **Central Bank of India**
- Credit cards are known as **Plastic Money**
- **Open market operations** are carried out by RBI
- India's First Financial Archive has been set up at – **Kolkata**
- CRR, SLR, Repo Rate, Reverse Repo Rate are decided by **RBI**

- Savings banks interest rates, fixed deposit interest rates, Loan Rates etc are decided by **Individual Banks**.
- The bank which has launched Mobile Bank Accounts in association with Vodafone's m-paisa- **HDFC Bank**
- Largest Public-Sector Bank in India – **SBI**
- Largest Private Sector Bank in India – **ICICI**
- Largest Foreign Bank in India – **Standard Chartered Bank**
- First Indian Bank to open branch outside India (London in 1946) – **Bank of India**
- First RRB named Prathama Grameen Bank was started by **Syndicate Bank**.
- First Bank to introduce ATM in India: **HSBC** in 1987, Mumbai
- Capital Market Regulator is **SEBI**.



Reserve Bank of India (RBI)

- The **Reserve Bank of India (RBI)** is India's central banking institution, which controls the monetary policy of the Indian rupee.
- The Reserve Bank of India was established on **April 1, 1935** in accordance with the provisions of the **Reserve Bank of India Act, 1934** (recommendations of **Hilton Young Commission**).

➤ The Central Office of the Reserve Bank was initially established in **Calcutta** but was permanently moved to **Mumbai in 1937**. The Central Office is where the Governor sits and where policies are formulated.

➤ Though originally **privately owned**, since nationalisation in 1949, the Reserve Bank is fully owned by the **Government of India**. RBI was nationalised on **1 January 1949**.

➤ The RBI has **four zonal offices** at Chennai, Delhi, Kolkata and Mumbai.

List of Members:

➤ The general superintendence and direction of the RBI is entrusted with the **21-member central board of directors:**

➤ The governor; 4 Deputy Governors; 2 Finance Ministry representatives (usually the Economic Affairs Secretary and the Financial Services Secretary); 10 government-nominated directors to represent important elements of India's economy; and 4 directors to represent local boards headquartered at Mumbai, Kolkata, Chennai and New Delhi.

➤ Each of these local boards consists of 5 members who represent regional interests, the interests of co-operative and indigenous banks.

Main Functions of RBI:

Monetary Authority:

➤ Formulates, implements and monitors the monetary policy.

➤ Objective: maintaining price stability while keeping in mind the objective of growth.

Regulator and supervisor of the financial system:

➤ Prescribes broad parameters of banking operations within which the country's banking and financial system functions such as commercial banks, financial institutions and non-banking finance companies.

➤ Objective: maintain public confidence in the system, protect depositors' interest and provide cost-effective banking services to the public.

Manager of Foreign Exchange:

➤ Manages the Foreign Exchange Management Act, 1999.

➤ Objective: to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

Issuer of currency:

➤ Issues and exchanges or destroys currency and coins not fit for circulation.

➤ Objective: to give the public adequate quantity of supplies of currency notes and coins and in good quality.

Developmental role:

➤ Performs a wide range of promotional functions to support national objectives.

Banking Related Functions:

➤ Banker to the Government: performs merchant banking function for the central and the state governments; also acts as their banker.

➤ Banker to banks: maintains banking accounts of all scheduled banks.

Subsidiaries of RBI

Fully owned: Deposit Insurance and Credit Guarantee Corporation of India (DICGC), Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL), and National Housing Bank (NHB).

Deposit Insurance and Credit Guarantee Corporation of India (DICGC)

Deposit Insurance and Credit Guarantee Corporation (DICGC) is a subsidiary of Reserve Bank of India. It was established on **15 July 1978** under Deposit Insurance and Credit Guarantee Corporation Act, 1961 **for the purpose of providing insurance of deposits and guaranteeing of credit facilities.**

Before DICGC, there were two corporations named **Deposit Insurance Corporation (DIC)** and **Credit Guarantee Corporation of India Ltd. (CGCI)** which were **merged to form DICGC** with a view to integrate the functions of both DIC and CGCI.

DICGC insures all bank deposits, such as saving, fixed, current, recurring deposit for up to the **limit of Rs. 100,000** of each deposit in a bank. However, if there are more accounts in same bank, all of those are **treated as a single account**. The insurance premium is paid by the insured banks itself.

The functions of the DICGC (Deposit Insurance and Credit Guarantee Corporation) are governed by the provisions of '**The Deposit Insurance and Credit Guarantee Corporation Act, 1961 (DICGC Act)**' and 'The Deposit Insurance and Credit Guarantee Corporation General Regulations, 1961' framed by the Reserve Bank of India in exercise of the powers conferred by **sub-section (3) of Section 50** of the said Act. Chairman of DICGC - **B.P.Kanungo**. Its head office is located in **Mumbai, Maharashtra**.

Banks covered by Deposit Insurance Scheme

(I) All commercial banks including the branches of foreign banks functioning in India, Local Area Banks and Regional Rural Banks.

(II) Co-operative Banks - All eligible co-operative banks as defined in Section 2(gg) of the DICGC Act are covered by the Deposit Insurance Scheme

Bharatiya Reserve Bank Note Mudran Private Limited:

Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) is a wholly owned subsidiary of Reserve Bank of India **which prints bank notes** (Indian rupees) for the Reserve Bank of India (RBI). It was established **in 1995** to address the **demand of bank notes**. Its headquarters is located in **Bangalore, Karnataka**. Chairman of BRBNMPL - **B. P. Kanungo**.

BRBNMPL supplies a major portion of bank note requirement in the country with the remaining requirements met through **Security Printing and Minting Corporation of India Limited (SPMCIL)**, a public sector undertaking wholly owned by **Government of India**. BRBNMPL has two presses in **Mysore** and **Salboni**.

The company made a **world record** by printing more than 20,000 million pieces of bank notes in financial year 2016-17. The company has its own design cell. It has the capability to print all the denominations of Indian bank Notes. The other two bank note presses of SPMCIL are **Currency Note Press (Nashik)** and **Bank Note Presses (Dewas)** which print bank notes in small quantities.

Under SPMCIL, **Security Paper Mill (SPM)**, Hoshangabad was established in 1968 and notified as non-commercial undertaking under the administrative control of Ministry of Finance, Govt. of India. SPM, a IISO 9001:2000 unit is responsible for manufacturing of different types of Security Papers.

The **Mints** are situated at Mumbai, Hyderabad, Kolkata and Noida have rich minting heritage and legacy of producing quality products. These mints are carrying out minting of all coins circulated in the country.

National Housing Bank:

National Housing Bank (NHB), a wholly owned subsidiary of Reserve Bank of India (RBI), was set up on **9 July 1988** under the **National Housing Bank Act, 1987**. NHB is an **apex financial institution for housing**. NHB has been established with an objective to operate as a principal agency **to promote housing finance institutions both at local and regional levels** and to provide financial and other support incidental to such institutions and for matters connected therewith.

Under the Chairmanship of **Dr. C. Rangarajan**, the then Deputy Governor, RBI to examine the proposal and recommended the **setting up of National**

Housing Bank as an autonomous housing finance institution. **NHB RESIDEX** was launched **first official residential housing price index**. Its Headquarters is in **New Delhi, India**. MD & CEO of NHB - **Sriram Kalyanaraman**.

Ways and Means Advances (WMA)

WMA is a mechanism used by Reserve Bank of India (RBI) **under its credit policy** by which to provide to States banking with it to help them to tide over temporary mismatches in the cash flow of their receipts and payments. This is guided under **Section 17(5) of RBI Act, 1934**, and are repayable in each case not later than three months from the date of making that advance'.

There are two types of WMA – **Normal and Special**. While Normal WMA are **clean advances**, Special WMA are **secured advances** provided against the pledge of government of India-dated securities.

Under Section 17(5) of RBI Act allows **RBI to make WMA both to the Central and State Govt. Objective:** To bridge the interval between expenditure and receipts. They are not a sources of finance but are meant to provide support, for purely temporary difficulties that arise on account of mismatch/shortfall in revenue or other receipts for meeting the govt. liabilities.

Minimum Reserve System

For the issue of currencies, the RBI follows **Minimum Reserve System** at present. The Minimum Reserve System (MRS) is followed from 1956 onwards.

Under the Minimum Reserve System, the RBI has to keep a minimum reserve of **Rs.200 crore** comprising of gold coin and gold bullion and foreign currencies. Out of the total Rs 200 crores, **Rs.115 crore** should be in the form of gold coins or gold bullion. The purpose of shifting to MRS was to expand money supply to meet the needs of increasing transactions in the economy.

Monetary Policy & Its Framework:

The **Reserve Bank of India** (RBI) is vested with the responsibility of conducting monetary policy. This responsibility is explicitly mandated under the **Reserve Bank of India Act, 1934**.

Monetary policy refers to the use of **monetary instruments under the control of the central bank to regulate magnitudes** such as interest rates, money supply and availability of credit with a view to achieving the ultimate objective of economic policy, while keeping in mind the objective of growth **specified in the Act**.

The framework aims **at setting the policy (repo) rate** based on an assessment of the current and evolving macroeconomic situation; and modulation of liquidity conditions to anchor money market rates at or around the repo rate.

MEMBERS:

As per the provisions of the RBI Act, out of the six Members of Monetary Policy Committee, three Members will be from the **RBI** and the other three Members of MPC will be appointed by the **Central Government**. The **Governor of Reserve Bank of India** is the chairperson ex officio of the committee.

The committee was created in 2016 to bring transparency and accountability in fixing India's Monetary Policy. The current mandate of the committee is to maintain 4% annual inflation **until March 31, 2021** with an upper tolerance of 6% and a lower tolerance of 2%.

Instruments of Monetary Policy

There are several direct and indirect instruments that are used for implementing monetary policy.

Credit Management Techniques:

The basic premise of macro-prudential and micro-prudential policies is early detection of such build-ups and initiation of suitable corrective action. Two types of techniques, i.e., **Quantitative (Policy Rates, Reserve Ratios, and Open Market Operation)** and **Qualitative credit controls (Margin Requirements/ LTV, Consumer credit regulation, Selective credit control, Moral Suasion)** have been used by the central banks world-wide to achieve their objective of managing flow of credit in the economy.

Quantitative Credit Control

Policy Rates

Repo Rate:

The (fixed) interest rate at which the **Reserve Bank provides overnight liquidity to banks** against the collateral of government and other approved securities under the liquidity adjustment facility (LAF).

Repo (Repurchase) rate also known as the benchmark interest rate is the rate at which the RBI lends money to the banks for a short-term (max. 90 days). When the repo rate increases, borrowing from RBI becomes more expensive.

Reverse Repo Rate:

The (fixed) interest rate at which the **Reserve Bank absorbs liquidity**, on an overnight basis, from banks against the collateral of eligible government securities under the LAF. It is opposite to that of Repo Rate.

An increase in the reverse repo rate means that the banks will get a higher rate of interest from RBI. As a result, banks prefer to lend their money to RBI which is always safe instead of lending it to others (people, companies etc.) which is always risky.

Liquidity Adjustment Facility (LAF) :

LAF is a monetary policy which allows **banks borrow money through repurchase agreements**. LAF consists of repo and reverse repo operations. In LAF, money transaction is done via RTGS (Real time Gross settlement). RTGS is an online money transfer method.

The **aim of term repo** is to help develop the inter-bank term money market, which in turn can set market-based benchmarks for pricing of loans and deposits, and hence improve transmission of monetary policy. LAF is used to aid banks **in adjusting the day to day mismatches in liquidity**.

Marginal Standing Facility (MSF) :

A facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their **Statutory Liquidity Ratio (SLR)** portfolio up to a limit at a penal rate of interest. This provides a safety valve against unanticipated liquidity shocks to the banking system.

All Scheduled Commercial Banks having Current Account and SGL (Subsidiary General Ledger Account) Account with Reserve Bank, Mumbai will be eligible to participate in the MSF Scheme.

The Facility will be available on all working days in Mumbai, excluding Saturdays between **3.30 P.M. and 4.30 P.M.** Requests will be received for a minimum amount of **Rs. One crore** and in multiples of Rs. One crore thereafter. MSF will be undertaken in all SLR-eligible transferable **Government of India (GoI) dated Securities/Treasury Bills and State Development Loans (SDL)**.

Corridor: The MSF rate and reverse repo rate determine the corridor for the daily movement in the weighted average call money rate.

Bank Rate:

It is the rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers. The Bank Rate is published under **Section 49 of the Reserve Bank of India Act, 1934**. This rate has been aligned to the MSF rate and, therefore, changes automatically as and when the MSF rate changes alongside policy repo rate changes.

Note: The Reverse Repo Rate (RRR) will be kept 100 basis points lower than the Repo Rate (RR), on the other hand, Marginal Standing Facility (MSF) will be kept 100 basis points, higher than the repo rate.

Reserve Ratio**Cash Reserve Ratio (CRR) :**

The **average daily balance** that a bank is required to maintain with the Reserve Bank as a share of such per cent of its **Net Demand and Time Liabilities (NDTL)** that the Reserve Bank may notify from time to time in the Gazette of India. Banks can't lend the money to corporates or individual borrowers, banks can't use that money for investment purposes. So, that **CRR remains in current account** and banks don't earn anything on that.

In terms of **Section 42(1) of the RBI Act, 1934**, all Scheduled Banks are required to maintain with Reserve Bank of India a Cash Reserve Ratio (CRR) of **4% of Net Demand and Time Liabilities (NDTL)**.

If **RBI increases CRR**, the available amount with banks comes down, RBI uses it to drain out excessive money from the banks and vice versa.

Demand Liabilities:

Demand liabilities are such deposits of the **customers which are payable on demand**. An example of demand liability is a deposit maintained in a saving account or current account that is payable on demand through a withdrawal form such as a cheque.

Time Liabilities:

Time liabilities refer to the liabilities which the commercial banks are liable **to pay to the customers after a certain period mutually agreed upon**. An example of time liability is a six-month fixed deposit which is not payable on demand but only after six months.

Net Demand and Time Liabilities (NDTL) :

The **Net Demand and Time Liabilities** or NDTL shows the difference between the sum of demand and time liabilities (deposits) of a bank (with the public or the other bank) and the deposits in the form of assets held by the other bank.

Example: Suppose a bank has deposited 5000 with the other bank and its total demand and time liabilities (including the other bank deposit) is 10,000. Then the net demand and time liabilities will be 5,000 (10,000-5,000).

Liabilities of a bank may be in the form of **demand or time deposits or borrowings or other miscellaneous items of liabilities**. As defined under Section 42 of RBI Act, 1934, liabilities of a bank may be towards banking system or towards others. "**Demand Liabilities**" include all liabilities which are payable on demand. "**Time Liabilities**" are those which are payable otherwise than on demand.

Statutory Liquidity Ratio (SLR) :

The share of NDTL that a bank is required to maintain in safe and liquid assets, such as, **unencumbered government securities, cash and gold**. Changes in SLR often influence the availability of resources in the banking system for lending to the private sector. Statutory liquidity ratio is determined by Reserve Bank of India maintained by banks in order to control the expansion of bank credit.

It is determined by a **percentage of total demand and time liabilities**. The SLR is commonly used to control inflation and fuel growth, by increasing or decreasing it respectively. The present SLR is 19.5% (June 2018), but RBI has the **power to increase it up to 40%**, if it so deems fit in the interest of the economy.

Difference between CRR & SLR:

- Both CRR and SLR are instruments in the hands of RBI to regulate money supply in the hands of banks that they can pump in economy
- CRR is cash reserve ratio that stipulates the percentage of money or cash that banks are required to keep with RBI
- SLR is statutory liquidity ratio and specifies the percentage of money a bank has to maintain in the form of cash, gold, and other approved securities
- CRR controls liquidity in economy while SLR regulates credit growth in the country
- While banks themselves maintain SLR in liquid form, CRR is with RBI maintained as cash.

Open Market Operations (OMOs) :

OMOs are the market operations conducted by the RBI by way of sale/purchase of G-Secs (Govt Securities) to/ from the market with an **objective to adjust the rupee liquidity conditions in the market on a durable basis**. When the RBI feels that there is excess liquidity in the market, it resorts to sale of securities thereby sucking out the rupee liquidity. Similarly, when the liquidity conditions are tight, RBI may buy securities from the market, thereby releasing liquidity into the market.

Market Stabilisation Scheme (MSS) :

The Reserve Bank under **Governor YV Reddy initiated the MSS scheme in 2004**. **Market Stabilisation Scheme** or MSS is a tool used by the Reserve Bank of India to suck out excess liquidity from the market through issue of securities like Treasury Bills, Dated Securities etc. on behalf of the government.

The money raised under MSS is kept in a separate account called **MSS Account** and not parked in the government account or utilised to fund its expenditures. The Reserve Bank sharply raised the Market Stabilisation Scheme (MSS) **ceiling to Rs 6 lakh crore from Rs 30,000 crore**.

Qualitative Credit Controls**Marginal requirement:**

The marginal requirement of a loan is the **current value of security offered for a loan** or the value in totality of the loans granted. The marginal requirement is increased for those business activities, whose flow of credit is to be restricted in the economy. The Reserve Bank of India has been using this method **since 1956**. If margin percent is more, then fewer loans will be given for a certain value of security. If margin percent is less, more loans will be given.

Example: A person mortgages his property worth Rs. 5,00,000 against loan. The bank will give loan of Rs. 2,50,000 only. The marginal requirement here is 20%. In case the flow of credit has to be increased, the marginal requirement will be lowered.

Rationing of credit:

Under this method there is a **maximum limit** to loans and advances that can be made, which the commercial banks cannot exceed. RBI fixes ceiling for specific categories. Such rationing is used for situations when credit flow is to be checked, particularly for speculative activities. This is all fake Minimum of "**capital: total assets**" (ratio between capital and total asset) can also be prescribed by Reserve Bank of India.

Direct Action:

Under the banking regulation Act, the central bank has the authority to take strict action against any of the commercial banks that refuses to obey the directions given by Reserve Bank of India. There can be a restriction on advancing of loans imposed by Reserve Bank of India on such banks. e.g. – RBI had put up certain restrictions on the working of the Metropolitan co-operative banks.

Moral Suasion:

This method is also known as "moral persuasion" as the method that the Reserve Bank of India, being the apex bank uses here, is that of **persuading the commercial banks to follow its directions/orders on the flow of credit**. It is part of meetings between RBI and Commercial Banks. RBI persuade the commercial bank to follow their policies. RBI puts a pressure on the commercial banks to put a ceiling on credit flow during inflation and be liberal in lending during deflation.

RBI (Reserve Bank of India)

> Headquarters: **Mumbai, Maharashtra, India**

> Governor: **Dr. Urjit R. Patel**

> Deputy Governors: **Shri N. S. Vishwanathan, Dr. Viral V. Acharya, Shri B.P. Kanungo, Shri M K Jain (June 2018).**

Legal Framework of RBI:**I. Acts administered by Reserve Bank of India**

- Reserve Bank of India Act, 1934
- Public Debt Act, 1944/Government Securities Act, 2006
- Government Securities Regulations, 2007
- Banking Regulation Act, 1949
- Foreign Exchange Management Act, 1999
- Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (Chapter II)
- Credit Information Companies (Regulation) Act, 2005
- Payment and Settlement Systems Act, 2007
- Payment and Settlement Systems Regulations, 2008 and Amended up to 2011 and BPSS Regulations, 2008
- The Payment and Settlement Systems (Amendment) Act, 2015 - No. 18 of 2015
- Factoring Regulation Act, 2011

II. Other relevant Acts

- Negotiable Instruments Act, 1881
- Bankers' Books Evidence Act, 1891
- State Bank of India Act, 1955
- Companies Act, 1956/ Companies Act, 2013
- Securities Contract (Regulation) Act, 1956
- State Bank of India Subsidiary Banks) Act, 1959
- Deposit Insurance and Credit Guarantee Corporation Act, 1961
- Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
- Regional Rural Banks Act, 1976
- Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980
- National Bank for Agriculture and Rural Development Act, 1981
- National Housing Bank Act, 1987
- Recovery of Debts Due to Banks and Financial Institutions Act, 1993
- Competition Act, 2002
- Indian Coinage Act, 2011: Governs currency and coins
- Banking Secrecy Act

- The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003
- The Industrial Finance Corporation (Transfer of Undertaking and Repeal) Act, 1993

Some Important Acts under RBI**Reserve Bank of India Act, 1934**

Reserve Bank of India Act, 1934 is the legislative act under which the Reserve Bank of India was formed. This act along with the Companies Act, which was amended in 1936, were meant to provide a framework for the supervision of banking firms in India.

The **First schedule** of the RBI Act 1934 defines the 4 areas under which the Indian states should come. The 4 areas are Western Area, Eastern Area, Northern Area, and Southern Area.

The **Second schedule** of the Act **lists all the Scheduled Banks in India** (Sections 2(e) and 42).

Important Section under RBI Act, 1934:

Section 3: Establishment and incorporation of Reserve Bank.

Section 4: Capital of the Bank.

Section 5: Increase and reduction of share capital.

Section 6: Offices, branches and agencies.

Section 7: Management.

Section 8: Composition of the Central Board, and term of office of Directors

Section 17: The Act defines manner in which the RBI can conduct business.

The RBI can accept deposits from the central and state governments without interest. It can purchase and discount bills of exchange from commercial banks. It can purchase foreign exchange from banks and sell it to them.

Section 18: Deals with emergency loans to banks.

Section 20: Obligation of the Bank to transact Government business.

Section 21: States that RBI must conduct the banking affairs for the central government and manage public debt.

Section 22: Says that only RBI has the exclusive rights to issue currency notes in India.

Section 24: States that the maximum denomination a note can be Rs.10,000 (US\$150).

Section 26: Describes the legal tender character of Indian bank notes.

Section 27: Re -issue of notes.

Section 28: Allows the RBI to form rules regarding the exchange of damaged and imperfect notes.

Section 31: Says that in India only the RBI or the central government can issue and accept promissory notes that are payable on demand. However, cheque, that are payable on demand, can be issued by anyone.

Section 42(1) : Says that every scheduled bank must have an average daily balance with the RBI. The amount of the deposit shall be more than a certain percentage of its net time and demand liabilities in India.

Banking Regulation Act, 1949

The **Banking Regulation Act, 1949** is a legislation in India that regulates all banking firms in India. Passed as the Banking Companies Act 1949, it came into force from 16 March 1949 and changed to Banking Regulation Act 1949 from 1st March 1966. Initially, the law was applicable only to banking companies. But, 1965 it was amended to make it applicable to cooperative banks and to introduce other changes. It is applicable only in Jammu and Kashmir in 1956 but now applicable throughout India.

The Act provides a framework using **which commercial banking in India is supervised and regulated**. The Act supplements the Companies Act, 1956. Primary Agricultural Credit Society and cooperative land mortgage banks are excluded from the Act.

In 1965, the Act was amended to include **cooperative banks under its purview by adding the Section 56**. Cooperative banks, which operate only in one state, are formed and run by the state government. But, RBI controls the licensing and regulates the business operations.

Important Section under Banking Regulation Act, 1949:

- Section 6:** Form and business in which banking companies may engage
- Section 7:** Use of words "bank", "banker", "banking" or "banking company"
- Section 8:** Prohibition of Trading Section
- Section 9:** Disposal of non-banking assets
- Section 11:** Requirement as to minimum paid-up capital and reserves
- Section 12:** Regulation of paid-up capital, subscribed capital and authorised capital and voting rights of shareholders
- Section 13:** Restriction on commission, brokerage, discount, etc. on sale of shares
- Section 14:** Prohibition of charge on unpaid capital
- Section 17:** Reserve Fund
- Section 18:** Cash reserve
- Section 20:** Restrictions on loans and advances
- Section 21:** Power of Reserve Bank to control advances by banking companies
- Section 22:** Licensing of banking companies
- Section 26:** Return of unclaimed deposits
- Section 26 A:** Establishment of Depositor Education and Awareness Fund
- Section 29:** Accounts and balance -sheet
- Section 29A:** Power in respect of associate enterprises
- Section 30:** Audit
- Section 33:** Display of audited balance-sheet by companies incorporated outside India
- Section 35AB:** Power of Reserve Bank to issue directions in respect of stressed assets
- Section 45 -** Power of Reserve Bank to apply to Central Government for suspension of business by a banking company and to prepare scheme of reconstitution or amalgamation
- Section 46 -** Penalties
- Section 56 -** Act to apply to co-operative societies subject to modifications

Foreign Exchange Management Act, 1999 (FEMA)

The main objective of **Foreign Exchange Management Act, 1999 (FEMA)** is to consolidate and amend the law relating to foreign exchange with the **objective of facilitating external trade and payments** and for promoting the orderly development and maintenance of foreign exchange market in India.

It was passed in the winter session of Parliament in 1999, replacing the **Foreign Exchange Regulation Act (FERA)** due to Foreign exchange reserves were low.

It also paved the way for the introduction of the **Prevention of Money Laundering Act, 2002**, which came into effect from 1 July 2005.

FEMA is **applicable to all parts of India**. The act is also applicable to all branches, offices and agencies outside India owned or controlled by a person who is a resident of India.

The FEMA head-office, also known as **Enforcement Directorate** is situated in **New Delhi** and is headed by a Director. The Directorate is further divided into 5 zonal offices in Delhi, Mumbai, Kolkata, Chennai and Jalandhar and each office is headed by a Deputy Director.

Remittance Facilities under FEMA

Money Changing Activity:

- Authorised Money Changers (AMCs) are entities, authorised by the Reserve Bank under **Section 10 of the Foreign Exchange Management Act, 1999**. An AMC is a Full-Fledged Money Changer (FFMC).
- FFMCs are authorised (a) **to purchase** foreign exchange from non-residents visiting India and residents; and (b) **to sell** foreign exchange for certain approved purposes.

Money Transfer Service Scheme (MTSS)

- Money Transfer Service Scheme (MTSS) is a quick and easy way of **transferring personal remittances from abroad to beneficiaries in India**.
- **Only inward personal remittances** into India such as remittances towards family maintenance and remittances favouring foreign tourists visiting India are permissible.
- **No outward remittance** from India is permissible under MTSS.
- The system envisages a tie-up between reputed money transfer companies abroad known as **Overseas Principals** and agents in India known as **Indian Agents** who would disburse funds to beneficiaries in India at ongoing exchange rates.
- The Indian Agent **is not allowed** to remit any amount to the Overseas Principal. Under MTSS the remitters and the beneficiaries are **individuals only**.
- A cap of **USD 2,500** has been placed on individual remittances under the scheme. In addition, **thirty remittances** can be received by a single individual beneficiary under the scheme during a calendar year.
- Amounts up to **INR 50,000/- may be paid in cash to a beneficiary in India**. These can also be loaded on to a pre-paid card issued by banks. **Any amount exceeding this limit** shall be paid by means of account payee cheque/ demand draft/ payment order, etc., or **credited directly to the beneficiary's bank account**. However, in exceptional circumstances, where the beneficiary is a foreign tourist, higher amounts may be disbursed in cash.

Rupee Drawing Arrangements (RDA) :

- Under the Rupee Drawing Arrangements (RDAs), **cross-border inward remittances are received in India** through Exchange Houses situated in Gulf countries, Hong Kong, Singapore, Malaysia (for Malaysia only under Speed Remittance Procedure) and all other countries which are FATF compliant only under Speed Remittance Procedure.
- **No cash disbursement of remittances** is allowed under RDA. The remittances have to be credited to the bank account of the beneficiary.
- There **is no limit on the remittance amount** as well as on the number of remittances. However, there is an upper cap of **Rs.15.00 lakh** for trade related transactions.

About FATF:

The **Financial Action Task Force (FATF)** is an **intergovernmental organization** founded in 1989 on the initiative of the G7 **to develop policies to combat money laundering**. In 2001 its mandate expanded to include **terrorism financing**. Its headquarters is in **Paris, France**.

First issued in 1990, the FATF Recommendations were revised in 1996, 2001, and 2003 and most recently in **2012** to ensure that they remain up to date and relevant, and they are intended to be of universal application.

David Lewis joined the FATF as its Executive Secretary in November 2015.

Liberalised Remittance Scheme:

The Liberalized Remittance Scheme (LRS) is a facility provided by the RBI for all **resident individuals including minors to freely remit upto a certain amount in terms of US Dollar** for current and capital account purposes or a combination of both. Hence under the LRS, individuals are allowed to spend money in foreign countries for specific purposes like education, tourism, asset purchase etc.

The scheme was introduced on **February 4, 2004**, with a limit of USD 25,000. But from April 2018, Resident individuals are permitted to make remittances up to **USD 250,000 per financial year** for any permitted current or capital account transactions or a combination of both as per the regulations prescribed under the **Foreign Exchange Management (Current Account Transactions) Rules, 2000**, as amended from time to time, and the **Foreign Exchange Management Act, 1999** (FEMA) or the rules or regulations framed thereunder.

Conditions under LRS:

- Banks are required to furnish the information on remittances made under the **Liberalised Remittance Scheme** (LRS) on a monthly basis, on or before the fifth of the following month to which it relates through **Online Returns Filing System** (ORFS) for which purpose they have been given user ID and password by the Reserve Bank. Where there is no data to furnish, AD banks are advised to upload 'nil' figures in the ORFS system.
- Transactions relating to LRS are required to be reported in **Foreign Exchange Transactions Electronic Reporting System** (FETERS) to Department of Statistics and Information Management (DSIM).
- It is **mandatory** for the resident individual to provide his/her Permanent Account Number (PAN) to make remittance under the Scheme.
- Individuals can avail of foreign exchange facility for the purposes within the limit of USD 2,50,000 only.

Rupee Denominated Bond:

A rupee denominated bond is a bond issued by an **Indian entity in foreign markets** and the interest payments and principal reimbursements are denominated (expressed) in rupees.

The term '**masala bond**' is also used to describe rupee denominated ever since the first issuer of rupee-denominated bonds used the name masala bonds in its first issue.

Issued By

- Any corporate (entity registered as a company under the Companies Act, 1956/ 2013) or body corporate (entity specially created out of a specific act of the Parliament) and Indian banks are eligible to issue Rupee denominated bonds overseas.
- The Rupee denominated bonds can only be issued in a country and can only be subscribed by a resident of a country: that is a member of Financial Action Task Force (FATF) or a member of a FATF-Style Regional body.

Maturity:

- The minimum maturity period for Masala Bonds raised up to USD 50 million equivalent in INR per financial year should be 3 years and for bonds raised above USD 50 million equivalent in INR per financial year should be 5 years.
- In case the subscription to the bonds/ redemption of the bonds is in tranches, minimum average maturity period should be 3/5 years, as mentioned above.

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act)

The **SARFAESI Act** is an Indian law which allows banks and other financial institution to auction residential or commercial properties **to recover loans**. It gives powers of "Seize and Desist" to banks.

Banks can give a notice in writing to the defaulting borrower requiring it to discharge its liabilities **within 60 days**. If the borrower fails to comply with the notice, then banks are allowed to take possession of the collateral property and sell it without the permission of a court under this act.

This law allowed the creation of **Asset Reconstruction Companies** (ARC) and allowed banks to sell their non-performing assets to ARCs. The first asset reconstruction company (ARC) of India, **ARCIL**, was set up under this act.

Conditions:

- SARFAESI is effective **only for secured loans** where bank can enforce the underlying security eg. Hypothecation, pledge and mortgages. This law does not apply to unsecured loans, loans below **Rs.100,000** or where remaining debt is below 20% of the original principal.
- The Debt has been **classified under Non-Performing Assets** by the banks.
- This act is not applicable to an **Agricultural land**.

Hypothecation:

It is used for creating charge against the security of movable assets, but here the possession of the security remains with the borrower itself. Thus, in case of default by the borrower, the lender (i.e. to whom the goods / security has been hypothecated) will have to first take possession of the security and then sell the same.

Example: Car Loans (In this case Car / Vehicle remains with the borrower but the same is hypothecated to the bank / financier. In case the borrower, defaults, banks take possession of the vehicle after giving notice and then sell the same and credit the proceeds to the loan account)

Pledge:

It is used when the lender (pledge) takes actual possession of assets (i.e. certificates, goods). Such securities or goods are movable securities. In this case the pledgee retains the possession of the goods until the pledgor (i.e. borrower) repays the entire debt amount. In case there is default by the borrower, the pledgee has a right to sell the goods in his possession and adjust its proceeds towards the amount due (i.e. principal and interest amount).

Example: Gold /Jewellery Loans, Advance against goods/stock, Advances against National Saving Certificates etc

Mortgages:

It is used for creating **charge against immovable property** which includes land, buildings or anything that is attached to the earth or permanently fastened to anything attached to the earth (However, it does not include growing crops or grass as they can be easily detached from the earth). It is defined in **Section 58 of the Transfer of Property Act 1882**.

Example: When mortgage is created is when someone takes a Housing Loan / Home Loan. In this case house is mortgaged in favour of the bank / financier but remains in possession of the borrower, which he uses for himself or even may give on rent.

Difference Between Hypothecation, Pledge, Mortgages:

Hypothecation	Pledge	Mortgages
Securities are Movable	Securities are Movable	Securities are Immovable
Securities are remains with Borrower	Securities are remains with Lender	Securities are remains with Borrower
Ex: Car / Vehicle Loans, Adv against stock and debtors	Ex: Gold Loan, Advance against NSCs, Adv against goods (also given under hypothecation)	Ex: Housing Loans

Payment and Settlement Systems Act, 2007:

An Act to provide for the **regulation and supervision of payment systems in India** and to designate the **Reserve Bank of India** as the authority for that purpose and for matters connected therewith or incidental thereto.

The Reserve Bank is authorized under the Act to constitute a Committee of its Central Board known as the **Board for Regulation and Supervision of Payment and Settlement Systems (BPSS)**, to exercise its powers and perform its functions and discharge its duties under this statute.

Board for Regulation and Supervision of Payment and Settlement Systems Regulations, 2008 and the Payment and Settlement Systems Regulations, 2008. Both these Regulations came into force along with the PSS Act, 2007 on **12th August 2008**.

The PSS Act 2007 **does not prohibit foreign entities** from operating a payment system in India and the Act does not discriminate/differentiate between foreign entities and domestic entities.

SCHEDULED BANKS

Scheduled Banks in India refer to those banks which have been included in the **Second Schedule of Reserve Bank of India Act, 1934**. RBI in turn includes only those banks in this Schedule which satisfy the criteria laid down vide section 42(6) (a) of the said Act. Banks not under this Schedule are called **Non-Scheduled Banks**.

Every Scheduled bank enjoys two types of principal facilities: it becomes eligible for debts/loans at the bank rate from the RBI; and, it automatically acquires the membership of clearing house.

Classification:

The Scheduled banks comprise **Scheduled Commercial Banks** and **Scheduled Co-operative banks**. The further classification is as follows:

- **Scheduled Commercial banks**
- **Public Sector Banks**
 - State Bank of India and its associates, and
 - Other Nationalised banks
- **Private Sector Indian Banks**
- **Private-sector Foreign banks**
- **Regional Rural Bank (RRBs)**
- **Scheduled Co-operative banks**
 - Scheduled State Co-operative Banks
 - Scheduled Urban Co-operative Banks

Scheduled Commercial Bank:

The scheduled commercial banks are those banks which are included in the **second schedule of RBI Act 1934** and which carry out the normal business of banking such as accepting deposits, giving out loans and other banking services. The **major difference** between Scheduled Commercial Banks and Scheduled Cooperative Banks is their holding pattern, since cooperatives are registered under the Cooperative Societies Act as cooperative credit institutions.

Previously, there are 27 Public Sector Banks in India including SBI (plus its 5 associates) and 19 nationalized banks. Further, there are two banks which have been categorized by RBI as "Other Public-Sector Banks". IDBI and Bhartiya Mahila Bank come under this category.

But now, there are **21 Public Sector Banks** in India, SBI has merged its Associates Bank & Bhartiya Mahila Bank and 19 Nationalized Banks and one more IDBI has been categorized by RBI as "Other Public-Sector Banks".

Public Sectors Banks in India

S.no	Bank Name	Headquarters	Chairman	MD & CEO	Tagline
1	Allahabad Bank	Kolkata, West Bengal	-	N. K. Sahoo (Executive Director)	A tradition of trust
2	Andhra Bank	Hyderabad, Telangana	C V R Rajendran	Suresh N Patel	Where Indian Banks
3	Bank of Baroda	Vadodara, Gujarat	Ravi Venkatesan (Non- Executive Chairman)	P S Jayakumar	India's International Bank
4	Bank of India	Mumbai, Maharashtra	G. Padmanabhan (Non- Executive Chairman)	Dinbandhu Mohapatra	Relationships beyond banking
5	Bank of Maharashtra	Pune, Maharashtra	Ravindra Prabhakar Marathe (CMD)	-	One Family One Bank
6	Canara Bank	Bangalore, Karnataka	T. N. Manoharan	Rakesh Sharma	Together We Can
7	Central Bank of India	Mumbai, Maharashtra	Rajeev Rishi (CMD)	-	"CENTRAL" TO YOU SINCE 2011
8	Corporation Bank	Mangalore, Karnataka	-	Jai Kumar Garg	A Premier Public-Sector Bank
9	Dena Bank	Mumbai, Maharashtra	Ashwani Kumar (CMD)	-	Trusted Family Bank

10	IDBI Bank Limited	Mumbai, Maharashtra	-	B Sriram	Aao Sochein Bada / Banking for all
11	Indian Bank	Chennai, Tamil Nadu	T C Venkat Subramanian (Non-Executive Chairman)	Kishore Kumar Kharat	Taking Banking Technology to Common Man
12	Indian Overseas Bank	Chennai, Tamil Nadu	T C A Ranganathan (Non-Executive Chairman)	R. Subramania Kumar	Good people to grow with
13	Oriental Bank of Commerce	Gurugram, Haryana	-	Mukesh Kumar Jain	Where Every Individual is committed
14	Punjab National Bank	New Delhi, India	-	Sunil Mehta	The Name you can BANK upon
15	Punjab and Sind Bank	New Delhi, India	S. Jatinderbir Singh (CMD)	-	Where service is a way of life
16	State Bank of India	Mumbai, Maharashtra	Rajnish Kumar	-	The Banker to every Indian
17	Syndicate Bank	Manipal, Karnataka	Ajay Vipin Nanavati	Melwyn Oswald Rego	Faithful and Friendly Financial Partner
18	UCO Bank	Kolkata, West Bengal	-	Ravi Krishan Takkar	Honours Your Trust
19	Union Bank of India	Mumbai, Maharashtra	-	Rajkiran Rai G.	Good people to bank with
20	United Bank of India	Kolkata, West Bengal	-	Pawan kumar Bajaj	The Bank that begins with "U"
21	Vijaya Bank	Bangalore, Karnataka	-	R. A. Sankara Narayanan	A Friend you can bank upon

Private Sectors Banks in India

S.no	Bank Name	Headquarters	Chairman	MD & CEO	Tagline
1	Axis Bank Ltd.	Mumbai, Maharashtra	Sanjiv Misra	Shikha Sharma	Badhti Ka Naam Zindagi
2	Bandhan Bank Limited	Kolkata, West Bengal	-	Chandra Shekhar Ghosh	Aapka Bhala, Sabki Bhalai
3	City Union Bank Ltd.	Tanjavur, Tamil Nadu	-	Dr. N Kamakodi	Trust and Excellence since 1904
4	Coastal Local Area Bank Ltd	Vijayawada, Andhra Pradesh	-	N Sambasiva Rao	
5	Development Credit Bank Ltd. (DCB Bank)	Mumbai, Maharashtra	Nasser Munjee	Murali M Natarajan	We Value You
6	Dhanlaxmi Bank Ltd.	Thrissur, Kerala	Jayaram Nayar	T Latha	Tann. Mann. Dhan
7	The Federal Bank Ltd.	Kochi, Kerala	K.M Chandrasekhar	Shyam Srinivasan	Your Perfect Banking Partner
8	HDFC Bank Ltd.	Mumbai, Maharashtra	Deepak S Parekh	Aditya Puri	We understand your world
9	IDFC Bank Limited	Mumbai, Maharashtra	-	Sunil Kakar	Banking Hatke
7	ICICI Bank Ltd.	Mumbai, Maharashtra	M. K. Sharma, Girish Chandra Chaturvedi (Part time Executive Chairman)	Chanda Kochhar	Khayaal Apka
8	IndusInd Bank Ltd.	Mumbai, Maharashtra	R. Seshasayee	Romesh Sobti	We make you feel richer
9	Jammu and Kashmir Bank Ltd.	Srinagar	Parvez Ahmed (Chairman & CEO)	-	Serving to Empower

10	Karnataka Bank Ltd.	Mangalore, Karnataka	-	Mahabaleshwara M S	Your family bank across India
11	Karur Vysya Bank Ltd.	Karur, Tamil Nadu	B. Swaminathan	P R Seshadri	Smart way to bank
12	Kotak Mahindra Bank Ltd.	Mumbai, Maharashtra	Uday S Kotak (CMD)	-	Let's make money simple
13	Lakshmi Vilas Bank Ltd.	Chennai, Tamil Nadu	B K Manjunath	Parthasarathi Mukherjee	The Changing Face of Prosperity
14	Nainital Bank Ltd.	Nainital, Uttarakhand	-	Mukesh Sharma	Banking with Personal Touch
15	RBL Bank Ltd	Mumbai, Maharashtra	-	Vishwavir Ahuja	Apno Ka Bank
16	South Indian Bank Ltd.	Thrissur, Kerala	Salim Gangadharan	V G Mathew	Experience next generation banking
17	Tamil Nadu Mercantile Bank Ltd.	Tuticorin, Tamil Nadu	-	K.V. Rama Moorthy	Be a step ahead of life
18	The Catholic Syrian Bank Ltd.	Thrissur, Kerala	T.S. Anantharaman	C V R Rajendran	Support all the way
19	Yes Bank Ltd.	Mumbai, Maharashtra	Ashok Chawla	Rana Kapoor	Experience Our Expertise

Foreign Banks in India

S.No	Bank Name	Headquarters	MD/CEO/ Chairman	Tagline
1	AB Bank Limited	Dhaka, Bangladesh	Nurul Azim MA Awal (Chairman)	-
2	Abu Dhabi Commercial Bank	Abu Dhabi, United Arab Emirates	Darayus Bajan (India)	-
3	American Express	New York, United States	Manoj Adlakha (India)	Do more
4	ANZ Banking Group	Melbourne, Australia	Sanjeev Bajaj (India)	-
5	Bank of America	Charlotte, USA	Brian Moynihan (USA), Kaku Nakhate (India)	Higher Standards, Bank of Opportunity
6	Bank of Bahrain & Kuwait BSC	Manama, Bahrain	Mallikarjun Kota (India)	-
7	Bank of Ceylon	Colombo, Sri Lanka	Senarath Bandara	The Bank you can trust.
8	Barclays Bank Plc	London, UK	Ramanathan Gopalakrishnan (India)	Fluent in Finance
9	BNP PARIBAS	Paris, France	Jean-Laurent Bonnafé (Paris). Joris Dierckx (India)	The Bank for the changing world.
10	Citibank	New York, USA	Michael Corbat (USA), Prमित Jhaveri (India)	The City never sleeps.
11	Cooperative Rabobank	Utrecht, Netherlands	Todd Charteris (Netherlands), Jaideep Singh (India)	A Bank with Ideas
12	DBS Bank	Marina Bay, Singapore	Piyush Gupta (Singapore), Surojit Shome (India)	Living, Breathing Asia
13	Deutsche Bank	Frankfurt, Germany	John Cryan (Germany), Ravneet sing Gill (India)	A Passion to perform.
14	Doha Bank	Doha, Qatar	Manish Mathur (India)	There is so much to look forward too
15	HSBC	London, UK	John Flint (UK), Jayant Rikhye (India)	The world's local bank.
16	Industrial and Commercial Bank of China Ltd. (ICBC)	Beijing, China	Yi Huiman (chairman) Zheng Bin (India)	Integrity leads to prosperity
17	J P Morgan Chase Bank	New York, United States	Jamie Dimon (USA), Kalpana Morparia (India)	The right relationship is everything

18	National Australia Bank	Melbourne, Australia	Rajeev Bhargava (India)	-
19	Standard Chartered Bank	London, UK	Bill Winters (UK), Zarin Daruwala (India)	Your Right Partner.
20	The Royal Bank of Scotland	Edinburgh, United Kingdom	Ross McEwan (UK),	With you all the way
			Brijesh Mehra	

Scheduled Co-operative Banks:

It is a retail and commercial banking organized on a cooperative basis.

- > **Primary Cooperative Credit Society** – Association of borrowers and non-borrowers. Funds of society are derived from members.
- > **District Central Cooperative Bank** – Functions at District level only.
- > **State Cooperative Bank** – Apex Body is the State Govt.
- > **Land Development Bank** – Long term loans to farmers. No deposits from public.
- > **Urban Cooperative Bank** – Banking Activities at State level.

Regional Rural Banks (RRBs)

The **First Established Regional Rural Bank** among all RRBs in India was the **Prathama Bank**, which was established in 1975. With The authorised capital of **Rs. 5 crore**.

Under the Recommendations of **Narshimham Committee** RRBs was formed. Initially the **authorised capital for RRBs** in India was **Rs. 100 crore** (\$10 Million) which later augmented to 500 crore (\$50 million).

Regional Rural Banks (RRBs) are **scheduled commercial banks** (Government banks) operating at **regional level in different States of India**. They have been created with a view **to serve primarily the rural areas of India** with basic banking and financial services. However, RRBs may have branches **set up for urban operations** and their area of operation may include urban areas too.

The area of operation of **RRBs is limited to the area** as notified by Government of India covering one or more districts in the State. RRBs also perform a variety of different functions.

The Regional Rural Banks were owned by the Central Government, the State Government and the Sponsor Bank (Any commercial bank can sponsor the regional rural banks) who held shares in the ratios as follows **Central Government – 50%, State Government – 15% and Sponsor Banks – 35%**.

Indian had **57 Regional Rural Banks** in which **Uttar Pradesh** has highest number of RRBs.

RRBs perform various functions:

- > Providing banking facilities **to rural and semi-urban areas**.
- > **Carrying out government operations** like disbursement of wages of MGNREGA workers, distribution of pensions etc.
- > **Providing Para-Banking facilities** like locker facilities, debit and credit cards.
- > Small financial banks.

List of Regional Rural Banks in Tamil Nadu

S.No.	List of RRBs	Head Offices	Sponsor bank
1	Pallavan Grama Bank	Salem	Indian Bank
2	Pandyan Grama Bank	Virudhunagar	Indian Overseas Bank

TYPES OF ACCOUNTS IN BANKS

There are mainly three types of deposits accounts in banks. They are

- > Demand Deposits
- > Time Deposits
- > Non- Resident Deposits

DEMAND DEPOSITS

1. Savings Accounts

- A savings account allows you to accumulate interest on funds you’ve saved for future needs. Interest rates can be compounded on a **daily basis**.
- Savings accounts vary by monthly service fees, interest rates, method used to calculate interest, and minimum opening deposit.
- In these type of accounts, we have salary or student account etc.

2. Current Accounts

- Current Accounts are basically meant for businessmen and are never used for investment or savings.
- These deposits are the most liquid deposits and there are no limits for number of transactions or the amount of transactions in a day.
- Most of the current account are opened in the names of firm / company accounts.
- **No interest paid by banks** on these accounts. On the other hand, banks charges certain service charges, on such accounts.
- In this type of account **do not contain any fixed maturity** as these are on continuous basis accounts. Overdraft facility is available in this account.

3. No Frill Accounts:

- Banks were advised in **November 2005** to make available a basic banking 'no-frills' account either with 'nil' or very low minimum balance as well as charges that would make such accounts accessible to vast sections of population.
- **No frill account** is a type of bank account, with low / Zero balance requirement with extra-features removed.
- RBI came up with this No-frill concept, because poor people cannot open regular bank accounting having requirements like Rs.5000/- minimum balance etc.

Basic Savings Bank Deposit Account (BSBDA) :

- According to the **RBI guidelines August 2012**, **Basic Savings Bank Deposit (BSBD) account has been created under the Financial Inclusion**, which has a zero minimum balance requirement, can be opened by people who do not want to be bothered with maintaining any minimum balance.
- A BSBD account **does not require** customers to maintain any monthly average balance. KYC Norms is applicable to these accounts.
- Since BSBD is a type of savings account, the eligibility of a customer to open this account and interest rates offered by it are the **same as savings bank accounts**.
- The customer cannot have any other savings bank account, if he/she has a basic savings bank deposit account in a bank. An individual is eligible **to have only one 'Basic Savings Bank Deposit Account'** in one bank.

• If the customer already has a savings bank account, the same will have to be closed **within 30 days** of opening a Basic Savings Bank Deposit or BSBD account. There is no charge on activation of inoperative BSBD accounts and no-account closure charges.

Conditions:

- Total credits in such accounts **should not exceed one lakh rupees** in a year.
- **Maximum balance** in the account should not exceed fifty thousand rupees at any time.
- The total of debits by way of cash withdrawals and transfers **will not exceed ten thousand rupees in a month.**
- **Foreign remittances** cannot be credited to Small Accounts without completing normal KYC formalities.
- Small accounts are valid for a **period of 12 months** initially which may be extended by another 12 months if the person provides proof of having applied for an Officially Valid Document.
- Small Accounts can **only be opened at CBS** linked branches of banks or at such branches where it is possible to manually monitor the fulfilments of the conditions

4. Current Account Savings Account (CASA) :

- CASA deposit is the **amount of money that gets deposited in the current and savings accounts** of bank customers. It is the cheapest and major source of funds for banks. The savings accounts portion pays more interest compared to current accounts.
- A CASA operates like a normal bank account in which funds may be **utilized at any time**. Because of this flexibility, a CASA has a lower interest rate than a term deposit because the bank does not have a guarantee that all the funds are available to lend for a specific period of time.
- These deposits can move out of banks' books anytime, **leading to asset-liability mismatches**. While in case of term deposits, banks are almost certain that the depositor may not withdraw money before the maturity of the deposit and may also renew the deposit on maturity.

CASA Ratio:

- The **CASA ratio** shows how much deposit in a bank has **in the form of current and saving account deposits in the total deposit.**

- A **higher CASA ratio** means higher portion of the deposits of the bank has come from current and savings deposit, which is generally a cheaper source of fund. Hence, higher the CASA ratio better the net interest margin, which means better operating efficiency of the bank.
- Net interest margin is **difference between** total interest income and expenditure and is shown as a percentage of average earning assets.

TIME DEPOSITS

1. Recurring Deposits Account:

- These are popularly known as RD accounts and are special kind of Term Deposits and are suitable for people who do not have lump sum amount of savings but are ready to save a small amount every month.
- Normally, such deposits earn interest on the amount already deposited (through monthly installments) at the same rates as are applicable for Fixed Deposits / Term Deposits.
- These are best if you wish to create a fund for your child's education or marriage of your daughter or buy a car without loans or save for the future.
- The RD interest rates paid by banks in India are usually the same as payable on Fixed Deposits, except when specific rates on FDs are paid for particular number of days.
- Recurring Deposit accounts are normally allowed for maturities ranging **from 6 months to 120 months (10 Yrs).**
- These accounts can be opened in single or joint names. Nomination facility is also available.

2. Fixed Deposits Accounts:

- **All Banks** in India (including SBI, PNB, ICICI Bank, Yes Bank etc.) offer fixed deposits schemes with a wide range of tenures for periods from 7 days to 10 years.
- These are also popularly known as FD accounts. However, in some other countries these are known as **"Term Deposits" or "Bond"**.
- The term "fixed" in Fixed Deposits (FD) denotes the period of maturity or tenor. Therefore, the depositors are supposed to continue such Fixed Deposits for the length of time for which the depositor decides to keep the money with the bank.
- **In case of urgent need**, depositor can close the account prematurely by paying penalty. Penalty and Interest rate varies from different banks.

NON- RESIDENT DEPOSIT ACCOUNTS

This type of account only applicable for Non- Resident Indians. They are

- a) NRO (Non-Resident Ordinary Rupees) Account
- b) NRE (Non-Resident External Rupees) Account
- c) FCNR (Foreign Currency Non-Resident) Account

Particulars	FCNR(B)	NRE	NRO
Account opening	NRIs/PIOs	NRIs/PIOs	Any Individual resident outside India.
	Individuals/entities of Bangladesh/Pakistan require prior approval of RBI	Individuals/entities of Bangladesh/Pakistan require prior approval of RBI	Individuals/ entities of Pakistan nationality/ origin and entities of Bangladesh origin require the prior approval of the Reserve Bank of India.
Joint Account	In the names of two or more non-resident individuals. With a local close relative on 'former or survivor basis'	In the names of two or more non-resident individuals. With a local close relative on 'former or survivor basis'	In the names of two or more non-resident individuals. With a local

			close relative on 'former or survivor basis'
Currency	Any permitted currency i.e. a foreign currency which is freely convertible	Indian Rupees	Indian Rupees
Nomination	Allowable	Allowable	Allowable
Account Type	Term Deposit only	Savings, Current, Fixed, Recurring deposit	Savings, Current, Fixed, Recurring deposit
Interest Rate	Banks are allowed to determine interest rates for Deposits	Banks are allowed to determine interest rates for Deposits	Banks are allowed to determine interest rates for Deposits
Fixed deposits-period	For terms not less than 1 year and not more than 5 years	From one to three years, However, banks are allowed to accept NRE deposits above three years from their Asset-Liability point of view	As applicable to resident accounts
Taxability	Income earned in the accounts is exempt from income tax and balances exempt from wealth tax	Income earned in the accounts is exempt from income tax and balances exempt from wealth tax	Taxable
Repatriability	Repatriable	Repatriable	Not Repatriable
Loans in India	Authorised Dealers can sanction loans in India to the account holder/ third parties without any limit, subject to usual margin requirements.	Authorised Dealers can sanction loans in India to the account holder/ third parties without any limit, subject to usual margin requirements.	Loans against the deposits can be granted in India to the account holder or third-party subject to usual norms and margin requirement.
	These loans cannot be repatriated outside India and can be used in India only for the purposes specified in the regulations.	These loans cannot be repatriated outside India and can be used in India only for the purposes specified in the regulations.	The loan amount cannot be used for relending, carrying on agricultural/ plantation activities or investment in real estate.
Loans in Abroad	Authorised Dealers may allow their branches/ correspondents outside India to grant loans to or in favour of non-resident depositor or to third parties at the request of depositor for bona fide purpose against the security of funds held in the NRE/ FCNR (B) accounts in India, subject to usual margin requirements.	Authorised Dealers may allow their branches/ correspondents outside India to grant loans to or in favour of non-resident depositor or to third parties at the request of depositor for bona fide purpose against the security of funds held in the NRE/ FCNR (B) accounts in India, subject to usual margin requirements.	Not Permitted

Note: PIO - A 'Person of Indian Origin (PIO)' is a person resident outside India who is a citizen of any country other than Bangladesh or Pakistan or such other country as may be specified by the Central Government.

DIFFERENCE BETWEEN NRI, OCI

While NRIs is essentially a term used for Indians that live in another country, PIOs and OCIs are people who want to stay connected and involved with India more closely.

NRI	OCI
Non-Resident Indians are Indian Citizens who live in another country.	OCIs (Overseas Citizen of India) are non-Indian citizens.
	A person of Indian origin who is a foreign national and gets registered as Overseas Citizen of India Cardholder under Section 7A of the Citizenship Act, 1955 is an OCI.
An Indian citizen residing outside India for a combined total of at least 183 days in a financial year (from April 1 to March 31).	An Overseas Citizen of India is a lifetime visa status. It is the closest thing to dual citizenship that India offers.

Other Accounts

Nostro Accounts:

- **Nostro accounts** are generally held in a **foreign country** (with a foreign bank), by a **domestic bank** (from our perspective, our bank).
- It obviates that account is maintained in that **foreign currency**. For example, **SBI** account with **HSBC** in **U.K.**

Vostro Accounts

- **Vostro accounts** are generally held by a **foreign bank** in our country (with a domestic bank). It generally maintained in **Indian Rupee** (if we consider India)
- For example, **HSBC** account is held with **SBI** in **India**.

Loro Accounts

- **Loro accounts** are generally held by a **third party bank**, other than the **account maintaining** bank or with whom account is **maintained**.
- For example, **BOI** wants to transact with **HSBC**, but doesn't have any account, while **SBI** maintains an account with **HSBC** in U.K. Then **BOI** could use **SBI** account. In this case, for SBI this account is known as Nostro account and for BOI it is known as Loro Account.

Escrow Accounts

- This is a temporary account as it operates until the completion of a transaction process, which is implemented after all the conditions **between the buyer and the seller are settled**.
- An escrow account is a **temporary pass** through account held by a third party during the process of a transaction between two parties.
- An escrow account is an **arrangement for safeguarding the seller** against its buyer from the payment risk for the goods or services sold by the former to the latter.
- Escrow Accounts are legally permitted in India and for that you should be either an **Advocate or a C.A. or a person of a high repute or a banker** or a person on both the parties to the dispute or the transactions are ready to keep the money in Escrow with that person.
- For this, no certificate from any person, authority or RBI is required. RBI has also permitted Banks (Authorised Dealer Category I) to open escrow accounts on **behalf of Non-Resident corporates** for acquisition / transfer of shares/ convertible shares of an Indian company.

Gilt Accounts

- Accounts maintained by investors with the **Primary dealers for holding their Government securities and Treasury bills** in the demat form are known as Gilt accounts.
- A "Gilt Account" means an account opened and maintained for holding Government securities, by an entity or a person including 'a person resident outside India' with a "Custodian" permitted by the Reserve Bank of India to open and maintain Constituent Subsidiary General Ledger Account with the **Public Debt Office of the Reserve Bank of India**.
- However, in case of a 'Person resident outside India, the activities in the operations/maintenance of Gilt Account shall be governed by the Foreign Exchange Management Act, 2000 and the regulations framed.

Inactive Accounts:

- If you have a current or a savings bank account and have not done any transactions or debit through it for **more than 12 months**, then it will be classified as an inactive account.

Dormant Account

- And if you don't do any transactions or debit from a bank account **for 24 months**, then it will be classified as dormant.
- As per Reserve Bank of India (RBI) guidelines, an account becomes dormant if **a customer does not initiate transactions** such as withdrawal of cash at a branch or Automated Teller Machine (ATM), payment by cheque, transfer of funds through Internet banking, phone banking or ATMs.

Note: Both debit and credit transactions are considered for **re-classifying accounts** as inactive/dormant. However, these transactions have to be initiated by you or some third party.

Individual Retirement Accounts (IRAs) :

- IRAs, or individual retirement accounts, allow you **to save independently for your retirement**.
- These plans are useful if your employer doesn't offer retirement benefits or you want to save more than your employer-sponsored plan allows.
- These accounts come in two types: the traditional IRA and Roth IRA.
- The Roth IRA is popular because the funds can be withdrawn tax-free in many situations. Others prefer traditional IRAs because these contributions are tax-deductible.
- Both accounts have contribution limits and other requirements you may need to discuss with your tax advisor before choosing your account.

Demat Account (Dematerialized Account) :

- In India's banking terminology, the term DEMAT Account refers to a deposit made at an Indian financial institution that can be **used for investing in shares of stocks and other financial assets**.
- DEMAT is short for "**Dematerialized**" and such accounts require that an investor open an account with an investment broker linked to a savings or other funded account.
- Securities are held electronically in a DEMAT Account, thereby **eliminating the need for physical paper certificates**. This feature helps prevent problems such as: loss, forgery or theft of the certificates and makes the process of buying and selling securities much more efficient.

Exchange Earners' Foreign Currency Account (EEFC) :

- Exchange Earners' Foreign Currency Account (EEFC) is an account **maintained in foreign currency with an Authorised Dealer Category - I bank** i.e. a bank authorized to deal in foreign exchange.
- It is a facility **provided to the foreign exchange earners**, including exporters, to credit 100 per cent of their foreign exchange earnings to the account, so that the account holders do not have to convert foreign exchange into Rupees and vice versa, thereby minimizing the transaction costs.
- **All categories** of foreign exchange earners, such as individuals, companies, etc., who are resident in India, may open EEFC accounts.
- An EEFC account can be held only in the form of a **current account**. No interest is payable on EEFC accounts
- **SEZ Units cannot** open EEFC Accounts. However, a unit located in a Special Economic Zone can open a Foreign Currency Account with an Authorised Dealer in India.

NEGOTIABLE INSTRUMENTS ACT, 1881

An Act to define and Law relating to negotiable instruments which are **Promissory Notes, Bills of Exchange and cheques** (as per section 13). Various other paper instruments like a Banker's cheque, Payment order, Payable 'At Par' cheques (Interest/Dividend warrants, refund orders, gift cheques etc.), are also used to cater to the specific payment needs. The statutory basis for these instruments was provided by the **Negotiable Instruments Act, 1881 (NI Act)**.

Bank Holidays are declared by Central/State Governments/ Union Territory under the **Negotiable Instruments (NI) Act, 1881**.

Some of the important sections of the Act:

- **Section 4** - Promissory note
- **Section 5** - Bill of exchange
- **Section 6** - Cheque
- **Section 15** - Endorsement

Promissory Note

A "promissory note" is an instrument in writing (not being a bank-note or a currency-note) containing **an unconditional undertaking**, signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument. **Bank notes** are frequently referred to as promissory notes, a promissory note made by a bank and payable to bearer on demand.

A promissory note is a **written agreement to pay a specific amount** to specific party at a future date or on demand.

Conditions:

- It must be in writing.
- It must contain an unconditional promise to pay.
- It should be signed by the maker.
- The payment should be made to a certain person.

- The certainty of the amount payable should be there.
- It should be stamped.

Bill of exchange

A Bill of Exchange is an **instrument in writing containing an unconditional order**, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.

The bill of exchange is defined as written order for payment issued by the creditor to his debtor.

Conditions:

- Bills of exchange must be in writing.
- Bills of exchange are not a request to pay and an order to pay.
- The order must be signed by the drawer, i.e. the maker.
- The order must be for the payment of money only.

Difference between Promissory Notes and Bill of exchange

Specification	Promissory Note	Bill of exchange
Definition	A promissory note is a written promise made by the debtor to pay a certain sum of money to the creditor at a future specified date.	Bill of Exchange is an instrument in writing showing the indebtedness of a buyer towards the seller of goods.
Defined in	Section 4 of Negotiable Instrument Act, 1881.	Section 5 of Negotiable Instrument Act, 1881.
Parties	Two parties, i.e. drawer and payee.	Three parties, i.e. drawer, drawee and payee.
Drawn by	Debtor	Creditor
Liability of Maker	Secondary and conditional	Secondary and conditional
Can maker and payee be the same person?	No	Yes
Copies	Promissory Note cannot be drawn in copies.	Bill can be drawn in copies.
Dishonor	Notice is not necessary to be given to the maker.	Notice is necessary to be given to all the parties involved.

Cheque and its Different Types

Cheque

Cheque is an instrument in writing containing an unconditional order, addressed to a banker, sign by the person who has deposited money with the banker, requiring him to pay on demand a certain sum of money only to or to the order of certain person or to the bearer of instrument.

A cheque is a document that **orders a bank to pay** a specific amount of money from a person's account to the person in whose name the cheque has been issued.

Parts of a Cheque

The four main items on a cheque are:-

- **Drawer**, the person or entity who makes the cheque (The person who issue the cheque or hold the account with bank)

- **Payee**, the recipient of the money (A person whose name is mentioned in the cheque or to whom the drawee makes payment. If drawer has drawn the cheque in favour of self, then drawer is payee)

- **Drawee**, the bank or other financial institution where the cheque can be presented for payment. (The Person who is directed to make the payment against cheque)

- **Amount**, the currency amount

History of Cheques in India

- The Cheque was introduced in India by the **Bank of Hindustan**. In 1881, the Negotiable Instruments Act was enacted in India. The NI Act provided a legal framework for non-cash paper payment instruments in India.

- **In 1938**, the Calcutta Clearing Banks' Association, which was the largest bankers' association at that time, adopted clearing house.

- Until 1 April 2012, cheques in India were valid for a period of six months from the date of their issue, before the Reserve Bank of India issued a notification reducing their **validity to three months** from the date of issue.

Different Types of Cheque:

1) Open cheque or bearer cheque:

- The issuer of the cheque would just fill the name of the person to whom the cheque is issued, writes the amount and attaches his signature and nothing else.
- When the word **"Bearer" on the cheque is not crossed or cancelled**, the cheque is called a bearer cheque. This type of issuing a cheque is also known as open cheque or uncrossed cheque.
- In simple words, Bearer cheque means the person who is holding the instrument can withdraw money from the bank account.
- In case of cheque is lost, person who find it can collect payment from the bank. So, issuing these types of **cheques are risky**.

2) A crossed cheque or an account payee cheque:

- It is written in the same as that of bearer cheque, but **issuer can cross it by adding two parallel lines** on the right hand top corner.
- This type of cheque **cannot be encashed** over the counter. Considered as safest type of cheque, it can only be credited to payee's account whose name is mentioned in the Cheque.

3) Order Cheque:

- When the word "bearer" appearing on the face of a cheque is cancelled and when in its place the word "or order" is written on the face of the cheque, the cheque is called an order cheque.
- In case of order cheque the payee in whose name the cheque has been issued can only withdraw the money.
- Such a cheque is **payable to the person specified therein** as the payee, or to any one else to whom it is endorsed (transferred).

4) Post Dated Cheque (PDCs) :

- PDCs are cheques issued with **future date** on it. The cheque issued today will be vailed for three months from the date of issue.
- It is used for business purposes or making of payment in future date.
- For example; on 11/1/2015 you are issuing it dated 15/4/2015 than it will called postdated cheque and will be vailed for three months from 15/4/2015.

5) Anti Dated Cheque:

- If a cheque bears a date **earlier than the date** on which it is presented to the bank, it is called as "anti-dated cheque".
- Such a cheque is valid up to three months from the date of the cheque.

• For example, on 11/1/2015 you are issuing a cheque dated 1/1/2015 than it will called anti dated cheque and will be vailed for three months form 1/1/2015.

6) Stale Cheque:

• If a cheque is presented for payment **after three months from the date** of the cheque, it is called stale cheque. A stale cheque is not honoured by the bank.

7) Multilated Cheque:

- If a **cheque is torn into two or more pieces** such cheque is Mutilated Cheque.
- If it presented for payment, such a cheque the bank will not make payment against such a cheque without getting confirmation of the drawer.
- In case, if a cheque is torn at the corners and no material fact is erased or cancelled, the bank may make payment against such a cheque.

Note: Cheques in India were valid for a period of three months from the date of their issue.

Crossing of Cheques

- Crossing of Cheques means to draw **two lines transverse parallel** on left hand corner of the cheque.
- It directs the bank to deposit the money **directly into the account** and not to be pay cash at the bank counter.

Types of Crossing

➤ **General Crossing -**

- When a cheque bears two transverse parallel lines at the **left hand of its top corner**.
- Words such as 'and company' or & co. may be written between these two parallel lines, either with or without words 'not negotiable', is called **General Crossing**.
- Payment can be paid **through bank account only**. They cannot be encashed over the counter by bearer or payee.
- **Both bearer and order cheques** can be crossed. However, drawer can make it bearer cheque by canceling the crossing, writing that CROSSING IS CANCELLED and Putting full signature verifying the crossing cancellation.

➤ **Special Crossing**

- When a cheque bears the name of the bank in between the two parallel lines, **with or without the words 'not negotiable'** is called Special Crossing.
- The **bank will pay to the banker** whose name is written in between the crossing lines.

➤ **Restrictive Crossing / Account Payee Crossing**

- In this, crossing of cheques is done by writing **Account Payee or Account Payee only** in between the crossing lines.
- Payment will be **credited to the account of payee** named in the cheque.

➤ **Double Crossing**

- When a cheque bears **two special crossing**, is called Double Crossing. In this **second bank act as agent** of the **first collecting banker**.
- It is made when the banker in whose favour the cheque is **crossed does not have branch** where the cheque is paid.

Cheque Truncation System (CTS)

Cheque Truncation System (CTS) or Image-based Clearing System (ICS), in India, is a **project of the Reserve Bank of India (RBI), commencing in 2010, for faster clearing of cheques**. CTS is based on

a cheque truncation or online image-based cheque clearing system where cheque images and **Magnetic Ink Character Recognition (MICR)** data are captured at the collecting bank branch and transmitted electronically. Cheque truncation means **stopping the flow of the physical cheques** issued by a drawer to the drawee branch.

Demand Draft

A bank issues a demand draft to a client (drawer), directing another bank (drawee) or one of its own branches **to pay a certain sum to the specified party (payee)**.

Difference between Cheque and Demand Draft

Cheque	Demand Draft
Cheque is issued by customer	Demand draft issued by bank
In cheque payment is made after presenting cheque to bank	DD is given after making payment to bank.
Cheque can bounce due to insufficient balance	DD cannot be dishonored as amount is paid before hand
Payment of cheque can be stopped by drawee	Payment cannot be stopped in DD
A cheque can be paid to bearer or order	DD is paid to person on order
In cheque drawer and payee are different person	DD, both parties are banks
A cheque needs signature to transfer amount	DD does not require signature to transfer funds
It is defined in negotiable instruments act 1881.	Although it is a negotiable instrument, but it's not defined in act.
No bank charges.	Different banks charge differently for issue of DD.

Payment And Settlement Systems In India

Payment and settlement systems in India are payment and settlement systems in India for financial transactions. They are covered by the **Payment and Settlement Systems Act, 2007 (PSS Act)**, legislated in December 2007 and **regulated by the Reserve Bank of India** and the Board for Regulation and Supervision of Payment and Settlement Systems. India has multiple payments and settlement systems, **both gross and net settlement systems**. For gross settlement India has a Real Time Gross Settlement (**RTGS**) system called by the same name and net settlement systems include Electronic Clearing Services (**ECS Credit**), Electronic Clearing Services (**ECS Debit**), credit cards, debit cards, the National Electronic Fund Transfer (**NEFT**) system and Immediate Payment Service (**IMPS**).

RTGS (Real Time Gross Settlement)

- The acronym 'RTGS' stands for Real Time Gross Settlement, which can be defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting).
- The RTGS system is primarily meant for large value transactions.
- The minimum amount to be remitted through RTGS is **Rs.2 lakh**.
- There is **no upper ceiling** for RTGS transactions.

• The beneficiary bank has to credit the recipient's account **within 30 minutes** of receiving the funds transfer message.

Processing Charges / Service Charges for RTGS transactions:

• With a view to rationalize the service charges levied by banks for offering funds transfer through RTGS system, a broad framework has been mandated as under:

- a) Inward transactions – Free, no charge to be levied.
 - b) Outward transactions – ` 2 lakh to ` 5 lakh - not exceeding ` 30.00 per transaction;
- Above ` 5 lakh – not exceeding ` 55.00 per transaction.

NEFT (National Electronic Funds Transfer)

• **National Electronic Funds Transfer (NEFT)** is a nation-wide payment system facilitating one-to-one funds transfer. NEFT is an electronic fund transfer system that operates on a Deferred Net Settlement (DNS) basis which settles transactions in batches.

• Under this transfer, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the transfer. However, **NEFT has no limit - either minimum or maximum** - on the amount of funds transferred.

• In case of Individuals who do not have a bank, account can also deposit cash using NEFT. However, such cash remittances are restricted to a **maximum of Rs. 50,000 per transaction.**

• The NEFT system also facilitates one-way cross-border transfer of funds from India to Nepal and it is known as the Indo-Nepal Remittance Facility Scheme. However, the remittances are restricted to a **maximum of Rs. 50,000 per transaction in this type of scheme.**

Processing or Service Charges for NEFT Transactions

The structure of charges that can be levied on the customer for NEFT is given below:

- a) Inward transactions at destination bank branches (for credit to beneficiary accounts) – Free, no charges to be levied on beneficiaries
- b) Outward transactions at originating bank branches – charges applicable for the remitter

For transactions up to Rs. 10,000 - Rs.2.50 (+ Applicable GST)

For transactions above Rs.10,000 up to Rs.1 lakh - Rs.5 (+ Applicable GST)

For transactions above Rs.1 lakh and up to Rs.2 lakhs - Rs.15 (+ Applicable GST)

For transactions above Rs.2 lakhs - Rs.25 (+ Applicable GST)

List of codes used for various transactions and cheque clearing in banks

IFSC (Indian Financial System Code)

• IFSC or Indian Financial System Code is an **alpha-numeric code** that uniquely identifies a bank-branch participating in the NEFT system.

• This is an **11-digit code** with the **first 4 alpha characters** representing the bank, the **5th character** is 0 (zero) and the **last 6 characters** representing the branch.

• All the banks have also been advised to print the **IFS code of the branch** on cheques issued by branches to their customers.

• IFSC is used by the NEFT system to identify the originating / destination banks / branches and also to route the messages appropriately to the concerned banks / branches.

MICR (Magnetic Ink Character Recognition) :

• MICR (**Magnetic Ink Character Recognition**) is a technology used to verify the legitimacy or originality of paper documents, especially cheques.

• Special ink, which is sensitive to magnetic fields, is used in the printing of certain characters on the original documents.

• The MICR code is a **9-digit code**, which is printed at the bottom of a cheque and in the right-hand side of the cheque number. A MICR code is **unique to each bank branch**. Thus, a MICR code can be used to uniquely identify any bank branch. It also uniquely identifies a bank and a branch **participating in an Electronic Clearing System (ECS).**

MMID (Mobile Money Identifier) Code:

- **Mobile Money Identifier** is a **7 digit number**, issued by banks.
- MMID is one of the input which **when clubbed with mobile number** facilitates fund transfer. Combination of Mobile no. & MMID is uniquely linked with an Account number and helps in identifying the beneficiary details.
- Different MMID's can be linked to same Mobile Number.

SWIFT (Society for Worldwide Interbank Financial Telecommunication) Code:

- A SWIFT code is an **international bank code** that identifies particular banks worldwide. It's also known as a **Bank Identifier Code (BIC).**
- Bank uses SWIFT codes to send money to overseas banks. A SWIFT code consists of **8 or 11 characters.**

• The robustness of the message format design allowed huge scalability through which SWIFT gradually expanded to provide services to the following:

1. Banks
2. Brokerage Institutes and Trading Houses
3. Securities Dealers
4. Asset Management Companies
5. Clearing Houses
6. Depositories
7. Exchanges
8. Corporate Business Houses
9. Treasury Market Participants and Service Providers
10. Foreign Exchange and Money Brokers

For example: Bank's SWIFT code is "CSTAAU2B". You'll need to give this code to anyone sending money to you from overseas. The code is made up of letters and numbers as follows:

- ✓ CSTA – Bank code (4 digits)
- ✓ AU – Location Code (2 digits)
- ✓ 2B – Country Code (2 digits)

ATM (Automated Teller Machine)

• An **Automated Teller Machine (ATM)** is an electronic telecommunications device that enables customers of financial institutions **to perform financial transactions**, such as cash withdrawals, deposits, transfer funds, or obtaining account information, at any time and without the need for direct interaction with bank staff.

Note: State having highest number of ATM's: **Maharashtra**; India's first talking ATM's: **Ahmedabad, Gujarat**

Types of ATM

Different Types of ATM are as Follows:

1. **Onsite ATM** - Within the premises of bank
2. **Offsite ATM** - Outside the bank premises (Shopping Malls, shopping markets, airports, hospitals, business areas etc)
3. **White Label ATM** - Provided by NBFC
4. **Green Label ATM** - Provided for Agricultural Transaction
5. **Pink label ATM** - Women Banking (Launched by SBI)

6. **Worksite ATM** - Is located within the premises of an organisation and is generally meant only for the employees of the organisation.
7. **Orange Label ATM** - Provided for Share Transactions
8. **Yellow Label ATM** - Provided for E-commerce
9. **Brown label ATM** - Hardware and the lease of the ATM machine is owned by a service provider, but cash management and connectivity to banking networks is provided by a sponsor bank.
10. **Cash Dispenser** -Allows only cash withdrawals, balance enquiry and mini statement requests, Cash Dispenser (CD).
11. **Mobile ATM** - refers to an ATM that moves in various areas for the customers. Few private banks have introduced ATM on wheels.

LATEST BANKING TECHNOLOGIES

Plastic Money

Plastic Money consists in a shape of **Master card, debit card, credit card and ATM card**. The basic purpose of plastic Money is to facilitate the **People easily and quickly in case of Cash/Money Transaction**. Technology for banking has **simplified banking** and reduced time it consumed to process transaction by introducing the following and there are various types of plastic money:

1. Debit cards & Credit Cards

- A **debit card** (also known as a bank card, plastic card or check card) is a **plastic payment card** that can be used instead of cash when making purchases. It is similar to a **credit card**, but unlike a credit card, the **money comes directly from the user's bank account** when performing a transaction.
- Debit cards are **issued by banks** and are linked to a bank account. Whereas Credit cards are **issued by banks / other entities approved by RBI**.
- Debit cards **can be used for** shopping, paying for fuel, grocery, withdrawing money from the automated teller machine. The credit cards **are used for** purchase of goods and services at Point of Sale (POS) and E-commerce (online purchase) / through Interactive Voice Response (IVR) /Recurring transactions/ Mail Order Telephone Order (MOTO).

2. Pay bills online

- This technology is set up just to pay bills online; the reason behind setting up this technology is **minimizing the use of paper** and going green by simply transferring money online to the beneficiary be it your electricity bill, gas bill, phone bill, DTH recharges, etc, most of your bill payments can be made on line through internet and wire transfers.
- Using this facility, **you can keep a track on your account**, estimate the money you consumer monthly, analyze your budget and also plan your savings online by seeing various investment options available for you online.

3. CORE (Centralized Online Real-time Exchange) banking

- **CORE banking** is anywhere banking with the same bank be it any location.
- All this can be done without sending the cheque outstation for clearing the transaction. This saves on time and money for sending the cheque for clearing to another city.
- Banking software and network technology allow a bank **to centralize its record** keeping and allow access from any location.
- **For example**, if you have an account with ABCD Bank LTD, in X location or X branch you can also process your transaction in Y location or Y branch.

4. Mobile banking

- Mobile banking is a service provided by a bank or other financial institution that **allows its customers to conduct financial transactions** remotely using a mobile device such as a **smartphone or tablet**.
- Unlike the related internet banking it uses software, usually called an app, provided by the financial institution for the purpose. Mobile banking is usually available on a **24-hour basis**.
- Transactions through mobile banking may include obtaining account balances and lists of **latest transactions, electronic bill payments, and funds transfers between a customer's or another's accounts**.
- It **reduces the cost of handling transactions** by reducing the need for customers to visit a bank branch for non-cash withdrawal and deposit transactions.

5. POS (Point-Of-Sale)

- A **Point-Of-Sale** (POS) or point of purchase (POP) is the time and place where a retail transaction is completed. **After receiving payment**, the merchant may issue a receipt for the transaction, which is usually printed but is increasingly being **dispensed with or sent electronically**.
- Any form of payment can be used, such as cash, debit cards, credit cards, mobile payments and even Bitcoin.

NATIONAL PAYMENTS CORPORATION OF INDIA (NPCI) AND ITS PRODUCTS

National Payments Corporation of India (**NPCI**) is an **umbrella organization for all retail payments system** in India, which aims to allow all Indian citizens to have unrestricted access to e-payment services.

- NPCI is a not-for-profit organisation registered under **section 8** of the Companies Act 2013.
- It was set up in December, 2008 with the guidance and support of the **Reserve Bank of India** (RBI) and **Indian Banks' Association** (IBA).
- The core objective was **to consolidate and integrate** the multiple systems with varying service levels into nation-wide uniform and standard business process for all retail payment systems.
- NPCI has **ten core promoter banks** namely, State Bank of India, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, HDFC Bank, Citibank and HSBC.
- Its Headquarters is located in **Mumbai, Maharashtra**. MD & CEO of NPCI is **Dilip Asbe**

Product and Services of NPCI

1) National Financial Switch (NFS)

- The **National Financial Switch** is the largest interconnected network of Automated Teller Machines (ATMs) in India. The primary headquarters is located at Mumbai.
- This system was developed by **Institute of Development and Research in Banking Technology** (IDRBT), Hyderabad in 2004. It is run by the National Payments Corporation of India (**NPCI**).
- The National Financial Switch enabled the interconnectivity between the bank's switches such that the transactions made at any ATM could be routed to the connected banks.
- The NPCI has allowed any bank **offering the core banking services** round the clock (24/7) with or without ATM can be a part of this National Financial Switch through a sponsor bank.
- The **objective behind such a move** is to enable the non-scheduled cooperative banks and other regional rural banks to access the wide network of ATMs in the country.
- Thereby, enabling the customers of such bank to access **banking services through any ATM of a connected bank**.

2) Immediate Payment Service (IMPS)

- IMPS is an innovative real time inter-bank electronic funds transfer system in India. Banks are allowed to set their own limit for IMPS.
- IMPS offers an inter-bank electronic fund transfer service through mobile phones. Unlike NEFT and RTGS, the service is available 24/7 throughout the year including bank holidays.
- This service is offered by National Payments Corporation of India (NPCI) that empowers customers to transfer money instantly through banks and RBI authorized Prepaid Payment Instrument Issuers (PPI) across India.
- QSAM (Query Service on Aadhaar Mapper) – This service helps user in knowing their Aadhaar Seeding status with their bank account.
- Both banked as well as un-banked customer can avail IMPS. However, unbanked customer can initiate IMPS transaction using the services of Pre-Paid Payments instrument issuer (PPI).

3) Unified Payment Interface (UPI)

- Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
- It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience.
- UPI is built over Immediate Payment Service (IMPS) for transferring funds. Per Transaction limit is Rs. 1 Lakh.
- It uses Virtual Payment Address (a unique ID provided by the bank), Account Number with IFS Code, Mobile Number with MMID (Mobile Money Identifier), Aadhaar Number, or a one-time use Virtual ID.

4) National Automated Clearing House (NACH)

- National Automated Clearing House (NACH) is a centralised, web-based clearing service that can ease the work of banks, financial institutions, and the government and corporate by consolidating all regional ECS systems into one national payment system, thereby removing any geographical barriers in efficient banking.
- Started by the National Payments Corporation of India (NPCI), NACH aims to create a better option for facilitating clearing services than the existing Electronic Clearing Service (ECS) system.
- The service is now active in all Indian banks with core banking facility. It facilitates both ECS credit and ECS debit.

5) *99# USSD

- A USSD (Unstructured Supplementary Service Data) based mobile banking service of NPCI was initially launched in November 2012.
- As USSD code connects to the telecom operator's server, it also connects to bank's server. The service had limited reach and only two TSPs were offering this service i.e. MTNL & BSNL.
- Understanding the importance of mobile banking in financial inclusion in general and of *99# in particular, various regulatory/trade bodies came together to ensure on boarding of all TSPs on *99# (USSD 1.0).
- With the wider ecosystem (11 TSPs), *99# was dedicated to the nation by Hon'ble Prime minister on 28th August 2014, as part of Pradhan Manti Jan Dhan Yojna.
- *99# service has been launched to take the banking services to every common man across the country. Currently, this service is available in 10 regional languages along with Hindi and English.

6) Aadhaar Enabled Payment System:

- AEPS is a payment service offered by the National payment Corporation of India (NPCI) to banks using Aadhaar number and online UIDAI authentication through their respective Business correspondent service centers.
- The customer to have a bank account linked to his / her Aadhaar number with a bank offering the AEPS service.

Issuer Identification Number (IIN) :

- It identifies the bank to which the customer has mapped the Aadhaar number.
- Each bank would be issued a unique IIN for AEPS.
- This is a six digit number.

Limits for AEPS transactions:

- Rs 50,000 per day per a/c. Aadhaar based accounts would be opened on the basis of simplified KYC guideline i.e. where
 - (a) Balance does not exceed Rs 50,000
 - (b) Annual turnover does not exceed Rs, 1,00,000.

Settlement agency and charges:

Clearing Corporation of India Ltd on behalf of NPCI.

Banking services in AEPS:

Cash withdrawal, Cash Deposit, Balance Enquiry, Fund Transfer.

7) Aadhaar Payment Bridge (APB) System

- The APB System sub-serves the goal of Financial Inclusion and provides an opportunity to the Government to attempt financial re-engineering of its subsidy management program.
- The implementation of APB System has also lead to electronification of a large number of retail payment transactions which were predominantly either in cash or cheque.
- Banks can get connect to NPCI either through NPCINet or Internet.
- Transaction routing on the basis of IIN issued by NPCI.
- APB System provides Direct Corporate Access (DCA) to Government Departments and Agencies. Provides online Dispute Management System (DMS).

8) Bharat Bill Payment System

- Bharat Bill Payment System (BBPS) is an integrated bill payment system in India offering interoperable and accessible bill payment service to customers through a network of agents of registered member as Agent Institutions (AI), enabling multiple payment modes, and providing instant confirmation of payment.
- BBPS aims to make regular bill payments for all utility services easy. That includes water, DTH and telecom.
- National Payments Corporation of India (NPCI) will function as the authorized Bharat Bill Payment Central Unit (BBPCU).
- BBPCU will be responsible for setting business standards, rules, and procedures for technical and business requirements for all participants.

9) RUPAY Card

- RuPay is an Indian domestic card scheme conceived and launched by the National Payments Corporation of India (NPCI) on 26 March 2012.
- Banks in India are authorized to issue RuPay debit cards to their customers for use at ATMs, PoS terminals, and e-commerce websites.
- It has been incorporated as a Section 25 company under Companies Act 1956 and more recently under the Section 8 of the Companies Act 2013 and is aimed to operate for the benefit of all the member banks and their customers. Its headquarters is located in Mumbai, Maharashtra.

10) Cheque Truncation System (CTS)

- CTS is based on a **cheque truncation or online image-based cheque clearing system** where cheque images and Magnetic Ink Character Recognition (MICR) data are captured at the collecting bank branch and transmitted electronically.
- For faster clearing of cheques, **Cheque Truncation System (CTS)** or Image-based Clearing System (ICS), was introduced in India.
- Truncation is the **process of stopping the flow of the physical cheque** issued by a drawer at some point by the presenting bank en-route to the paying bank branch.
- It is preferable to present instruments complying with **CTS-2010 standards** for clearing through CTS for faster realisation. Instruments not complying with CTS-2010 standards will continue be accepted but will be cleared at less frequent intervals i.e. once a week (every Monday).

11) BHIM (Bharat Interface for Money)

- BHIM (**Bharat Interface for Money**) is a mobile app developed by National Payments Corporation of India (**NPCI**), based on the Unified Payment Interface (**UPI**).
- It was launched by Prime Minister Narendra Modi, at **Digi Dhan mela** at Talkatora Stadium in New Delhi on 30 December 2016.
- The app **supports all Indian banks** which use that platform, which is built over the **Immediate Payment Service infrastructure** and allows the user to instantly transfer money between bank accounts of any two parties. It can be used on all **mobile devices**.
- BHIM allow users **to send or receive money** to or from UPI payment addresses, or to non-UPI based accounts (by scanning a QR code with account number and IFSC code or MMID (Mobile Money Identifier) Code).

Transaction fees and limits

- At present, there is **no charge** for transactions from Rs.1 to Rs.1 lakh.
- Currently the fund transfer limit has been set to **a maximum of Rs.20,000 per transaction** and a maximum of Rs. 1,00,000 in a day and maximum number of **transaction count of 20** in a day.
- BHIM app currently **supports 13 languages** (including English), though there are 22 official languages of India (excluding English) under 8th Schedule of Constitution of India.

Other Important Product used in various sectors**Universal Account Number (UAN) :**

- The UAN is a **12-digit number** allotted to employee who is **contributing to EPF** will be generated for each of the **PF member by EPFO**. For example, 111222333444.
- The UAN will act as an **umbrella for the multiple Member Ids** allotted to an individual by different establishments and also remains same through the lifetime of an employee. **It does not change** with the change in jobs.
- The idea is to **link multiple Member Identification Numbers** (Member Id) **allotted to a single member** under single Universal Account Number.

International Securities Identification Number (ISIN) :

- An International Securities Identification Number (ISIN) **uniquely identifies a security**. Its structure is defined in **ISO 6166**.
- The ISIN code is a **12-character alphanumeric code** that serves for uniform identification of a security through normalization of the assigned National Number, where one exists, at trading and settlement.
- **All internationally traded securities** issuers are urged to use the ISIN numbering scheme, which is now the accepted standard by virtually all countries. The **United States and Canada** primarily use a similar scheme, known as a **CUSIP number**.

- ISIN codes have a total of 12 characters, consisting of both letters and numbers. These include the country in which the issuing company is headquartered (**first two digits**), along with a number specific to the security (**middle nine digits**), and a **final character**, which acts as a check. **An example of an ISIN number** for a US company's stock certificate could look like: US-000402625-0.

Permanent Retirement Account Number (PRAN) :

- The **National Securities Depository Limited (NSDL)** is the Central Recordkeeping Agency (CRA) for NPS. Therefore application for **PRAN is made on the NSDL portal**. Every subscriber is allotted a **unique 12 digit Permanent Retirement Benefit Number** for a lifetime and can accessible from any location in India.
- Two types of account in PRAN, **Tier I Account**: This is a non-withdrawable account meant for savings for retirement.
- **Tier II Account**: This is simply a voluntary savings facility. The subscriber is free to withdraw savings from this account whenever subscriber wishes. No tax benefit is available on this account.
- It is **mandatory for all subscribers** to the NPS are required to have a PRAN.

Permanent Account Number (PAN) :

- Permanent Account Number (PAN) is a code that **acts as an identification for individuals, families and corporates** (Indian and Foreign as well), especially those **who pay Income Tax**.
- It is a unique, **10-character alpha-numeric identifier**, issued to all judicial entities identifiable under **the Indian Income Tax Act, 1961**.
- The Income Tax PAN code and its linked card are issued under **Section 139A of the Income Tax Act**. It is issued by the Indian Income Tax Department under the supervision of the **Central Board for Direct Taxes (CBDT)** and it also serves as an important proof of identification.
- An example of a PAN code number would be in the form of AAAPL1234C. The PAN structure is as follows: AAAPL1234C: The five (5) first characters are letters, followed by four (4) numerals, and the last (10th) character is a letter.

Tax Deduction and Collection Account Number (TAN) :

- In India, a Tax Deduction and Collection Account Number (TAN) is a **10 digit number** issued to persons who are required to deduct or collect tax on payments made by them under the **Indian Income Tax Act, 1961**. Each tax deductor is uniquely identified by a TAN.
- TAN is required to be quoted in **all TDS/TCS returns**, all TDS/TCS payment challans and all TDS/TCS certificates to be issued. TDS/TCS returns will not be accepted if TAN is not quoted and challans for TDS/TCS payments will not be accepted by banks.
- Failure to apply for TAN or not quoting the same in the specified documents attracts a **penalty of Rs.10,000**.
- TAN structure is as follows: DELA99999B: First four characters are letters, next five are numerals, and last character is a letter.
- The **first three characters** represent the **city or state** where the TAN was issued.
- The **fourth character** represents first character of name of the deductor.
- And the next **5 characters are numerics**.

Legal Entity Identifier (LEI) :

- The **Legal Entity Identifier (LEI)** code is conceived as a **key measure to improve the quality and accuracy of financial data** systems for better risk management post the Global Financial Crisis.

- LEI is a **20-digit unique code** to identify parties to financial transactions worldwide.
- These directions are issued under Section 21 and Section 35(A) of the **Banking Regulation Act, 1949**.

Quick Review

TERMS	Numbers/ Codes	Description
Society for Worldwide Interbank Financial	8 - 11 Alphabetic Code	Identifies particular banks worldwide and to send money to overseas banks.
Indian Financial System Code	11 - Alpha Numeric Code	Uniquely identifies a bank-branch participating in the NEFT system.
		1 st Four Characters – Bank Name
		5th character -0 (zero)
		Last 6 characters – Bank Branch
Magnetic Ink Character Recognition	9 – Digit Code	Uniquely identifies a bank and a branch participating in an Electronic Clearing System
Mobile Money Identifier	7– Digit Code	Uniquely linked with an Account number and helps in identifying the beneficiary details like in AEPS, APBS.
Universal Account Number	12– Digit Code	Allotted to employee who is contributing to EPF will be generated for each of the PF member by EPFO
International Securities Identification Number	12– Alpha Numeric Code	It serves for uniform identification of a security through normalization of the assigned National Number, where one exists, at trading and settlement.
Permanent Retirement Account Number	12– Digit Code	Permanent Retirement Benefit Number for a lifetime and can accessible from any location in India.
Aadhaar	12– Digit Code	Uniquely obtained information from residents of India, based on their biometric and demographic data.
		The data is collected by the Unique Identification Authority of India (UIDAI).
Permanent Account Number	10– Alpha Numeric Code	It acts as an identification for individuals, families and corporates (Indian and Foreign as well), especially those who pay Income Tax.
Tax Collection Account Number	10	Issued to persons who are required to deduct or collect tax on payments made by them.
	- Alpha- Numeric Number	Each tax deductor is uniquely identified by a TAN.

Legal Entity Identifier	20 digit alphanumeric code	Identifies distinct legal entities that engage in financial transactions.
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Margin on Loans and Implications

A loan that is able to be used for a variety of purposes. Typically offered to an investor by a broker for purchasing securities in a margin account and secured via the collateral of the investor.

What is a margin loan?

- A margin loan is a flexible line of credit that can be used to borrow money for investment purposes, such as investing in shares and managed funds.
- For example, you can provide existing approved shares, or managed funds as your deposit, or equity contribution.
- You can then use the loan to pay for other new investments.
- The assets you contribute, plus those acquired with the borrowed funds, become security for your margin loan.

Implication on Marginal loans

- Margin loan availability describes the amount in a margin account that is currently available for purchasing securities on margin or the amount that is available for withdrawal.
- A margin account makes loans available to the customer of a brokerage firm using the customer's securities in their account as collateral.
- Margin loan availability can be used in a couple of specific contexts.
 1. The dollar amount in an existing margin account that is currently available for purchasing securities. For new accounts, this represents the percentage value of the current balance that is available for future margin purchases.
 2. The dollar amount available for withdrawal from an account with existing marginable positions being used as collateral.

Loan

- A loan is the lending of money from one source to another source for a specified period. A loan is a debt given by an organization to another organization with an interest rate.
- In a loan, a borrower borrows money from the lender with a certain rate of interest and pay back it in future.
- The main activities of financial institutions like banks, NBFC, is to provide a loan to the customer.

Types of loan

There are mainly five types of loan.

1) Secured loan

- In a secured loan, a borrower pledges some asset as collateral like property, car etc. A mortgage loan is a type of secured loan used by a customer. In a secured loan, a money is using to purchase a property.
- If in case the borrower fails to pay back the loan amount a lender has legal right to possess the collateral security and recover the money.

2) Unsecured loan

- In the unsecured loan, a loan is not secured against any of property of the borrower. This type of loan is available from the financial institutions like banks, NBFCs and other private institutions.
- In unsecured loan interest rate depends on the lender and the borrower and the rate of interest in an unsecured loan is always higher than a secured loan.
- There is more risk associated with the unsecured loan that a customer may not pay back an amount. In case of insolvency, unsecured lenders are the second priority to pay the money.

- An unsecured loan may be one of the followings:

- Personal loans
- Credit card debt
- Bank overdrafts
- Line of credit
- Unsecured bonds

3) Demand loan

- Demand loans, as the name suggests, are short term loans.
- Short term loan means there is no fixed time to repay an amount it means it can be repaid at any time.
- A demand loan uses the floating rate of interest to charge an interest.
- A demand loan may be a secured or unsecured.

4) Term Loan

- A term loan is a loan from a bank for a specific amount that has a specified repayment schedule and a fixed or floating interest rate. Term loans can be given on an individual basis but are often used for small business loans.
- A term loan is a monetary loan that is repaid in regular payments over a set period of time.
- Term loans usually last between one and ten years but may last as long as 30 years in some cases. A term loan usually involves an unfixed interest rate that will add additional balance to be repaid.

5) Subsidized loan

- In a subsidized loan, an interest rate is reduced by subsidy.
- This type of loans is given to the students for education purpose.
- Sometimes in the subsidized loan the whole amount of interest is paid by the government.

6) Concessional loan

- A concessional loan is also called as a "soft loan".
- A concessional loan is given either through below market interest rates, by grace periods or a combination of both.

Reverse Mortgage Scheme

Under this scheme, the **senior citizens can unlock and tap the value** of their residential house while enjoying the benefits of living in the house during their lifetime. **Government of India** introduced reverse mortgage a **scheme in 2008**.

This scheme is **exact 'reverse' of plain home loan scheme**. In case of a home loan one takes a lump sum loan and repays it in instalments in future. Under the reverse mortgage scheme, you get instalments and the loan is repayable in lump sum in future.

Here, the payment stream comes to the borrower for a fixed period of time in the form of monthly, quarterly or yearly payments. The maximum permissible monthly payments under this scheme **cannot exceed Rs. 50,000 per month**.

Overdraft

- An overdraft is an extension of credit from a lending institution when an account reaches zero or A deficit in a bank account caused by drawing more money than the account holds.
- A bank overdraft facility means an additional source of liquidity available to businesses and a useful tool to manage short-term cash flow problems.

- An overdraft allows the individual to continue withdrawing money even if the account has no funds in it or not enough to cover the withdrawal. Basically, overdraft means that the bank allows customers to borrow a set amount of money.

Cash Credit

- A **cash credit** is a short-term **cash** loan to a company.
- A bank provides this type of funding, but only after the required security is given to secure the loan.
- Once a security for repayment has been given, the business that receives the loan can continuously draw from the bank up to a certain specified amount.

Important Features of Cash Credit

1. Borrowing limit

- A cash credit comes with a borrowing limit determined by the drawing power of the borrower.
- A company can withdraw funds up to the borrowing limit.

2. Interest on running balance

- In contrast with other traditional debt financing methods such as loans, the interest charged is only on the running balance of the cash credit account and not on the borrowing limit.

3. Minimum commitment charge

- The short-term loan comes with a minimum charge from the loan amount regardless of whether the borrower is able to utilize it.
- For example, banks typically include a clause that requires the borrower to pay a minimum interest on a predetermined amount or the amount withdrawn, whichever is higher.

4. Collateral security

- It is secured against a security such as stock, debtors, etc. and/or fixed assets and properties as collateral security.

5. Credit period

- It is typically given for a maximum period of 12 months, after which the drawing power is re-evaluated.

Example of Cash Credit

- Company A is a phone manufacturer and operates a factory where the company invests money to purchase raw materials to convert them into finished goods.
- However, the products in finished goods inventory are not immediately sold – the company's capital is stuck in the form of inventories.
- In order for Company A to meet its expenses and wait for their finished goods inventory to convert into cash, the company takes a cash credit loan to successfully run their business without a shortfall.

Disadvantages of Cash Credit

- High rate of interest
- Minimum commitment charges
- Difficulty in securing
- Temporary source of finance

NPA (Non- Performing Assets)

A **Non-Performing Asset (NPA)** refers to a classification for loans or advances that are in default or are in arrears on scheduled payments of principal or interest. In most cases, debt is classified as non-performing when loan payments have not been made for a period of 90 days.

Types of assets**1. Standard assets:**

Assets which are generating regular income to the bank

2. Sub-standard assets:

An asset which is overdue for a period of more than 90 days but less than 12 months

3. Doubtful assets:

An asset which is overdue for a period of more than 12 months.

4. Loss assets:

Assets which are doubtful and considered as non-recoverable by bank, internal or external auditor or central bank inspectors

5. Sub-standard assets:

Doubtful assets and Loss assets are NPA.

Causes of NPA**> Default**

One of the main reason behind NPA is default by borrowers.

> Economic conditions

The Economic condition of a region affected by natural calamities or any other reason may cause NPA.

> No more proper risk management

Speculation is one of the major reason behind default. Sometimes banks provide loans to borrowers with bad credit history. There is a high probability of default in these cases.

> Mis-management

Often ill-minded borrowers bribe bank officials to get loans with an intention of default.

> Diversion of funds

Many times, borrowers divert the borrowed funds to purposes other than mentioned in loan documents. It is very hard to recover from this kind of borrowers.

Prompt Corrective Action

PCA framework is one of such **supervisory tools, which involves monitoring of certain performance** indicators of the banks as an early warning exercise and is initiated once such thresholds as relating to capital, asset quality etc. are breached.

Its objective **is to facilitate the banks to take corrective measures including those prescribed by the Reserve Bank**, in a timely manner, in order to restore their financial health.

The framework also provides an opportunity to the **Reserve Bank to pay focussed attention on such banks** by engaging with the management more closely in those areas. The PCA framework is, thus, intended to encourage banks to eschew certain riskier activities and focus on conserving capital so that their balance sheets can become stronger.

The Reserve Bank has emphasized that the PCA framework has been in operation **since December 2002**.

Debt Recovery Tribunals (DRTs)

- Debt Recovery Tribunals were established to facilitate the debt recovery involving banks and other financial institutions with their customers like NPA.
- DRTs were set up after the passing of **Recovery of Debts due to Banks and Financial Institutions Act (RDBFI), 1993**.
- Appeals against orders passed by DRTs lie before Debts Recovery Appellate Tribunal (DRAT). The civil courts were directed to hand over all such cases to **Debt Recovery Tribunals (DRTs)** and **Debt Recovery Appellate Tribunals (DRATs)**, constituted under the Act
- DRTs can take cases from banks for disputed loans **above Rs 10 Lakhs**.
- At present, there are 33 DRTs and 5 DRATs functioning at various parts of the country.

- Compared to the ordinary court procedures, DRTs were able to handle large number of cases with low delay during the initial phases.

Asset Reconstruction Companies (ARCs)

- The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (**SARFAESI Act, 2002**); enacted in December 2002 provides the legal basis for the setting up ARCs in India. **Section 2 (1)** of the Act explains the meaning of Asset Securitization.
- Asset Reconstruction Companies or ARCs purchases bad assets or NPAs from banks at a negotiable price and helps banks to clean up their balance sheets (by removing the NPAs). ARCs are also elaborated under **Section 3** of the Act.
- At the same time, the new Insolvency and Bankruptcy Act will give a critical role to the ARCs in settling the bad assets through the insolvency process.

Capital needs for ARCs

- As per amendment made on the SARFAESI Act in 2016, an ARC should have a **minimum net owned fund of Rs 2 crore**.
- The RBI plans to raise this amount to **Rs 100 crore by end March 2019**.
- Similarly, the ARCs have to maintain a capital adequacy ratio of 15% of its risk weighted assets.

Equated Monthly Installment (EMI)**Definition:**

Equated monthly installments are used to pay off both interest and principal each month so that over a specified number of years, the loan is paid off in full.

Description:

The EMI is dependent on multiple factors, such as:

- 1) Principal borrowed
 - 2) Rate of interest
 - 3) Tenure of the loan
 - 4) Monthly/annual resting period
- For a fixed interest rate loan, the EMI remains fixed for the entire tenure of the loan, provided there is no default or part-payment in between.
 - The EMI is used to pay off both the principal and interest components of an outstanding loan.
 - The first EMI has the highest interest component and the lowest principal component. In case the rate of interest reduces through the tenure of the loan (as in the case of floating rate loans) the subsequent EMIs get reduced or the tenure of the loan falls or a mix of both.
 - It further explains that, with most common types of loans, such as real estate mortgages, the borrower makes fixed periodic payments to the lender over the course of several years with the goal of retiring the loan.

Differential Rate of Interest Scheme (DRI)

- DRI, a scheme for extending financial assistance at concessional rate of interest to a selected **low-income group for productive endeavours** is now being implemented by all Scheduled Commercial Banks.
- Under the DRI Scheme, banks provide finance **up to Rs.15,000/-** at a concessional rate of interest of 4 percent per annum to the weaker sections of the community for engaging in productive and gainful activities.
- In the case of physically handicapped persons, **a sum of Rs.5,000/-** for purchase of aids, appliances and equipments may be granted, apart from the loan amount of Rs.15,000/-. In case of housing loan under DRI scheme, a maximum loan amount of **Rs.20,000** is allowed.

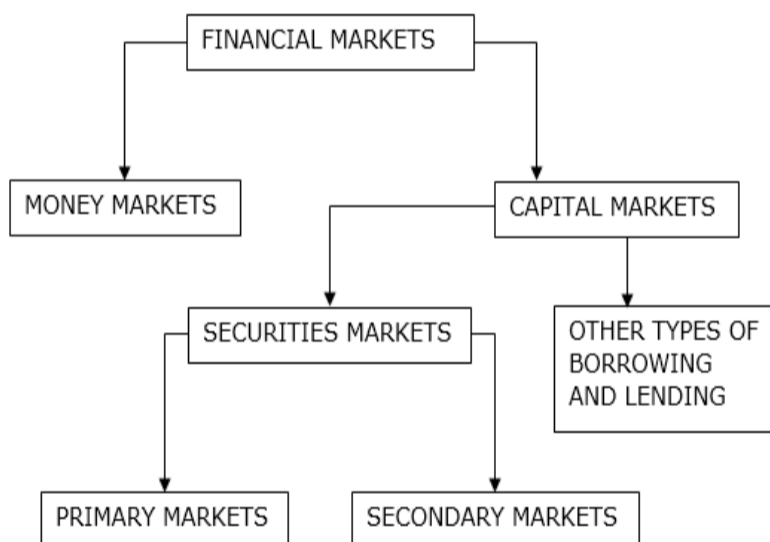
Conditions:

- > Family income not exceeding **Rs.18, 000/- p.a.** in rural areas and Rs.24, 000/- p.a. urban / semi urban areas.
- > Land holding does not exceed 1 acre irrigated or 2.5 acres in case of un-irrigated land.
- > SCs/STs are eligible for loan irrespective of their land holding, provided they satisfy other eligibility criteria.
- > The beneficiary largely works on his own and with such help as other members of his family.
- > The beneficiary should not have another source of finance while DRI loan exists.

Repayment:

- > DRI scheme loans have a repayment period of **maximum of 5 years**. In case of housing loans, the repayment period is extendable to 7 years, in hardship cases. Repayment would be fixed based on the income generation potential of the borrower on installment or EMI basis.
- > **40% of the bank credit** under the scheme should flow to the eligible borrowers belonging to Scheduled Castes and Scheduled Tribes. Banks have a target of having **1% of total advances** under the DRI scheme. Further, loan provided under DRI scheme fall under priority sector lending.

MONEY MARKET & CAPITAL MARKET



Money Market

The Money market in India correlation for **short-term funds** with **maturity ranging from overnight to one year** in India including financial instruments that are deemed to be close substitutes of money.

The money market is where **financial instruments with high liquidity and very short maturities are traded**. It is used by participants as a means for borrowing and lending in the short term.

Money Market's Instruments are Call/Notice/Term money market, Repurchase Agreement (Repo & Reverse Repo) market, Treasury bill market, Commercial Bill market, Commercial paper market, Certificate of Deposit market, Cash Management Bill (CMB).

CALL /NOTICE / TERM MONEY

The call/notice/term money market facilitates **lending and borrowing of funds between banks and entities** like Primary Dealers. An institution which has surplus funds may lend them on an **uncollateralized basis** to an institution which is short of funds. Money market transactions are categorized as follows:

- > **Call Money** - Borrowing/Lending for 1 day

- > **Notice Money** - Borrowing/Lending for 2-14 days

- > **Term Money** - Borrowing/Lending for more than 14 days

The interest rates on such funds **depend on the surplus funds** available with lenders and the demand for the same which remains volatile. This market is governed by the **Reserve Bank of India** which issues guidelines for the various participants in the call/notice money market.

Participants

Scheduled commercial banks (excluding RRBs), co-operative banks (other than Land Development Banks) and Primary Dealers (PDs), are permitted to participate in call/notice money market both as borrowers and lenders.

Prudential Limits

Prudential Limits for Transactions in Call/Notice Money Market			
Sr. No.	Participant	Borrowing	Lending
1	Scheduled Commercial Banks	On a daily average basis in a reporting fortnight, borrowing outstanding should not exceed 100 per cent of capital funds (i.e., sum of Tier I and Tier II capital) of latest audited balance sheet. However, banks are allowed to borrow a maximum of 125 per cent of their capital funds on any day, during a fortnight.	On a daily average basis in a reporting fortnight, lending outstanding should not exceed 25 per cent of their capital funds. However, banks are allowed to lend a maximum of 50 per cent of their capital funds on any day, during a fortnight.
2	Co-operative Banks	Outstanding borrowings of State Co-operative Banks/District Central Co-operative Banks/Urban Co-operative Banks in call/notice money market, on a daily basis should not exceed 2.0 per cent of their aggregate deposits as at end March of the previous financial year.	No limit.
3	PDs	PDs are allowed to borrow, on daily average basis in a reporting fortnight, up to 225 per cent of their net owned funds (NOF) as at end-March of the previous financial year.	PDs are allowed to lend in call/notice money market, on daily average basis in a reporting fortnight, up to 25 per cent of their NOF.

The prudential limits in respect of both outstanding borrowing and lending transactions in call/notice money market for scheduled commercial banks, co-operative banks and PDs are as follows: -

- The limits so arrived at may be conveyed to the **Clearing Corporation of India Ltd. (CCIL)** for setting of limits in NDS-CALL System, under advice to Financial Markets Regulation Department (FMRD), Reserve Bank of India.
- **Non-bank institutions** (other than PDs) are not permitted in the call/notice money market.

- Eligible participants **are free to decide on interest rates** in call/notice money market.
- With the implementation of the core banking solution, the **Negotiated Dealing System (NDS)** has been discontinued for reporting of OTC Call/Notice/Term Money transactions.

Types of Money

Money can be described as a generally accepted medium of exchange for goods and services. They are divided into four types, they are commodity money, fiat money, fiduciary money, and commercial bank money.

Commodity money:

Commodity money is closely related to (and originates from) a barter system, where goods and services are directly exchanged for other goods and services. Commodity money facilitates this process, because it acts as a generally accepted medium of exchange. Examples of commodity money include gold coins, beads, shells, spices, etc.

Fiat Money:

Fiat money gets its value from a government order (i.e. fiat). That means, the government declares fiat money to be legal tender, which requires all people and firms within the country to accept it as a means of payment. Examples of fiat money include coins and bills.

Fiduciary Money:

Fiduciary money depends for its value on the confidence that it will be generally accepted as a medium of exchange. Unlike fiat money, it is not declared legal tender by the government, which means people are not required by law to accept it as a means of payment. Instead, the issuer of fiduciary money promises to exchange it back for a commodity or fiat money if requested by the bearer. Examples of fiduciary money include cheques, bank notes, or drafts.

Commercial Bank Money:

Commercial bank money can be described as claims against financial institutions that can be used to purchase goods or services. It represents the portion of a currency that is made of debt generated by commercial banks. At this point just note that in essence, commercial bank money is debt generated by commercial banks that can be exchanged for "real" money or to buy goods and services.

COMMERCIAL PAPER (CP)

- Commercial Paper (CP) is **an unsecured money market instrument** issued in the form of a promissory note.
- It was introduced in India in 1990 with a view **to enabling highly rated corporate borrowers** to diversify their sources of short-term borrowings and to provide an additional instrument to investors.
- It is **issued by** Corporates, primary dealers (PDs) and the All-India Financial Institutions (FIs) are eligible to issue CP. CP can be issued in denominations of **Rs.5 lakh or multiples thereof**.
- CP can be issued either in the form of a **promissory note** or in a **dematerialised form** through any of the depositories approved by and **registered with SEBI**. Banks, FIs and PDs can hold CP only in dematerialised form.

Eligibility criteria for a company

A company is eligible to issue CP if:

- Its tangible net worth, as per latest audited balance sheet, is **not less than Rs.4 Crores**.

- Sanctioned work capital limit by banks.
- The borrowing accounts are classified as a standard asset by financing banks
- Minimum credit rating from SEBI approved credit rating agency.

Maturity

- CP can be issued for maturities between a **minimum of 7 days** and a maximum of up to **one year** from the date of issue.
- However, the maturity date of the CP should not go beyond the date up to which the credit rating of the issuer is valid.

Time Period Ceilings

- The total amount should be raised within a **period of 2 weeks** from the date on which the issue opens.
- Each CP shall have the same maturity date even when issued on different dates.
- Every issue of CP, including renewal, should be treated as a fresh issue.

Investors

- Individuals, banking companies, other corporate bodies registered/incorporated in India and unincorporated bodies, Non-Resident Indians and FIIs.

TREASURY BILLS

- Treasury bills or T-bills, which are money market instruments, **are short term debt instruments issued** by the Government of India. It is first issued in India in 1917.
- Treasury bills are **zero coupon securities** and pay no interest. They are issued at a discount and redeemed at the face value at maturity.
- The return to the investors is the difference between the maturity value or the face value (that is Rs.100) and the issue price. They are issued at a discount and **redeemed face value at maturity**.
- Treasury bills can be purchased by any one (including individual) **except State govt.**

Types:

- The bills are of two kinds - **Adhoc** and **Regular**.
- The **Adhoc bills** are issued for investment by the state governments, semi government departments and foreign central banks for temporary investment. They are **not sold to banks and general public**. Ad-hoc bills were **abolished in April 1997**.
- The Regular treasury bills are **sold to the public and banks**. They are freely marketable and commercial banks buy entire quantities of such bills, issued on tender. They are bought and sold on discount basis.

Denomination

- Minimum amount of face value **Rs. 25000 & in multiples thereof**. There is no specific amount/limit on the extent to which these can be issued or purchased.

Maturity

- Presently issued in three tenors, namely, **91 days, 182 days and 364 days**.

Auction

- RBI sells treasury bills on auction basis (to bidders quoting above the cut-off price fixed by RBI) by calling bids. Auctions are conducted **every Wednesday to issue T-bills**.

CERTIFICATE OF DEPOSIT (CD)

- Certificate of Deposit (CD) is a negotiable money market instrument and **issued in dematerialised form** (only wef June 30, 2002) or as a **Usance Promissory Note** against funds deposited at a bank or other eligible financial institution for a specified time period. It was introduced in India in 1989.
- Guidelines for issue of CDs are presently governed by various directives issued by the **Reserve Bank of India (RBI)**, as amended from time to

time. There is **no lock-in period** for the CDs. It cannot buy back their own CDs before maturity.

- Banks have the **freedom to issue CDs** depending on their funding requirements. CDs in physical form are freely transferable by endorsement and delivery. CDs in **demat form** can be transferred as per the procedure applicable to other demat securities. **Banks/FIs cannot grant loans** against CDs.

Eligibility

CDs can be issued by

- > **Scheduled commercial banks** {excluding Regional Rural Banks and Local Area Banks} and
- > **Selected All-India Financial Institutions (FIs)** that have been permitted by RBI to raise short-term resources **within the umbrella limit fixed by RBI.**

Minimum Size of Issue and Denominations

- > Minimum amount of a CD should be **Rs.1 lakh**, i.e., the minimum deposit that could be accepted from a single subscriber should not be less than Rs.1 lakh, and in multiples of Rs. 1 lakh thereafter.

Investors

- > CDs can be **issued to** individuals, corporations, companies (including banks and PDs), trusts, funds, associations, etc.
- > Non-Resident Indians (NRIs) may also subscribe to CDs, but only on non-repatriable basis, which should be clearly stated on the Certificate.
- > Such CDs **cannot be endorsed to another NRI in the secondary market.**

Maturity

- > The maturity period of CDs issued by banks **should not be less than 7 days and not more than one year**, from the date of issue.
- > The **FIs can issue CDs** for a period not less than 1 year and not exceeding 3 years from the date of issue.

Reserve Requirements

- > Banks have **to maintain appropriate reserve requirements**, i.e., cash reserve ratio (CRR) and statutory liquidity ratio (SLR), on the issue price of the CDs.

CASH MANAGEMENT BILLS

- The **Government of India**, in consultation with the **Reserve Bank of India**, has decided to issue a new short-term instrument, known as Cash Management Bills, **to meet the temporary cash flow mismatches** of the Government.
- The Cash Management Bills will be non-standard, discounted instruments issued for **maturities less than 91 days.**
- The Cash Management Bills will have the generic character of Treasury Bills. The proposed Bills will be issued **at discount to the face value** through auctions, as in the case of the Treasury Bills.
- The **Non-Competitive Bidding Scheme** for Treasury Bills will not be extended to the Cash Management Bills.
- The tenure or maturity notified amount (how much total CMBs to be issued) and date of issue of the CMBs depends **upon the temporary cash requirement of the Government.**
- CMBs **are eligible as SLR securities.** Investment in CMBs is also recognized as an eligible investment in Government securities by banks for SLR purpose under **Section 24 of the Banking Regulation Act, 1949.**

REPURCHASE AGREEMENT

A **repurchase agreement** (repo) is a form of **short-term borrowing for dealers** in government securities. The dealer sells the government securities

to investors, usually on an overnight basis, and buys them back the following day.

FIMMDA

- FIMMDA stands for the **Fixed Income Money Market and Derivatives Association of India** (FIMMDA) is an **association of** Commercial Banks, Financial Institutions and Primary Dealers.
- FIMMDA was incorporated as a Company **under section 25** of the **Companies Act, 1956** on June 3rd, 1998. FIMMDA is a voluntary market body for the bond, **Money and Derivatives Markets.**
- It acts **as an interface with the regulators** on various issues that impact the functioning of these markets. It also undertakes developmental activities, such as, introduction of benchmark rates and new derivatives instruments, etc.
- FIMMDA releases rates of various Government securities that are used by market participants for valuation purposes. FIMMDA also plays a **constructive role in the evolution of best market practices** by its members so that the market as a whole operates transparently as well as efficiently.
- The Reserve Bank has appointed the **Financial Benchmark India Pvt Ltd** (FBIL) for valuation of portfolios of government securities, which earlier used to be done by FIMMDA. (As of current news)
- As per RBI directive, FIMMDA has ceased to publish prices/yield of government securities **from March 31, 2018.**

CAPITAL MARKET

A **capital market** is a financial market **in which long-term debt (over a year) or equity-backed securities are bought and sold.** Capital markets channel the wealth of savers to those who can put it to long-term productive use, such as companies or governments making long-term investments. Capital markets help channelize surplus funds from savers to institutions which then invest them into productive use. Generally, this market **trades mostly in long-term securities.**

Securities Market

A securities market is a market **where securities are traded** either on physical or electronic exchanges. Securities markets are generally divided between **stock markets and bond markets.** A **stock market** involves the trade of equity securities, which are ownership interests of a company commonly known as **shares.**

It is also classified into two interdependent segments, i.e.

They are

1. **Primary Market**
2. **Secondary Market**

BASIS FOR COMPARISON	PRIMARY MARKET	SECONDARY MARKET
Meaning	The market place for new shares is called primary market. or The securities are formerly issued in a market.	The place where formerly issued securities are traded is known as Secondary Market. or Issued securities is then listed on a recognised stock exchange for trading.
Another name	New Issue Market	(NIM) After Market
Type of Purchasing	Direct	Indirect

Financing	It supplies funds to budding enterprises and also to existing companies for expansion and diversification.	It does not provide funding to companies.
How many times a security can be sold?	Only once	Multiple times
Buying and Selling between	Company and Investors	Investors
Who will gain the amount on the sale of shares?	Company	Investors
Intermediary	Underwriters	Brokers
Price	Fixed price	Fluctuates, depends on the demand and supply force
Organizational difference	Not rooted to any specific spot or geographical location.	It has physical existence.

The public issue is of two types, they are:

- **Initial Public Offer (IPO)** : Public issue made by an unlisted company for the very first time, which after making issue lists its shares on the securities exchange is known as the **Initial Public Offer**.
- **Further Public Offer (FPO)** : Public issue made by a listed company, for one more time is also known as a **Follow-On Offer**. An FPO is a stock issue of additional shares made by a company that is already publicly listed and has gone through the IPO process.

Two Important Stock Exchanges in India

Bombay Stock Exchange (BSE)

The Bombay Stock Exchange (BSE) is an Indian stock exchange established in **1875**, the BSE (formerly known as Bombay Stock Exchange Ltd.). It is the **Asia’s first stock exchange**. It claims to be the **world’s fastest stock exchange**, with a median trade speed of 6 microseconds. The BSE is the world’s 10th largest stock exchange with an overall market capitalization of **more than \$2.3 trillion** on as of **April 2018**.

Over the past 141 years, BSE has facilitated the growth of the Indian corporate sector by **providing it an efficient capital-raising platform**. BSE’s popular equity index - **the S&P BSE SENSEX** - is India’s most widely tracked stock market benchmark index. It is traded internationally on the **EUREX** as well as leading exchanges of the BRCS nations (Brazil, Russia, China and South Africa).

The BSE is also a **Partner Exchange** of the United Nations Sustainable Stock Exchange initiative, joining in September 2012. BSE established **India INX** on 30 December 2016. India INX is the **first international exchange of India**. Its headquarters is located in **Mumbai, Maharashtra**. Chairman of BSE – **S Ravi; Ashishkumar Chauhan** (MD & CEO).

National Stock Exchange (NSE)

The National Stock Exchange of India Limited (NSE) is the **leading stock exchange of India**. The NSE was established in **1992** as the **first demutualized electronic exchange** in the country.

NSE was the first exchange in the country to provide a modern, **fully automated screen-based electronic trading system** which offered easy

trading facility to the investors spread across the length and breadth of the country. **Vikram Limaye** is Managing Director & Chief Executive Officer (MD & CEO) of NSE. **Ashok Chawla** is the chairman of NSE. Its headquarters is located in **Mumbai, Maharashtra**.

National Stock Exchange has a total market capitalization of more than US\$2.27 trillion, making it the **world’s 11th-largest stock exchange** as of April 2018. NSE’s flagship index, the **NIFTY 50**, the 50-stock index is used extensively by investors in India and around the world as a barometer of the Indian capital markets. Nifty 50 index **was launched in 1996** by the NSE.

EXTERNAL COMMERCIAL BORROWINGS (ECB)

External Commercial Borrowing (ECBs) are loans in India **made by non-resident lenders** in foreign currency to Indian borrowers. They are used widely in India **to facilitate access to foreign money** by Indian corporations and PSUs (public sector undertakings).

ECBs **include** commercial bank loans, buyers’ credit, suppliers’ credit, securitised instruments such as floating rate notes and fixed rate bonds etc. RBI has decided to increase ECB Liability to Equity Ratio for ECB raised from direct foreign equity holder **under automatic route to 7:1**.

It should be **noted that** ECBs are not FDI. In case of FDI, foreign money is used only to finance the equity Capital. But in case ECBs, foreign money is used to finance any kind of funding other than equity.

Individual Limits:

- **Up to USD 750 million or equivalent** - for the companies in infrastructure and manufacturing sectors, Non-Banking Financial Companies - Infrastructure Finance Companies (NBFC-IFCs), NBFCs-Asset Finance Companies (NBFC-AFCs), Holding Companies and Core Investment Companies.
- **Up to USD 200 million or equivalent** - for companies in software development sector.
- **Up to USD 100 million or equivalent** - for entities engaged in micro finance activities.
- **Up to USD 500 million or equivalent** for remaining entities.

Foreign Direct Investment (FDI)

Foreign direct investment (FDI) is an **investment made by a firm or individual** in one country **into business interests** located in another country. Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets, including establishing ownership or controlling interest in a foreign company.

Foreign Direct Investments are distinguished from portfolio investments in which an investor merely **purchases equities of foreign-based companies**.

Indian company receive foreign investment

There are **two routes** under which foreign investment can be made is as under:

- **Automatic Route:** Foreign Investment is allowed under the automatic route **without prior approval** of the Government or the Reserve Bank of India, in all activities/ sectors as specified in the **Regulation 16 of FEMA 20 (R)**.
- **Government Route:** Foreign investment in activities not covered under the automatic route **requires prior approval** of the Government.

Foreign Investment Promotion Board (FIPB) which was the responsible agency **to oversee this route** was abolished on May 24, 2017.

Foreign Investment:

• Foreign Investment means any investment made by a person resident outside India on a repatriable basis in capital instruments of an Indian company or to the capital of an LLP.

Foreign Portfolio Investment (FPI)

In economics, Foreign Portfolio Investment is the entry of funds into a country where foreigners deposit money in a country's bank or make purchases in the country's stock and bond markets, sometimes for speculation.

Foreign portfolio investment shows up in a country's capital account. It is also part of the balance of payments which measures the amount of money flowing in and out of a country over a given time period.

Qualified Foreign Investor (QFI)

The Qualified Foreign Investor (QFI) is sub-category of Foreign Portfolio Investor and refers to any foreign individuals, groups or associations, or resident, however, restricted to those from a country that is a member of Financial Action Task Force (FATF) or a country that is a member of a group which is a member of FATF and a country that is a signatory to International Organization of Securities Commission's (IOSCO) Multilateral Memorandum of Understanding (MMOU).

QFI scheme was introduced by Government of India in consultation with RBI and SEBI in the year 2011. The policy decision is aimed to increase the depth of the Indian Market and widen the range of investors. QFIs, have now been merged in to Foreign Portfolio Investors (FPI), when the FPI regulations were introduced in 2014.

The objective of enabling QFIs is to deepen and infuse more foreign funds in the Indian capital market and to reduce market volatility as individuals are considered to be long term investors, as compared to institutional investors.

If the QFI is an Institutional investor such as hedge funds, insurance companies, pension funds and mutual funds, which are registered out of India would be called QFII (Qualified Foreign Institutional Investors).

Difference between FDI and FPI

FDI (Foreign Direct Investment)	FPI (Foreign Portfolio Investment)
FDI is a long-term process wherein the investor reflects a long-lasting and controlling interest in the firm.	FPI is a short-term process
FDI is a direct investment in buildings, technologies, equipment and machinery belonging to the firm of a host country (foreign firm).	FPI is an indirect investment in the foreign firm by simply buying the stocks of the company and not getting involved in any major activities of the firm.
It is difficult to sell off the shares in FDI	It is easy to sell off the shares in FPI
FPI investors are less vulnerable to liquidity.	FPI investors are more vulnerable to liquidity.
Investment is greater than 10%	Investment is less than 10%
Investment gives investors ownership right as well as management right	Investment gives investors only ownership right and not management right

Foreign Institutional Investors (FIIs)

Foreign Institutional investors (FIIs) are entities established or incorporated outside India and make proposals for investments in India. These investment proposals by the FIIs are made on behalf of sub accounts, which may include foreign corporates, individuals, funds etc.

In order to act as a banker to the FIIs, the RBI has designated banks that are authorised to deal with them. The biggest source through which FIIs invest is the issuance of Participatory Notes (P-Notes), which are also known as Offshore Derivatives.

FIIs can invest in the stocks and debentures of the Indian companies. In order to invest in the primary and secondary capital markets in India, they have to venture through the Portfolio Investment Scheme (PIS). According to RBI regulations, the ceiling for overall investment for FIIs is 24% of the paid up capital of the Indian company. The limit is 20% of the paid up capital in the case of public sector banks.

Recently SEBI allowed FIIs to invest in unlisted exchanges as well, which means both BSE and NSE (the unlisted bourses) can now allot shares to FIIs also.

American Depository Receipt (ADR)

An American Depository Receipt (ADR) is a negotiable certificate issued by a U.S. bank representing a specified number of shares (or one share) in a foreign stock traded on a U.S. exchange.

ADRs are denominated in U.S. dollars, with the underlying security held by a U.S. financial institution overseas, and holders of ADRs realize any dividends and capital gains in U.S. dollars, but dividend payments in euros are converted to U.S. dollars, net of conversion expenses and foreign taxes. ADRs are listed on either the NYSE, AMEX or NASDAQ but they are also sold OTC. ADR holders do not have to transact in foreign currencies because ADRs trade in U.S. dollars and clear through U.S. settlement systems.

Indian Depository Receipt (IDR)

Indian Depository Receipt (IDR) is a financial instrument denominated in Indian Rupees in the form of a depository receipt. The IDR is a specific Indian version of the similar global depository receipts. IDR's are based on the original American Depository Receipts that were first introduced in 1927 in the US.

It is created by a Domestic Depository (custodian of securities registered with the Securities and Exchange Board of India) against the underlying equity of issuing company to enable foreign companies to raise funds from the Indian securities Markets.

The foreign company IDRs will deposit shares to an Indian depository. The depository would issue receipts to investors in India against these shares. The benefit of the underlying shares (like bonus, dividends etc.) would accrue to the depository receipt holders in India.

Operation instructions under the Foreign Exchange Management Act were issued by the Reserve Bank of India on July 22, 2009. Standard Chartered PLC became the first global company to file for an issue of Indian depository receipts in India in 2010.

Securities and Exchange Board of India (SEBI)

The Securities and Exchange Board of India (SEBI) is the designated regulatory body for the finance and investment markets in India. The Securities and Exchange Board of India was established on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992.

The board plays a vital role in maintaining stable and efficient financial and investment markets by creating and enforcing effective regulation in

India's financial marketplace. India's SEBI is similar to the U.S. Securities and Exchange Commission (SEC).

SEBI has its headquarters at **Mumbai, Maharashtra**. Chairman of SEBI – **Ajay Tyagi**.

Management

- SEBI is managed by its **chairman and 5 members** and has departments such as primary market Dept, Issue Management Dept, Secondary Market Dept, Institutional Investment Dept.
- It has **2 advisory committees**, one each for primary and secondary market to provide advisory guidance in framing policies and regulation.
- SEBI has to be responsive to the needs of three groups, which constitute the market: 1) the issuers of securities 2) the investors 3) the market intermediaries. Ultimately, the board has three powers: quasi-judicial, quasi-legislative and quasi-executive.

National Securities Depository Limited (NSDL)

National Securities Depository Limited (NSDL) is an **Indian central securities depository** based in **Mumbai, Maharashtra**.

It was established on 8 November 1996 as the **first electronic securities depository in India** with national coverage based on a suggestion by a national institution responsible for the economic development of India. MD & CEO of NSDL - **G.V. Nageswara Rao**.

Promoters / shareholders

NSDL is promoted by **Industrial Development Bank of India Limited (IDBI)** - the largest development bank of India, **Unit Trust of India** (now, Administrator of the Specified Undertaking of the Unit Trust of India) and **National Stock Exchange of India Limited (NSE)** - the largest stock exchange in India. Some of the prominent banks in the country have also taken a stake in NSDL. They are Axis Bank Limited, State Bank of India, Oriental Bank of Commerce, Citibank NA, Standard Chartered Bank, HDFC Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Deutsche Bank, Dena Bank, Canara Bank

Central Depository Services (India) Ltd (CDSL)

Central Depository Services (India) Ltd (CDSL), is the **second Indian central securities depository** based in **Mumbai, Maharashtra**. Its main function is the holding securities either in certificated or uncertificated (dematerialized) form, to enable book entry transfer of securities. Chairman of CDSL - **T. S. Krishna Murthy**.

Promoters / shareholders

- CDSL is promoted by **Bombay Stock Exchange Limited (BSE)** jointly with State Bank of India, Bank of India, Bank of Baroda, HDFC Bank, Standard Chartered Bank, Axis Bank and Union Bank of India.

Applications Supported by Blocked Amount (ASBA)

ASBA (Applications Supported by Blocked Amount) is a process developed by the India's Stock Market Regulator **Securities and Exchange Board of India (SEBI) for applying to IPO**. In ASBA, an IPO applicant's account doesn't get debited until shares are allotted to them.

ASBA can be used for **Initial and Follow-on Public Offers (IPO & FPO)**, Rights Issues, Debt Issues and Mutual Funds. Under ASBA, funds will continue **to earn interest** during the application processing period.

Bank will mark a **lien on the deposit account** of the investor to the extent of the application money. Lien will be removed immediately after finalization of the basis of allotment. **If bid is successful**, the shares allotted will be transferred to the applicant's Demat account. An Investor can make 5 applications from a single deposit account.

Note: **Lien** is a right to keep possession of property belonging to another person until a debt owed by that person is discharged.

RISK IN BANKING SECTOR

Risk

Risk refers to a condition **where there is a possibility of undesirable occurrence** of a particular result. It also be defined as the **unplanned event** which causes financial consequences resulting in **loss or decreased profit**.

Risk can be referred as the chances of having an unexpected or negative outcome. Any action or activity that leads to loss of any type can be termed as risk.

Types of Risk

The banks are exposed to

1. Liquidity risk.
2. Interest rate risk.
3. Market risk.
4. Credit risk.
5. Operational risk.
6. Systemic Risk
7. Business Risk:

These risks can be further broken up in various other types of risk as under:

1. Liquidity risk

It is the risk arising from funding from funding of long term assets by short term liabilities or funding short term assets by long term liabilities.

Ex: Person A is going to a bank to withdraw money. Imagine the bank saying that it doesn't have cash temporarily. That is the liquidity risk a bank has to save itself from.

2. Interest Rate Risk

It is the risk arising from adverse movement of interest rates during the period when the asset or liability was held by the bank. This risk **affects the net interest margin** or market value of equity.

3. Market risk or price risk

It is the risk that arises due to adverse movement of the value of the investments/trading portfolio, during the period when the securities are held by a bank. Market risk as the risk of losses in the bank's trading book **due to changes in equity prices, interest rates**, credit spreads, foreign-exchange rates, commodity prices, and other indicators whose values are set in a public market.

4. Default risk or Credit risk

The risk to a bank when there is possibility of default by the counter party to meet its obligation. Credit risk is most likely caused by loans, acceptances, interbank transactions, trade financing, foreign exchange transactions, financial futures, swaps, bonds, equities, options, and in the extension of commitments and guarantees, and the settlement of transactions.

Ex: If person A borrows loan from a bank and **is not able to repay the loan** because of inadequate income, loss in business, death, unwillingness or any other reasons, the bank faces credit risk. Similarly, **if you do not pay your credit card bill**, the bank faces a credit risk.

5. Operational Risk

It is the risk that arises due to failed internal processes, people or systems or from external events. It includes a no of risk such as fraud risk, Communication risk, documentation risk, competence risk, model risk,

cultural risk, external event risk, legal risk, regulatory risk, compliance risk, system risk etc. It does not include strategic risk or reputation risk.

Ex: Operational risk may be **incorrect information filled in during clearing** a check or confidential information leaked due to system failure.

6. Systemic Risk

Systemic risk is the risk that **doesn't affect a single bank** or financial institution, **but it affects the whole industry**. Systemic risks are associated with cascading failures where the failure of a big entity can cause the failure of all the others in the industry.

The **global crisis of 2008** is the best example of a loss to all the financial institutions that occurred due to systemic risk.

7. Business Risk:

It is risk mainly **due to non-payment of a loan** by a businessman to banks or creditor at maturity led to the origin of the risk.

6. Other risk

These may include strategic risk or reputation risk.

a) **Strategic risk:** Arises due to adverse business decision, improper implementation of decisions etc.

b) **Reputation risk:** It is the risk that arises from negative public opinion. It can expose an institution to litigation, financial loss or decline in customer base.

Capital Adequacy Ratio (CAR)

- Capital Adequacy Ratio (CAR) is the ratio **of a bank's capital in relation to its risk weighted assets and current liabilities**.

- It is decided by central banks and bank regulators to prevent commercial banks **from taking excess leverage** and becoming insolvent in the process.

- Capital Adequacy Ratio, also known as Capital-To-Risk weighted Assets Ratio (CRAR), is used to protect depositors and **promote the stability and efficiency of financial systems around the world**.

- Two types of capital are measured: **Tier One capital**, which can absorb losses without a bank being required to cease trading, and **Tier Two capital**, which can absorb losses in the event of a winding-up and so provides a lesser degree of protection to depositors.

CURRENCY CHEST IN INDIA

Distribution of notes and coins throughout the country is done through designated bank branches, **called chests**. Chest is a receptacle in a commercial bank to store notes and coins **on behalf of the Reserve Bank**. Deposit into chest leads to credit of the commercial bank's account and withdrawal, debit.

Functions of Currency Chests

- To meet currency requirement of public
- To withdraw unfit notes
- To provide exchange facility from one denomination to another
- To make payment requirement of the Government
- To exchange the mutilated notes
- To avoid frequent movement of cash

Apart from having its own chests at certain places, RBI also has arrangements with other banks which are entrusted with custody of the currency notes and coins for the same purpose.

ISSUANCE OF CURRENCY

The issuance of the currency is **controlled by the Reserve Bank of India**.

The Reserve Bank manages currency in India and derives its role in currency management on the basis of the **Reserve Bank of India Act, 1934**. And the first paper currency issued by RBI was a **5 rupee note bearing King George VI's portrait**, in January 1938.

Coins can be issued up to the denomination of Rs.1000 as per the **Coinage Act, 1906**. The Reserve Bank has introduced banknotes in the Mahatma Gandhi Series since 1996 and has so far issued notes in the denominations of **Rs.5, Rs.10, Rs.20, Rs.50, Rs.100, Rs.500 and Rs.1000 in this series**.

The legal tender character of the bank notes in denominations of **Rs. 500 and Rs.1000** mentioned above, issued by the Reserve Bank of India was **withdrawn with the promulgation of the Specified Bank Notes (Cessation of Liabilities) Ordinance 2016 (GoI Ordinance No. 10 of 2016 dated December 30, 2016)**. As a result, with effect from December 31, 2016, the above Bank Notes ceased to be the liabilities of the Reserve Bank of India and ceased to have the guarantee of the Central Government.

Quick Review of Currency Printing in India

- **Currency paper** is imported from Dubai.
- **Paper for currency and securities process** at Hoshangabad (MP).
- **Currency Notes Press, Nasik Road** – Denomination of 1, 2, 5, 10, 50, 100.
- **Bank Notes Press, Dewas (MP)** : 20, 50, 100, 500.
- **Modernized Currency notes Press:** at Mysore, Salboni (West Bengal).
- **Minting of Coins:** Mumbai, Kolkata, Hyderabad, Noida (UP).
- **OVI (Optical Variable Ink)** is used for printing currency which is imported from Switzerland.
- Currency denomination is printed in **15 Languages**.
- **Indian Security Press, Nasik Road:** Printing of Postal Stamps, Postal Material, Judicial, Non-Judicial Stamps, Cheques, Bonds, NSCs, Indira Vikas Patra, Kisan Vikas Patra, Securities of States and PSUs.
- **Security Printing Press Hyderabad (1982)** : Printing of Court Fee Stamps, Commemorative Stamps, Kisan Vikas Patra, NSS Certificates.
- **"1 rupee"** denomination printed under the control of Government of India.
- Plastic Currency issued first by **Australia**.

DEMONETISATION

Demonetisation is a situation where the Central Bank of the country (Reserve Bank in India) **withdraws the old currency notes** of certain denomination as an official mode of payment.

In 1936, **Rs 10,000**, which was the highest denomination note, was introduced but was **demonetised in 1946**. Though, it was re-introduced in 1954 **but later, in 1978**, the then Prime Minister Morarji Desai in his intensive move to counter the black money, introduced **The High Denomination Banks Act (Demonetisation) and declared Rs 500, Rs 1000 and Rs 10,000 notes illegal**.

On November 8, 2016, Prime Minister **Narendra Modi** in a surprise announcement said the existing higher denomination currency (**Rs 500 and Rs 1000**) **will cease to be legal tenders**, effective from the midnight of the same day, and announced the **issuance of new Rs.500 and Rs.2,000 banknotes** of the Mahatma Gandhi New Series in exchange for the old notes. So, as of now **three times demonetisation** taken place in India – **1946, 1978, 2016**.

Quick Review of New Currency Note released by RBI after Demonetisation

Denomination (Rs)	Signature	Colour	Motif	Dimension	Identification	Logo
2000	Dr. Urjit R. Patel	Magenta	Mangalayan	66 mm x 166 mm	-	Swachh Bharat
500	Dr. Urjit R. Patel	stone grey	Red Fort	66 mm x 150mm	-	Swachh Bharat
200	Dr. Urjit R. Patel	Bright Yellow	Sanchi Stupa	66 mm x 146 mm	H	Swachh Bharat
50	Dr. Urjit R. Patel	Fluorescent Blue	Hampi with Chariot	66 mm x 135 mm	-	Swachh Bharat
10	Dr. Urjit R. Patel	Chocolate Brown	Sun Temple, Konark	63 mm x 123 mm	-	Swachh Bharat

INDIAN CREDIT RATING AGENCIES

> A **Credit Rating Agency (CRA)** is a company that rates debtors on the basis of their ability to pay back their interests and loan amount on time and the probability of them defaulting.

> These agencies may also analyse the creditworthiness of debt issuers and **provide credit ratings to only organisations** and not individuals consumers.

> The **assessed entities** may be companies, special purpose entities, state governments, local governmental bodies, non-profit organisations and even countries.

> Individual customers are rated by specialised agencies known as credit bureaus that provide a credit score to every customer **based on his/her financial history**.

> As of now, there are **six credit rating agencies** registered under **SEBI namely**, CRISIL, ICRA, CARE, SMERA, Fitch India, Brickwork Ratings.

1. CRISIL (Credit Rating Information Services of India Limited)

Main Function	Headquarters	Share holder	CEO/ Chairman
<ul style="list-style-type: none"> It was the first credit rating agency set up in India in 1987. It started its operation in 1988 It has expanded its business operation to USA, UK, Poland, Argentina, Hong Kong, China and Singapore apart from India It has rated around 5180 SMEs in India and has issued in excess of 10,000 SME ratings overall. 	Mumbai, Maharashtra	The majority shareholder of CRISIL is Standard & Poor's, one of the biggest credit rating agencies of the world.	Ashu Suyash

2. ICRA (Investment Information and Credit Rating Agency)

Main Function	Headquarters	Share holder	CEO/ Chairman
<ul style="list-style-type: none"> ICRA, which is an independent professional corporate investment information and credit rating and advisory agency. It was a second credit rating agency in India, set up in 1991. <p>It was originally named Investment Information and Credit Rating Agency of India Limited (IICRA India) and renamed to ICRA Limited and was listed in the Bombay Stock Exchange and National Stock Exchange in April 2007.</p>	Gurugram, Haryana	It was a joint-venture between Moody's and various Indian commercial banks and financial services companies. Majority Shareholder of ICRA is Moody's	Naresh Takkar

3. CARE (Credit Analysis and Research limited)

Main Function	Headquarters	Share holder & Ratings	CEO/ Chairman
<ul style="list-style-type: none"> CARE was established in 1993 and since then it has gone on to become India's second largest credit rating agency. It was promoted by Industrial Development Bank of India (IDBI), Unit Trust of India (UTI) Bank, Canara Bank and other financial institutions. 	Mumbai, Maharashtra	It launched a new international credit rating agency ' ARC Ratings ' with 4 partners from Brazil, Portugal, Malaysia and South Africa and established a subsidiary CARE Ratings (Africa) Private Limited (CRAF) in Mauritius.	Rajesh Mokashi

4. SMERA (Small and Medium Enterprises Rating Agency)

Main Function	Headquarters	Share holder & Ratings	CEO/ Chairman
<ul style="list-style-type: none"> • SMERA is the country's first Rating agency that focuses primarily on the Indian MSME segment. • This agency was founded in 2005 by Small Industries Development Bank of India (SIDBI), Dun and Bradstreet Information Services India Private Limited (D&B) and various public, private sector and other MNC banks of India. <p>SMERA is also accredited by Reserve Bank of India (RBI) as an external credit assessment institution (ECAI) to rate bank loan ratings under Basel II guidelines.</p>	Mumbai, Maharashtra	SMERA pioneered SME rating in India.	Sankar Chakraborti

5. FITCH India (India Ratings and Research (Ind-Ra))

Main Function	Headquarters	Share holder & Ratings	CEO/ Chairman
<ul style="list-style-type: none"> • It is a credit rating agency that provides time-bound, accurate and prompt credit opinions. • It has branch offices in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. • Ind-Ra is recognised by Securities and Exchange Board of India, National Housing Bank and the Reserve Bank of India. 	Mumbai, Maharashtra	<p>It is 100% owned subsidiary of the Fitch Group.</p> <ul style="list-style-type: none"> • It checks credit capacity of global leaders in all industries. 	Rohit Sawhney

6. Brickwork Rating (BWR)

Main Function	Headquarters	Share holder & Ratings	CEO/ Chairman
<p>It is credit rating company registered with SEBI in 2008. RBI accredited BWR with ECAI (External Credit Assessment Institutions) status in 2012 under Basel Norms.</p> <p>BWR offers Bank loans rating to large, medium and small companies.</p> <p>It has empanelled by NSIC</p>	Bangalore, Karnataka	Brickwork Ratings has Canara Bank, a leading Public-Sector Bank, as its promoter and strategic partner.	Vivek Kulkarani

Credit Rating Not Registered with SEBI

CIBIL (Credit Information Bureau India Limited)

Main Function	Headquarters	Share holder & Ratings	CEO/ Chairman
<p>Credit Information Bureau (India) Limited, commonly known as CIBIL/ TransUnion CIBIL, is India's first Credit Information Company or Credit Bureau.</p> <ul style="list-style-type: none"> • It maintains records of all credit-related activity of individuals and companies including loans and credit cards. • The records are submitted to CIBIL by registered member banks and other financial institutions on a periodic (usually monthly) basis. • CIBIL Score and Report: It is one of the most important factor that affects your loan approval. A good credit score and report is a positive indicator of your credit health. 	Mumbai, Maharashtra	TransUnion International (a global credit bureau) and Dun and Bradstreet (a global provider of credit information) are technical partners of CIBIL in India.	M.V. Nair (Chairman) Satish Pillai (MD)

ONICRA

Main Function	Headquarters	Share holder & Ratings	CEO/ Chairman
<ul style="list-style-type: none"> ONICRA Credit Rating Agency is the private rating agency established by Sonu Mirchandani under ONIDA Finance. The agency provides credit ratings, conducts risk assessment and provides analytical solutions to individuals, corporates and MSMEs. Its establishment in 1993, the agency has gained expertise in assessing micro, small and medium enterprises. 	Gurugram, Haryana.	<ul style="list-style-type: none"> It is one of the seven agencies licensed by the National Small Industries Corporation (NSIC) for the rating of SMEs Its grading services include education grading, healthcare grading, solar energy grading and APMC grading 	KR Kim

INTERNATIONAL CREDIT RATING AGENCIES

1. Moody's

Main Function	Headquarters	Share holder & Ratings	CEO/ Chairman
<p>Moody's Investors Service, often referred to as Moody's.</p> <p>Moody's Investors Service provides international financial research on bonds issued by commercial and government entities.</p> <p>Moody's, along with Standard & Poor's and Fitch Group, is considered one of the Big Three credit rating agencies.</p>	New York city, New York	It is the bond credit rating business of Moody's Corporation, representing the company's traditional line of business.	Raymond W. McDaniel, Jr. (President & CEO)

2. Standard & Poor's Financial Services LLC (S&P)

Main Function	Headquarters	Share holder & Ratings	CEO/ Chairman
<p>Standard & Poor's Financial Services LLC (S&P) is an American financial services company.</p> <ul style="list-style-type: none"> S&P is considered one of the Big Three credit-rating agencies. <p>It is a division of S&P Global that publishes financial research and analysis on stocks, bonds, and commodities.</p>	New York city, New York	S&P is known for its stock market indices such as the U.S.-based S&P 500, the Canadian S&P/TSX, and the Australian S&P/ASX 200	Douglas L. Peterson

3. Fitch Ratings Inc.

Main Function	Headquarters	Share holder & Ratings	CEO/ Chairman
<p>Fitch Ratings Inc. is one of the "Big Three credit rating agencies".</p> <p>It is one of the three nationally recognized statistical rating organizations (NRSRO) designated by the U.S. Securities and Exchange Commission in 1975.</p>	Dual-headquartered in New York, US, and London, UK	Hearst owns 100 percent of the company following its acquisition of an additional 20 percent for \$2.8 billion on April 12, 2018. Fitch Ratings and Fitch Solutions are part of the Fitch Group.	<ul style="list-style-type: none"> Paul Taylor (CEO)

CAMELS Rating System

>The acronym "CAMELS" refers to the five components of a bank's condition that are assessed: **Capital adequacy, Asset quality, Management, Earnings, and Liquidity and system and control.**

>Ratings are assigned for each component in addition to the **overall rating of a bank's financial condition.**

>Indian commercial banks **are rated as per supervisory rating model** approved by the BFS which is based on 'CAMELS' concept.

Developments Banks in India



IFCI (Industrial Finance Corporation of India)

- > IFCI Ltd. was **set up in 1948** as Industrial Finance Corporation of India, a Statutory Corporation, through 'The Industrial Finance Corporation of India Act, 1948' of Parliament to provide medium and long term finance to industry.
- > IFCI became a **Public Limited Company** registered under the Companies Act, 1956.
- > IFCI is also a **Systemically Important Non-Deposit taking Non-Banking Finance Company (NBFC-ND-SI)**, registered with the Reserve Bank of India.
- > The primary business of IFCI is **to provide medium to long term financial assistance** to the manufacturing, services and infrastructure sectors.
- > Its headquarters is in **New Delhi, India**. MD& CEO of IFCI - **Dr. Emandi Sankara Rao**

SIDBI (Small Industries Development Bank of India)

- > Small Industries Development Bank of India (SIDBI) is a **development financial institution in India**. It was set up on 2nd April 1990.
- > Its purpose is **to provide refinance facilities and short term lending** to industries, and serves as the principal financial institution in the Micro, Small and Medium Enterprises (MSME) sector.
- > SIDBI operates under the **Department of Financial Services**, Government of India.
- > SIDBI is **one of the four All India Financial Institutions** regulated and supervised by the Reserve Bank; other three are EXIM Bank, NABARD and NHB.
- > Its headquarters is in **Lucknow, Uttar Pradesh**. CMD of SIDBI - **Shri Mohammad Mustafa**.

NABARD (National Bank for Agriculture and Rural Development)

- > National Bank for Agriculture and Rural Development (NABARD) is an **apex development financial institution** in India.
- > NABARD was established on the recommendations of **B. Sivaraman Committee**, (by Act 61, 1981 of Parliament) on **12 July 1982** to implement the National Bank for Agriculture and Rural Development Act 1981.
- > The **initial corpus of NABARD** was Rs.100 crores. NABARD is **fully owned by Government of India**.

- > Its headquarters is in **Mumbai, Maharashtra**. Chairman of NABARD - **Dr. Harsh Kumar Bhanwala**.

Exim Bank (Export-Import Bank)

- > Export-Import Bank of India is the **premier export finance institution** in India, **established in 1982 under Export-Import Bank of India Act 1981**.
- > Providing **financial assistance to exporters and importers**, and functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade.
- > Its headquarters is in **Mumbai, Maharashtra**. MD of EXIM Bank - **David Rasquinha**.

Other Important Organisations

ECGC (Export Credit Guarantee Corporation of India)

- > The ECGC Limited (Formerly Export Credit Guarantee Corporation of India Ltd) is a company **wholly owned by the Government of India**.
- > It provides **export credit insurance support to Indian exporters** and is controlled by the **Ministry of Commerce**.
- > Government of India had **initially set up** Export Risks Insurance Corporation (ERIC) in **July 1957**. It was transformed into Export Credit and Guarantee Corporation Limited (ECGC) in 1964 and to Export Credit Guarantee Corporation of India in **1983**.
- > **Offers guarantees to banks and financial institutions** to enable exporters to obtain better facilities from them.
- > **Provides Overseas Investment Insurance** to Indian companies investing in joint ventures abroad in the form of equity or loan and advances.
- > Its headquarters is in **Mumbai, Maharashtra**. CMD of ECGC - **Geetha Muralidhar**.

NBFC (Non-Banking Financial Company)

- A **Non-Banking Financial Company (NBFC)** is a company registered under the **Companies Act, 1956** engaged in the business of loans and advances, **acquisition of shares/stocks/bonds/debentures/securities** issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business.
- But **does not include any institution** whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.
- NBFCs lend and make investments** and hence their activities are **akin to that of banks**; however, there are a **few differences** as given below:
 - > NBFC cannot accept demand deposits;
 - > NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself;
 - > Deposit Insurance Facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.
 - > Provides Banking services to People without holding a Bank license.
 - > An NBFC is not a part of the payment and settlement system and as such,
 - > An NBFC cannot issue Cheques drawn on itself, and
 - > An NBFC is not required to maintain Reserve Ratios (CRR, SLR etc.)
 - > An NBFC cannot indulge Primarily in Agricultural, Industrial Activity, Sale-Purchase, Construction of Immovable Property
 - > Foreign Investment allowed up to 100%.

Types of NBFC

I. **Asset Finance Company (AFC)** : An AFC is a company which is a financial institution carrying on as its principal business the financing of physical assets supporting productive/economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipment's, moving on own power and general purpose industrial machines. Principal business for this purpose is defined as aggregate of financing real/physical assets supporting economic activity and income arising therefrom is not less than 60% of its total assets and total income respectively.

II. **Investment Company (IC)** : IC means any company which a financial institution is carrying on as its principal business the acquisition of securities.

III. **Loan Company (LC)** : LC means any company which a financial institution is carrying on as its principal business the providing of finance whether by making loans or advances or otherwise for any activity other than its own but does not include an Asset Finance Company.

IV. **Infrastructure Finance Company (IFC)** : IFC is a non-banking finance company a) which deploys at least 75 per cent of its total assets in infrastructure loans, b) has a minimum Net Owned Funds of Rs. 300 crore, c) has a minimum credit rating of 'A' or equivalent d) and a CRAR of 15%.

V. **Systemically Important Core Investment Company (CIC-ND-SI)** : CIC-ND-SI is an NBFC carrying on the business of acquisition of shares and securities which satisfies the following conditions: -

- > It holds not less than 90% of its Total Assets in the form of investment in equity shares, preference shares, debt or loans in group companies;
- > Its asset size is Rs.100 crore or above and
- > It accepts public funds

VI. **Infrastructure Debt Fund:** Non- Banking Financial Company (IDF-NBFC) : IDF-NBFC is a company registered as NBFC to facilitate the flow of long term debt into infrastructure projects. IDF-NBFC raise resources through issue of Rupee or Dollar denominated bonds of minimum 5-year maturity. Only Infrastructure Finance Companies (IFC) can sponsor IDF-NBFCs.

VII. **Non-Banking Financial Company - Micro Finance Institution (NBFC-MFI)** : NBFC-MFI is a non-deposit taking NBFC having not less than 85% of its assets in the nature of qualifying assets which satisfy the following criteria:

- > loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding Rs.1,00,000 or urban and semi-urban household income not exceeding Rs.1,60,000;
- > loan amount does not exceed Rs. 50,000 in the first cycle and Rs.1,00,000 in subsequent cycles;
- > total indebtedness of the borrower does not exceed Rs.1,00,000;
- > tenure of the loan not to be less than 24 months for loan amount in excess of Rs.15,000 with prepayment without penalty;
- > loan to be extended without collateral;
- > aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs;
- > loan is repayable on weekly, fortnightly or monthly instalments at the choice of the borrower

INTERNATIONAL FINANCIAL ORGANISATION

International Financial Organizations

1. World Bank Group (WBG)
2. International Monetary Fund (IMF)
3. Asian Infrastructure Investment Bank (AIIB)
4. Asian Development Bank (ADB)
5. European Bank for Reconstruction and Development (EBRD)

6. European Investment Bank (EIB)
7. Islamic Development Bank (IDB)
8. African Development Bank (AfDB).

1. WORLD BANK GROUP (WBG)

World Bank Group (WBG)	
Formed in	July 1945
Member countries	189 countries (IBRD) 173 countries (IDA) (India is also a member)
Headquarters	Washington, DC., US
President:	Jim Yong Kim
The World Bank Group (WBG) is a family of five international organizations as follows	<ul style="list-style-type: none"> > International Bank for Reconstruction and Development (IBRD) – Provide Hard Loan. > International Finance Corporation (IFC) > International Development Association (IDA) – Provide Soft loan. > International Centre for Settlement of Investment Disputes (ICSID), > Multilateral Investment Guarantee Agency (MIGA)
Functions:	The World Bank focuses on developing countries, in fields such as human development, agriculture and rural development, environmental protection, infrastructure, large industrial construction projects, and governance.

2. INTERNATIONAL MONETARY FUND (IMF)

International Monetary Fund (IMF)	
Formed on	27 December 1945
Member countries	189 countries (India is also a member)
Headquarters	Washington, DC., US
Managing Director	Christine Lagarde
Functions	It works for global growth and economic stability by providing policy, advice and financing to members, by working with developing nations to help them achieve macroeconomic stability and reduce poverty. The IMF provides alternate sources of financing.

3. ASIAN INFRASTRUCTURE INVESTMENT BANK

Asian Infrastructure Investment Bank (AIIB)	
Formed in	December 2015
Member countries	87 countries (India is also a member)
Headquarters	Beijing, China
President	Jin Liqun
Functions	Its function is to support the building of infrastructure in the Asia-Pacific region. The bank has 50 member states (all "Founding Members") and was proposed as an initiative by the government of China.

4. ASIAN DEVELOPMENT BANK

Asian Development Bank (ADB)	
Formed in	December 1966
Member countries	67 countries (India is also a member)
Headquarters	Mandaluyong, Metro Manila, Philippines
President	Takehiko Nakao
Functions	It aims for an Asia and Pacific free from poverty . This organisation works on reducing poverty in Asia and the Pacific through inclusive economic growth, environmentally sustainable growth, and regional integration. This is carried out through investments in the form of loans, grants and information sharing.

5. EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

European Bank for Reconstruction and Development (EBRD)	
Formed in	1991
Member countries	69 countries (India is also a member)
Headquarters	London, UK
President	Suma Chakrabarti
Functions	It offers project financing for banks, industries and businesses, for new ventures or existing companies. It works with publicly owned companies to support their privatization, as advocated by the WTO since the 1980 and in the improvement of municipal services

6. EUROPEAN INVESTMENT BANK (EIB)

European Investment Bank (EIB)	
Formed in	1958
Member countries	28 member states of the EU (India is not a member)
Headquarters	Kirchberg, Luxembourg
President	Werner Hoyer
Functions	It is a nonprofit long-term lending institution. It supports for small and medium sized enterprises to attain environmental sustainability and in development of Trans-European Networks of transport and energy and for many others purposes

7. ISLAMIC DEVELOPMENT BANK (IDB)

Islamic Development Bank (IDB)	
Formed in	1975
Member countries	57 countries (India is not a member)
Headquarters	Jeddah, Saudi Arabia
President	Ahamad Mohamed Ali Al Madani
Functions	This is a multilateral development financing institution which helps in the development of member states. The basic condition for membership is that the prospective member country should be a member of the Organization of Islamic Cooperation.

8. AFRICAN DEVELOPMENT BANK (AfDB)

African Development Bank	
Formed in	1964
Member countries	78 countries (India is also a member)
Headquarters	Abidjan, Ivory Coast
President	Akinwumi Adesina
Functions	It is established to contribute to the economic development and social progress of African countries. The primary function is to provide loans and equity investments for the socio-economic advancement, Technical assistance for development projects, and assists in organizing the development policies.

BASEL NORMS

Bank for International Settlements (BIS)

The Bank for International Settlements (BIS) is an **international financial institution** owned by central banks which fosters international monetary and financial cooperation and serves as a bank for central banks.

The BIS **was established in 1930** by an intergovernmental agreement between Germany, Belgium, France, the United Kingdom, Italy, Japan, the United States and Switzerland. The BIS is owned by 60 central banks, representing countries from around the world that together account for about **95% of world GDP**.

The BIS carries out its work through its meetings, programmes and through the **Basel Process**, hosting international groups pursuing global financial stability and facilitating their interaction.

It also provides banking services, but **only to central banks and other international organizations**. It is based in **Basel, Switzerland**, with representative offices in Hong Kong and Mexico City.

Basel Committee on Banking Supervision (BCBS)

The Basel Committee on Banking Supervision is an **international committee formed to develop standards for banking regulation**; it is made up of central bankers from 27 countries and the European Union.

The present Chairman of the Committee is **Stefan Ingves**, Governor of the central bank of Sweden (Sveriges Riksbank). **William Coen** is the current Secretary General of the Basel Committee. The **Committee's Secretariat** is located at the Bank for International Settlements (BIS) in Basel, Switzerland. However, the BIS and the Basel Committee remain two distinct entities.

Goals

- BCBS **does not issue** binding regulation; rather, it functions as an informal forum in which policy solutions and standards are developed.
- The Basel Committee **formulates broad supervisory standards** and guidelines and recommends statements of best practice in banking supervision in the expectation that member authorities and other nations' authorities will take steps to implement them through their own national systems.
- It mainly focuses **on risks to banks and the financial system** are called **Basel accord**.
- **India** has accepted Basel accords for the banking system. Basel Accord has given us **three Basel Norms** which are Basel I, II and III.

Basel I:

In 1988, BCBS introduced **capital measurement system** called Basel capital accord, also called as Basel 1. It focused almost entirely on **credit risk**. It defined capital and structure of risk weights for banks.

The minimum capital requirement was fixed at **8% of Risk Weighted Assets** (RWA). RWA means assets with different risk profiles. For example, an asset backed by collateral would carry lesser risks as compared to personal loans, which have no collateral. **India adopted Basel 1 guidelines in 1999.**

Basel II:

In June 2004, **Basel II guidelines** were published by **BCBS**, which were considered to be the refined and reformed versions of Basel I accord. The guidelines were based on **three parameters**, which the committee calls it as pillars. They are

> **Capital Adequacy Requirements:** Banks should maintain a minimum capital adequacy requirement of 8% of risk assets.

> **Supervisory Review:** According to this, banks were needed to develop and use better risk management techniques in monitoring and managing all the three types of risks that a bank faces, viz. credit, market and operational risks.

> **Market Discipline:** This need increased disclosure requirements. Banks need to mandatorily disclose their CAR, risk exposure, etc to the central bank. **Basel II norms in India and overseas are yet to be fully implemented.**

Basel III:

In 2010, Basel III guidelines were released. These guidelines were introduced in response to the **financial crisis of 2008**. A need was felt to **further strengthen the system** as banks in the developed economies were under-capitalized, over-leveraged and had a greater reliance on short-term funding. Also, the quantity and quality of capital under **Basel II were deemed insufficient** to contain any further risk.

Basel III norms aim at making most banking activities such as their **trading book activities more capital-intensive**. The guidelines aim to promote a more resilient banking system by **focusing on four vital banking parameters viz. capital, leverage, funding and liquidity**.

Presently Indian banking system follows Basel II norms. The **Reserve Bank of India** has extended the timeline for **full implementation of the Basel III capital regulations by a year to March 31, 2019.**

PRIORITY SECTOR LENDING

• Priority Sector Lending is an important role given by the **Reserve Bank of India (RBI) to the banks** for providing a specified portion of the bank lending to few specific sectors like agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections.

• This is essentially meant for an **all-round development of the economy** as opposed to focusing only on the financial sector.

Targets and Sub-targets for Banks under Priority Sector are as follows:

Categories	Domestic scheduled commercial banks (excluding Regional Rural Banks and Small Finance Banks) and Foreign banks	Foreign banks with less than 20 branches

	with 20 branches and above	
Total Priority Sector	40 per cent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.	40 per cent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, to be achieved in a phased manner by 2020.
Agriculture	18 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher. Within the 18 percent target for agriculture, a target of 8 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher is prescribed for Small and Marginal Farmers.	Not applicable
Micro Enterprises	7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.	Not applicable
Advances to Weaker Sections	10 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher	Not applicable

Categories of Priority Sector

• The broad categories of priority sector for all scheduled commercial banks are as under:

(i) Agriculture and Allied Activities

- The lending to agriculture sector has been re-defined to include
 - (i) Farm Credit (which will include short-term crop loans and medium/long-term credit to farmers)
 - (ii) Agriculture Infrastructure and
 - (iii) Ancillary Activities

(ii) Small Scale Industries

For classification under priority sector, **no limits** are prescribed for bank loans sanctioned to Micro, Small and Medium Enterprises engaged in the manufacture or production of goods under any industry specified in the first schedule to the **Industries (Development and Regulation) Act, 1951** and as notified by the Government from time to time. The manufacturing enterprises are defined in terms of investment in plant and machinery under MSME Act 2006.

(iii) Social Infrastructure

Bank loans up to a limit of **Rs. 5 crore per borrower** for building social infrastructure for activities namely schools, health care facilities, drinking water facilities and sanitation facilities (including loans for construction/ refurbishment of toilets and improvement in water facilities in the household).

Bank credit to **Micro Finance Institutions** (MFI) extended for on-lending to individuals/ members of SHGs/ JLGs for water and sanitation facilities is also eligible for classification as priority sector loans under 'Social Infrastructure'

(iv) Renewable Energy:

Bank loans up to a limit of **Rs. 15 crore to borrowers** for purposes like solar based power generators, biomass based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities viz. street lighting systems, and remote village electrification are eligible to be classified under priority sector loans under 'Renewable Energy'.

For individual households, the loan limit is **Rs. 10 lakh per borrower**.

(v) Education loans:

Education loans include loans and advances granted to only individuals for educational purposes up to Rs. 10 lakh for studies in India and Rs. 20 lakh for studies abroad, and do not include those granted to institutions.

(vi) Housing loans:

Loans to individuals **up to Rs. 28 lakh in metropolitan centres** (with population of ten lakh and above) and loans up to **Rs. 20 lakh in other centres** for purchase/construction of a dwelling unit per family, are eligible to be considered as priority sector provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed Rs. 35 lakh and Rs. 25 lakh, respectively. Housing loans to banks' own employees **are not eligible** for classification under priority sector.

(vii) Under Weaker Sections:

➤ Small and Marginal Farmers, Distressed farmers indebted to non-institutional lenders.

➤ Artisans, village and cottage industries where individual credit limits do not exceed Rs. 1 lakh.

➤ Beneficiaries under Government Sponsored Schemes such as National Rural Livelihoods Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS).

➤ Scheduled Castes and Scheduled Tribes, Minority communities.

➤ Beneficiaries of Differential Rate of Interest (DRI) scheme.

➤ Self Help Groups, Persons with disabilities, Individual women beneficiaries up to Rs.1 lakh per borrower.

➤ Distressed persons other than farmers, with loan amount not exceeding Rs. 1 lakh per borrower to prepay their debt to non-institutional lenders.

➤ Overdrafts upto Rs. 5,000/- under Pradhan Mantri Jan-DhanYojana (PMJDY) accounts, provided the borrowers' household annual income does not exceed Rs.100,000/- for rural areas and Rs. 1,60,000/- for non-rural areas.

Note: The priority sector lending targets for Scheduled Commercial Bank are defined by RBI in terms of percentage of **Adjusted Net Bank Credit (ANBC)**.

ANBC is the **Net Banking Credit** after taking into account bill discounting, non-SLR securities and other exemption via long-term bonds.

Priority Sector Lending Certificates (PSLCs)

Priority Sector Lending Certificates (PSLCs) are a mechanism **to enable banks to achieve the priority sector lending target and sub-targets** by purchase of these instruments in the event of shortfall.

This also incentivizes surplus banks as it allows them to sell their excess achievement over targets thereby **enhancing lending to the categories under priority sector**.

Under the PSLC mechanism, the seller sells fulfilment of priority sector obligation and the buyer buys the obligation with no transfer of risk or loan assets.

Financial Inclusion

Financial Inclusion is defined as "the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as **weaker sections and low-income groups at**

an affordable cost" (Rangarajan, 2008) in the report of the Committee on financial inclusion in India.

RBI set up the **Rangarajan Committee** in 2004 to look into financial inclusion. Financial inclusion **first featured in 2005 & Mangalam, Puducherry** became the first village in India where all households were provided banking facilities.

RBI Initiatives for Financial Inclusion

1. Opening of Basic Saving Bank Deposit, a/c.
2. Relaxed KYC norms for small deposits a/c.
3. Allowing engaging business correspondents.
4. Effective use of information and communication technology (ICT), to provide door step banking services.
5. Implementation of Electronic Benefit Transfer (EBT) by leveraging ICT-Based Banking.
6. Issue of general credit cards.
7. Simplified branch authorization for tier III to tier VI centres (population of less than 50,000) under general permission.

Financial Inclusion Fund (FIF)

• As you may be aware, the **Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF)** was constituted in the year 2007-08 for a period of five years with a corpus of Rs. 500 crore each to be contributed by **Government of India (GOI), RBI and NABARD in the ratio of 40:40:20**. The guidelines for these two funds were framed by GOI.

• In April 2012, **RBI decided to fund FIF** by transferring the interest differential in excess of 0.5% on RIDF and STCRC deposits on account of shortfall in priority sector lending.

• Keeping in view the various developments over the years, GOI has merged the FIF and FITF to form a single Financial Inclusion Fund.

• The Reserve Bank of India has finalised the new scope of activities and guidelines for utilisation of the **new FIF in consultation with GOI**.

• The new FIF will be administered by the reconstituted Advisory Board constituted by **GOI** and will be maintained by **NABARD**.

Important Initiatives launched under Financial Inclusion

- No Frill Accounts (Refer Page no.
- BSBDA (Refer Page no.
- Lead Banking Scheme
- Business Correspondents
- Swabhimaan
- Pradhan Mantri Jan-Dhan Yojana (PMJDY)
- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJY)
- Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Atal Pension Yojana (APY)
- Pradhan Mantri Jan Dhan Yojana (PMMY)
- Direct Benefit Transfer (DBT)
- Small Finance Banks
- Payments Bank

Lead Bank Scheme:

The **Lead Bank Scheme** was launched by the **RBI in 1969** as an area approach **for providing banking facilities in rural areas**. The LBS was recommended by **DR Gadgil** study group that pioneered the idea of providing social banking in the post-independence period.

Under LBS, every district across the country **would be assigned to a commercial bank**. The bank should have major presence in that district to do the work of the Lead Bank. The lead bank makes surveys and makes loan facility to various sectors.

Business correspondents (BCs)

- The business correspondent is nothing but a bank-in-person, who is **authorised to collect small ticket deposits** and extend small credit on behalf of the banks. A BC also does the following activities: Recovering the principal interest of small value deposits.
- The RBI has allowed banks **to appoint entities and individuals as agents** for providing basic banking services in remote areas where they can't practically start a branch. These agents are called **Business Correspondents**.
- Business Correspondents are hence instrumental in **facilitating financial inclusion in the country**.
- As per the RBI guidelines the **products provided by BCs** are: Small Savings Accounts, Fixed Deposit and Recurring Deposit with low minimum deposits, Remittance to any BC customer, Micro Credit and General Insurance.
- The BC model allows banks to provide door-step delivery of services especially **'cash in – cash out' transactions** at a location much closer to the rural population, thus addressing the last-mile problem.

Swabhimaan

- **Swabhiman** is a path-breaking initiative by the Union Government and the Indian Banks' Association **to bridge economic gap between rural and urban India**.
- This campaign is a big step towards socio-economic equality by bringing the **underprivileged segments of Indian population** into the formal banking fold for the first time. The vision for this programme is social application of modern technology.
- 'Swabhimaan' – **Transforming Rural India through Financial Inclusion**, a financial security programme **to ensure banking facilities** in habitation with a population in excess of 2000 by March 2012.
- This nationwide programme on financial inclusion, was launched in **February 2011** with its focus on bringing the deprived sections of the society in the banking network to ensure that the benefits of **economic growth reach everyone at all levels**.
- Banks provide basic services like deposits, withdrawals and remittances using the services of Business Correspondents (BCs) also known as **Bank Saathi**.
- The initiative also enables Government subsidies and social security benefits to now be **directly credited to the accounts** of the beneficiaries so that they could draw the money from the Business Correspondents (BCs) in their village itself.

Pradhan Mantri Jan-Dhan Yojana (PMJDY)

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is National Mission for Financial Inclusion **to ensure access to financial services**, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. This financial inclusion campaign was launched by the Prime Minister of India Narendra Modi on **28 August 2014**.

- Account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet. Accounts opened under PMJDY are being **opened with Zero balance**. However, if the account-holder wishes to get cheque book, he/she will have to fulfil minimum balance criteria.
- By 10 February 2018, over 31 crore (310 million) bank accounts were opened and over Rs.745 billion (US\$12 billion) were deposited under the scheme.

Special Benefits under PMJDY Scheme

- **Interest on deposit.**
- Accidental insurance cover of **Rs. 1 lakh**
- **No minimum balance** required.

- The scheme **provides life cover of Rs. 30,000/-** payable on death of the beneficiary, subject to fulfilment of the eligibility condition.
- **Easy Transfer** of money across India
- Beneficiaries of Government Schemes will get **Direct Benefit Transfer** in these accounts.
- After satisfactory operation of the account for 6 months, **an overdraft facility will be permitted**.
- Access to Pension, insurance products.
- The Claim under **Personal Accidental Insurance under PMJDY** shall be payable if the Rupay Card holder have performed minimum one successful financial or non-financial customer induced transaction at any Bank Branch, Bank Mitra, ATM, POS, E-COM etc. Channel both Intra and Inter-bank i.e. on-us (Bank Customer/rupay card holder transacting at same Bank channels) and off-us (Bank Customer/Rupay card holder transacting at other Bank Channels) **within 90 days** prior to date of accident including accident date will be included as eligible transactions under the Rupay Insurance Program 2016-2017.
- **Overdraft facility up to Rs.5000/-** is available in only one account per household, preferably lady of the household.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJY)

Pradhan Mantri Jeevan Jyoti Bima Yojana is a **government-backed Life insurance scheme in India**. It was launched by Prime Minister **Narendra Modi** on 9 May 2015 in Kolkata.

Pradhan Mantri Jeevan Jyoti Bima Yojana is available to people **between 18 and 50 years of age** with bank accounts. It has an annual premium of **Rs.330 (US\$4.90)**.

The GST is exempted on Pradhan Mantri Jeevan Jyoti Bima Yojana. The amount will be automatically debited from the account. In case of death due to any cause, the payment to the nominee will be **Rs.2 lakh (US\$3,000)**. This scheme will be linked only to the bank accounts opened **under the Pradhan Mantri Jan Dhan Yojana scheme**. Most of these accounts had zero balance initially. The government aims to reduce the number of such zero balance accounts by using this and related schemes. PMJJBY is **administered through LIC** and other Indian private life insurance companies.

Now all Bank account holders can avail this facility through their net-banking service facility or filling a form at the bank branch at any time of the year. As of **30 May 2018**, **5.33 crore people** have already enrolled for this scheme. 60,422 claims have been disbursed against 63,767 claims received.

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

Pradhan Mantri Suraksha Bima Yojana is a **government-backed accident insurance scheme in India**. It was formally launched by Prime Minister Narendra Modi on **9 May 2015** in Kolkata.

Pradhan Mantri Suraksha Bima Yojana is available to people **between 18 and 70 years** of age with bank accounts. It has an annual premium of **Rs.12 (18¢ US)** exclusive of taxes.

The **GST is exempted** on Pradhan Mantri Suraksha Bima Yojana. The amount will be automatically debited from the account. The accident insurance scheme will have **one-year cover** from June 1 to May 31 and would be offered through banks and administered through public sector general insurance companies.

In case of accidental death or full disability, the payment to the nominee will be **Rs.2 lakh (US\$3,000)** and in case of partial Permanent disability **Rs.1 lakh (US\$1,500)**. Full disability has been defined as loss of use in both eyes, hands and feet. Partial Permanent disability has been defined as loss of use in one eye, hand or foot.

This scheme will be linked to the bank accounts opened under the **Pradhan Mantri Jan Dhan Yojana scheme**. Most of these accounts had zero balance initially. The government **aims to reduce the number of such zero balance accounts** by using this and related schemes. The scheme is being offered by **Public Sector General Insurance Companies** or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.

Atal Pension Yojana (APY)

Atal Pension Yojana (previously known as **Swavalamban Yojana**) is a **government-backed pension scheme** in India targeted at the unorganised sector. It was mentioned in the 2015 Budget speech by Finance Minister Arun Jaitley. It was launched by **Prime Minister Narendra Modi** on 9 May 2015 in Kolkata.

Swavalamban Yojana was a government-backed pension scheme targeted at the **unorganised sector in India**. It was applicable to all citizens in the unorganised sector who joined the **National Pension Scheme (NPS)** administered by the **Pension Fund Regulatory and Development Authority (PFRDA) Act 2013**.

Swavalamban scheme has been replaced with Atal Pension Yojana. The minimum age of joining APY is **18 years** and maximum age is **40 years**. The age of exit and start of pension would be 60 years. Therefore, minimum period of contribution by the subscriber under APY would be 20 years or more.

The subscribers are required to opt for a monthly pension from **Rs.1,000 (US\$15)** to **Rs. 5,000 (US\$75)** and ensure payment of the stipulated monthly contribution regularly. The subscribers **can opt to decrease or increase pension** amount during the course of accumulation phase, as per the available monthly pension amounts. This scheme will be linked to the bank accounts opened under the **Pradhan Mantri Jan Dhan Yojana** scheme and the contributions will be deducted automatically.

Pradhan Mantri MUDRA Yojana (PMMY)

Pradhan Mantri MUDRA Yojana (PMMY) is a scheme launched by the Prime Minister on **April 8, 2015** for providing loans upto 10 lakh to the **non-corporate, non-farm small/micro enterprises**. These loans are classified as **MUDRA loans** under PMMY. There is **no subsidy** for the loan given under PMMY.

These **loans are given by** Commercial Banks, RRBs, Small Finance Banks, Cooperative Banks, MFIs and NBFCs. Under the aegis of PMMY, MUDRA has created three products namely '**Shishu**', '**Kishore**' and '**Tarun**' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth.

MUDRA, which stands for **Micro Units Development & Refinance Agency Ltd**, is a financial institution being set up by Government of India for development and refinancing micro unit's enterprises. It is a **wholly-owned subsidiary of the SIDBI** and provides refinancing facilities to banks and microfinancing institutions against the loans that they have provided to small enterprises **in order to promote the development of these micro units**. Term Loan and/or Working Capital up to maximum Rs.10 lakhs under 3 categories

➤ **Shishu**: covering loans upto 50,000/-

➤ **Kishore**: covering loans above 50,000/- and upto 5 lakhs

➤ **Tarun**: covering loans above 5 lakhs to 10 lakhs

Direct Benefit Transfer (DBT)

Direct Benefit Transfer or DBT is an attempt to change the mechanism of transferring subsidies launched by **Government of India** on 1 January 2013. This program aims **to transfer subsidies directly to the people** through their bank accounts. It is hoped that crediting subsidies into bank accounts will reduce leakages, delays, etc

The primary aim of this Direct Benefit Transfer program is to bring transparency and terminate pilferage from **distribution of funds sponsored by Central Government of India**. In DBT, benefit or subsidy **will be directly transferred to citizens living below poverty line**. **Central Plan Scheme Monitoring System (CPSMS)**, being implemented by the Office of Controller General of Accounts, will act as the common platform for routing DBT.

Transfer from the government to the people especially the popular ones and that involving millions of people as beneficiaries are made through the platform of DBT over the last few years. Two such major programmes are the **LPG subsidy scheme – PAHAL** and wage payment under **MGNREGS**.

SMALL FINANCE BANK

Objective:

The aim behind these **to provide financial inclusion to sections of the economy** not being served by other banks, such as small business units, small and marginal farmers, micro and small industries and unorganised sector entities.

The small finance bank shall be registered as a public limited company under the Companies Act, 2013. It will be licensed **under Section 22** of the **Banking Regulation Act, 1949** and governed by the provisions of the **Banking Regulation Act, 1949; Reserve Bank of India Act, 1934**.

Eligibility:

Resident individuals/professionals with **10 years of experience in banking and finance**; and companies and societies owned and controlled by residents will be eligible to set up small finance banks. Existing Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), and Local Area Banks (LABs) that are owned and controlled by residents can also opt for conversion into small finance banks. The **validity of the in-principle approval** issued by the Reserve Bank will be **eighteen months**.

The **minimum paid-up equity capital** for small finance banks shall be **Rs. 100 crore**. Foreign shareholding will be allowed in these banks as per the **rules for FDI** in private banks in India. Promoter's initial contribution should be **40% lowered to 26% in 12 years**.

Benefits:

75% of its net credits should be as **Adjusted Net Bank Credit (ANBC)** in priority sector lending and **50% of the loans** in its portfolio must in Rs.25 lakh (US\$38,000) range.

Conditions:

- They **can accept any deposit** like savings, current, fixed deposits, and recurring deposits.
- They will be allowed to lend money but **not allowed** to lend the deposited money to big businesses or industries.
- Small banks **can undertake financial services** like distribution of mutual fund units, insurance products, pension products, and so on, but not without prior approval from the RBI.
- A fundamental requirement is that it **must have 25%** of its branches set up in unbanked areas.

List of Small Finance Banks in India

S.no	Bank Name	Headquarters	Chairman	MD & CEO	Tagline
1.	Au Financiers (India) Ltd. (AU Small Finance Bank)	Jaipur, Rajasthan	Mannil Venugopalan	Sanjay Agarwal	'Chalo Aage Badhe'
2.	Capital Small Finance Bank. [India's first small finance bank]	Jalandhar, Punjab		Sarvjit Singh Samra	Viswas se Vikas tak'
3.	Disha Microfin Private Ltd. (FINCARE Small Finance Bank)	Bangalore, Karnataka	Pramod Kabra	Rajeev Yadav	'a new era in smart banking begins'
4.	Equitas Holdings P Limited. (Equitas Small Finance Bank)	Chennai, Tamil Nadu	Arun Ramanathan	PN Vasudevan	Its Fun Banking'
5.	ESAF Microfinance and Investments Private Ltd. (ESAF Small Finance Bank)	Thrissur, Kerala	Raveendranathan Prabha	K. Paul Thomas	Joy of Banking'
6.	Janalakshmi Financial Services Private Limited. (Jana Small Finance Bank)	Bangalore, Karnataka	Ramesh Ramanathan	Ajay Kanwal	Likho Apni Kahaani
7.	RGVN (North East) Microfinance Limited. (North East Small Finance Bank)	Guwahati, Assam	Deep Chandra Joshi	Rupali Kalita	Your Door step Banker'
8.	Suryoday Micro Finance Private Ltd. (Suryoday Small Finance Bank)	Navi Mumbai, Maharashtra		R Baskar Babu	A bank of smiles
9.	Ujjivan Financial Services Private Ltd. (Ujjivan Small Finance Bank)	Bangalore, Karnataka	Sunil Patel	Samit Ghosh	We believe in your belief/ Aap ke Bharose Par
10.	Utkarsh Micro Finance Private Ltd. (Utkarsh Small Finance Bank)	Varanasi, Uttar Pradesh		Govind Singh	Aapki Umeed Ka Khata'

PAYMENT BANK

Objective:

The objectives of setting up of **payments banks** will be to further **financial inclusion** by providing (i) **small savings accounts** and (ii) **payments/remittance services** to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users.

Under the recommendation of **Nachiket Mor Committee** Payment Bank has been formed. The banks will be licensed as payments banks **under Section 23** of the **Banking Regulation Act, 1949**, and will be registered as public limited company under the Companies Act, 2013.

On 19 August 2015, the **Reserve Bank of India** gave "in-principle" licenses to **eleven entities to launch payments banks**, but **Cholamandalam Distribution Services, Sun Pharmaceuticals** and **Tech Mahindra** have surrendered their licenses.

Eligibility:

Existing non-bank Pre-paid Payment Instrument (PPI) issuers; and other entities such as individuals / professionals; Non-Banking Finance Companies (NBFCs), corporate Business Correspondents (BCs), mobile telephone companies, super-market chains, companies, real sector cooperatives; that

are owned and controlled by residents; and public sector entities may apply to set up payments banks. The **validity of the in-principle approval** issued by the Reserve Bank will be **eighteen months**.

The minimum paid-up equity capital for payments banks shall be **Rs. 100 crore**. For the first five years, the stake of the promoter should remain **at least 40%**. Foreign shareholding will be allowed in these banks as per the rules for **FDI** in private banks in India.

Benefits:

- Offer internet banking, sell mutual funds, insurance and pension.
- They can offer forex services at charges lower than bank.

Conditions:

- **Accept** Deposits, Issue Debit Cards, Remittance services. **Cannot issue** credit cards.
- They **will not lend to customers**, so it can accept only current saving deposits. It will have to deploy their funds in government papers and bank deposits.
- Acceptance of demand deposits-Payments bank will initially be restricted to holding a maximum balance of **Rs. 100,000 per individual customer**.
- It **cannot** handle cross-border remittances and NRI deposits.

List of Payment Banks in India

S.no	Bank Name	Head quarters	Chairman	MD & CEO	Joint Venture
1.	Airtel M Commerce Services Limited (Airtel Payment Bank) [1 st Payment Bank in India]	New Delhi, India	-	Anubrata Biswas	Bharti Airtel Ltd and Kotak Mahindra Bank Ltd
2.	India Post Payment Bank (Department of Posts)	New Delhi, India	-	Suresh Sethi	100% equity of GOI

3.	Paytm Payment Bank	Noida, Uttar Pradesh	Vijay Shekhar Sharma	Renu Satti	Vijay Sekhar Sharma & One 97 Communications
4.	Fino Payment Bank (Fino PayTech Limited)	Navi Mumbai, Maharashtra	-	Rishi Gupta	ICICI Bank & Fino Paytech
5.	Aditya Birla Idea Payment Bank (Aditya Birla Nuvo Limited)	Mumbai, Maharashtra	KM Birla	-	Aditya Birla Nuvo Ltd (ABNL) and Telecom major Idea Cellular
6.	Jio Payment Bank (Reliance Industries Limited)	Mumbai, Maharashtra	Vivek Bhandari	Srikrishnan H	Reliance Industries (RIL) and State Bank of India (SBI)

List of Bank Merger in India

Acquired Bank	Merged Bank	Year of Merger
State Bank of India (SBI)	State Bank of Bikaner and Jaipur, State Bank of Patiala, State Bank of Hyderabad, State Bank of Travancore, State Bank of Mysore and Bharatiya Mahila Bank	2017
Kotak Mahindra Bank	ING Vysya Bank	2015
ICICI Bank	Bank of Rajasthan	2010
HDFC Bank	Centurion Bank of Punjab	2008
ICICI Bank	Sangli Bank	2007
Indian Overseas Bank	Bharat Overseas Bank	2007
Federal Bank	Ganesh Bank of Kurundwad	2006
IDBI	Union Western Bank	2006
Bank of Baroda	South Gujarat Local Area Bank Ltd	2004
Oriental Bank of Commerce	Global Trust Bank	2004
Punjab National Bank	Nedungadi Bank Ltd	2003
Bank of Baroda	Benares State Bank Ltd	2002
ICICI Bank	Bank of Madura	2001
ICICI Bank	ICICI (Financial Service Firm)	2001
HDFC Bank	Times Bank Ltd.	2000
Bank of Baroda	Bareilly Corporation Bank	1998
Oriental Bank of Commerce	Bari Doab Bank Ltd	1997
Oriental Bank of Commerce	Punjab Co-operative Bank Ltd	1997
Bank of India	Bank of Karad Ltd	1994
Punjab National Bank	New Bank of India	1993
Canara Bank	Lakshmi Commercial Bank	1985
Indian Overseas Bank	Bank of Tamil Nadu	1988

IMPORTANT BANKING TERMINOLOGIES

Arbitrage:

Arbitrage is the simultaneous purchase and sale of an asset to profit from an imbalance in the price. It is a trade that profits by exploiting the price differences of identical or similar financial instruments on different markets or in different forms.

Amalgamation:

Amalgamation is a combination of one or more companies into a new entity and it is distinct from a merger because neither of the combining companies survives as a legal entity and a completely new entity is formed to house the combined assets and liabilities of both companies. This sense of the term amalgamation has generally fallen out of popular use, and the terms "merger" or "consolidation" are often used instead.

Amortization:

Amortization is an accounting technique used to incrementally lower the cost value of a finite life or intangible asset through scheduled charges to income. Amortization is the paying off of debt with a fixed repayment schedule in regular instalments over a period of time for example with a mortgage or a car loan.

Annuity:

An annuity is a financial product that pays out a fixed stream of payments to an individual, primarily used as an income stream for retirees. Annuities are created and sold by financial institutions, which accept and invest funds from individuals and then, upon annuitization, issue a stream of payments at a later point in time.

Arbitrage:

Arbitrage is the simultaneous purchase and sale of an asset to profit from an imbalance in the price. It is a trade that profits by exploiting the price differences of identical or similar financial instruments on different markets or in different forms. Arbitrage exists as a result of market inefficiencies and would therefore not exist if all markets were perfectly efficient.

Asset Liability Management:

Asset Liability Management (ALM) can be defined as a mechanism to address the risk faced by a bank due to a mismatch between assets and liabilities either due to liquidity or changes in interest rates. Liquidity is an institution's ability to meet its liabilities either by borrowing or converting assets.

Auction:

An auction is a sales process in which potential buyers place competitive bids on assets or services, either in an open format or closed. The asset or service in question will be sold to the party that places the highest bid in an open auction, and usually to the highest bidder in a closed auction.

Audit:

An audit is an objective examination and evaluation of the financial statements of an organization to make sure that the records are a fair and accurate representation of the transactions they claim to represent. The audit can be conducted internally by employees of the organization, or externally by an outside firm.

Authentication:

It is a verification that a legal document is genuine or valid, such as through a seal from an authorised public official. It is act of confirming the truth of an attribute of a single piece of data claimed true by an entity.

Bailment:

Bailment arises when property is given to someone for safekeeping and is a legal course of action independent of contract or to. To create a bailment, the bailee must both intend to possess, and physically possess, the bailable chattel.

Bailout:

A bailout is a situation in which a business, an individual or a government offers money to a failing business to prevent the consequences of its downfall. Bailouts can take the form of loans, bonds, stocks or cash, and they may require reimbursement. Bailouts have traditionally occurred in industries or businesses that are perceived as no longer viable or sustaining huge losses.

Balance of Payment:

The Balance of Payments is a statement of all transactions made between entities in one country and the rest of the world over a defined period of time, such as a quarter or a year.

Balance of Trade:

The balance of trade is the difference between the value of a country's imports and exports for a given period. The balance of trade is the largest component of a country's balance of payments. Economists use the BOT to measure the relative strength of a country's economy. The balance of trade is also referred to as the trade balance or the international trade balance.

Balance Sheet:

A balance sheet reports a company's assets, liabilities and shareholders' equity at a specific point in time and provides a basis for computing rates of return and evaluating its capital structure. It is a financial statement that provides a snapshot of what a company owns and owes, as well as the amount invested by shareholders.

Bancassurance:

Bancassurance is an arrangement between a bank and an insurance company allowing the insurance company to sell its products to the bank's client base. This partnership arrangement can be profitable for both companies. Banks earn additional revenue by selling insurance products and insurance companies expand their customer bases without increasing their sales force or paying agent and broker commissions.

Banking Ombudsman:

The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services covered under the grounds of complaint specified under Clause 8 of the Banking Ombudsman Scheme 2006.

Base rate:

Base rate is the minimum rate set by the Reserve Bank of India below which banks are not allowed to lend to its customers. Base rate is decided in order to enhance transparency in the credit market and ensure that banks pass on the lower cost of fund to their customers.

Bear Market:

A bear market is the opposite to a bull. If the markets fall by more than 20% then we have entered a bear market. A bear market is a market showing a lack of confidence. Prices hover at the same price then go down, indices fall too, and volumes are stagnant. In a bear market people are waiting for the bulls to start driving the prices up again. However, a bear is a very tentative bull or a bull that is asleep.

Bearer Cheque:

When the words "or bearer" printed on the cheque is not cancelled, the cheque is called a bearer cheque. A bearer cheque is made payable to the bearer i.e. it is payable to the person who presents it to the bank for encashment. In simple words a cheque which is payable to any person who presents it for payment at the bank counter is called 'Bearer cheque'.

Benchmark:

A benchmark is an unmanaged group of securities which are considered as a 'benchmark' to measure a fund's/stock's performance. Benchmarks are generally broad market indices like BSE Sensex, CNX Nifty of the Indian stock market with which mutual fund returns are compared.

Bill of exchange:

A bill of exchange is a written order used primarily in international trade that binds one party to pay a fixed sum of money to another party on demand or at a predetermined date.

Bill of Lading:

A bill of lading is a legal document between a shipper and a carrier that details the type, quantity and destination of the goods being carried. The bill of lading also serves as a shipment receipt when the carrier delivers the goods at the predetermined destination. This document must accompany the shipped goods, no matter the form of transportation, and an authorized representative from the carrier, shipper and receiver must sign it.

Bitcoin:

Bitcoin (₿) is the world's first cryptocurrency, a form of electronic cash. It is the first decentralized digital currency: the system was designed to work without a central bank or single administrator. Bitcoins are sent from user to user on the peer-to-peer bitcoin network directly, without the need for intermediaries. These transactions are verified by network nodes through cryptography and recorded in a public distributed ledger called a blockchain.

Bridge Loan:

A bridge loan is a short-term loan used until a person or company secures permanent financing or removes an existing obligation. This type of financing allows the user to meet current obligations by providing immediate cash flow. The loans are short term, up to one year, with relatively high interest rates and are usually backed by some form of collateral such as real estate or inventory.

Bull Market:

A bull market is a financial market of a group of securities in which prices are rising or are expected to rise. This is when the market is showing confidence. Indicators of confidence are prices going up, market indices like the NASDAQ go up too. Number of shares traded is also high and even the number of companies entering the stock market show that the market is confident.

Buoyancy:

When the government fails to check inflation, it raises income tax and the corporate tax. Such a tax is called Buoyancy. It concerns with the revenue from taxation in the period of inflation.

Business Correspondent:

The business correspondent is nothing but a bank-in-person, who is authorised to collect small ticket deposits and extend small credit on behalf of the banks. A BC also does the following activities: Recovering the principal interest of small value deposits.

CBLO:

A Collateralized Borrowing and Lending Obligation (CBLO) is a money market instrument that represents an obligation between a borrower and a lender as to the terms and conditions of a loan. In the CBLO market, financial entities can avail short term loans by providing prescribed securities as collateral. It is all most similar to the call money market.

CDR:

Corporate Debt Restructuring ("CDR") mechanism is a voluntary non-statutory mechanism under which financial institutions and banks come together to restructure the debt of companies facing financial difficulties due to internal or external factors, in order to provide timely support to such companies.

CDS:

Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Usance Promissory Note against funds deposited at a bank or other eligible financial institution for a specified time period.

Corporate Social Responsibility:

Corporate Social Responsibility often abbreviated "CSR," is a corporation's initiatives to assess and take responsibility for the company's effects on environmental and social wellbeing.

Commercial Paper:

Commercial paper is an unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Commercial paper is usually issued at a discount from face value and reflects prevailing market interest rates.

Cross Selling:

Cross-selling is the action or practice of selling an additional product or service to an existing customer. In practice, businesses define cross-selling in many different ways. The objective of cross-selling can be either to increase the income derived from the client or to protect the relationship with the client or clients. The approach to the process of cross-selling can be varied.

Currency Chest:

Currency chest is the place where currency is stored. These chests act as the distributives of RBI cash and enables RBI to take back soiled notes and mutilated notes from the public

Double Taxation Avoidance Agreement:

A DTAA is a tax treaty signed between two or more countries. Its key objective is that tax-payers in these countries can avoid being taxed twice for the same income. A DTAA applies in cases where a tax-payer resides in one country and earns income in another. DTAAs can either be comprehensive to cover all sources of income or be limited to certain areas such as taxing of income from shipping, air transport, inheritance, etc.

Debts Recovery Tribunal:

The Debts Recovery Tribunal have been constituted under Section 3 of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993. The original aim of the Debts Recovery Tribunal was to receive claim applications from Banks and Financial Institutions against their defaulting borrowers.

Demand Liabilities:

Demand Liabilities of a bank are liabilities which are payable on demand. These include current deposits, demand liabilities portion of savings bank deposits, margins held against letters of credit/guarantees, balances in overdue fixed deposits, cash certificates and cumulative/recurring deposits and deposits held as security for advances which are payable on demand.

Dematerialization:

In finance and financial law, dematerialization refers to the substitution of paper-form securities by book-entry securities. This is a form of indirect holding System where an intermediary, such as a broker or central securities depository, or the issuer itself holds a record of the ownership of shares usually in electronic format.

Disinvestment:

Disinvestment is aimed at reducing the financial burden on the government due to inefficient PSUs and to improve public finances. It introduces competition and market discipline and helps to depoliticise non-essential services.

Doubtful Assets:

A doubtful asset is one which has remained NPA for a period exceeding 12 months. Loss assets: where loss has been identified by the bank, internal or

external auditor or central bank inspectors. But the amount has not been written off, wholly or partly.

Earnings per share:

Earnings per Share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability. EPS is calculated as: $EPS = (\text{Net Income} - \text{Dividends on Preferred Stock}) / \text{Average Outstanding Shares}$.

Endorsement:

An individual will authorize payment to an unknown party. The most common is writing a check endorsed with the word "cash" on it.

Exchange Trade Funds:

Exchange Traded Funds are essentially Index Funds that are listed and traded on exchanges like stocks. An ETF is a basket of stocks that reflects the composition of an Index, like S&P CNX Nifty or BSE Sensex. The ETFs trading value is based on the net asset value of the underlying stocks that it represents.

External Commercial Borrowing:

ECBs are loans in India made by non-resident lenders in foreign currency to Indian borrowers. They are used widely in India to facilitate access to foreign money by Indian corporations and PSUs (Public Sector Undertakings).

Factoring:

Factoring is a financial transaction and a type of debtor finance in which a business sells its accounts receivable (i.e., invoices) to a third party (called a factor) at a discount. A business will sometimes factor its receivable assets to meet its present and immediate cash needs.

Fiscal Deficit:

A fiscal deficit occurs when a government's total expenditures exceed the revenue that it generates, excluding money from borrowings. Deficit differs from debt, which is an accumulation of yearly deficits.

Fiscal policy:

Fiscal policy is how a government adjusts its spending levels and tax rates to monitor and influence a nation's economy.

Foreign Exchange Regulation Act:

The Foreign Exchange Regulation Act (FERA) imposed strict regulations on transactions involving foreign exchange and controlled the import and export of currency. Due to FERA did not succeed in restricting activities such as the expansion of Multinational Corporations, replaced by the Foreign Exchange Management Act, which liberalised foreign exchange controls and restrictions on foreign investment.

Follow on Public Offer:

A Follow-On Public Offer (FPO) is the issuance of shares to investors by a public company that is currently listed on a stock market exchange. An FPO is a stock issue of additional shares made by a company that is already publicly listed and has gone through the IPO process

General Anti-Avoidance Rules (GAAR):

The rules are framed in different countries to minimize such avoidance of tax. Such rules in simple terms are known as "General Anti Avoidance Rules" or GAAR. Thus GAAR is a set of general rules enacted so as to check the tax avoidance. GAAR is a concept which generally empowers the Revenue Authorities in a country to deny the tax benefits of transactions or arrangements which do not have any commercial substance or consideration other than achieving the tax benefit.

Garnishee order:

A garnishee order is a common form of enforcing a judgment debt against a creditor to recover money. Put simply, the court directs a third party that

owes money to the judgement debtor to instead pay the judgment creditor. The third party is called a garnishee.

Green Bonds:

A green bond is a bond specifically earmarked to be used for climate and environmental projects. These bonds are typically asset-linked and backed by the issuer's balance sheet and are also referred to as climate bonds.

Guarantees:

A bank guarantee, like a letter of credit, guarantees a sum of money to a beneficiary however, unlike a letter of credit, the sum is only paid if the opposing party does not fulfil the stipulated obligations under the contract.

Hedging:

A hedge is an investment position intended to offset potential losses or gains that may be incurred by a companion investment. In simple language, a hedge is a risk management technique used to reduce any substantial losses or gains suffered by an individual or an organization.

Indemnity:

Undertaking given to compensate for (or to provide protection against) injury, loss, incurred penalties, or from a contingent liability. The concept of indemnity is based on a contractual agreement made between two parties, in which one party agrees to pay for potential losses or damages caused by the other party.

Initial Public Offering:

An Initial Public Offering (IPO) is when a private company or corporation raises investment capital by offering its stock to the public for the first time. Growing companies seeking capital to expand are those that generally use initial public offerings, but large, privately owned companies or corporations looking to become publicly traded can also do them.

Know Your Customer:

Know your customer (alternatively know your client or 'KYC') is the process of a business verifying the identity of its clients and assessing potential risks of illegal intentions for the business relationship. The term is also used to refer to the bank regulations and anti-money laundering regulations which govern these activities.

Liquidity adjustment facility (LAF) :

Liquidity adjustment facility (LAF) is a monetary policy tool which allows banks to borrow money through repurchase agreements. LAF is used to aid banks in adjusting the day to day mismatches in liquidity. LAF consists of repo and reverse repo operations.

Loan to Value:

The Loan-To-Value (LTV) ratio is a financial term used by lenders to express the ratio of a loan to the value of an asset purchased. The term is commonly used by banks and building societies to represent the ratio of the first mortgage line as a percentage of the total appraised value of real property.

Letter of Credit:

A letter of credit is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount.

Letter of Undertaking:

Letter of undertaking (LOU) is a form of bank guarantee under which a bank can allow its customer to raise money from another Indian bank's foreign branch in the form of a short-term credit.

Lien:

A right to keep possession of property belonging to another person until a debt owed by that person is discharged.

Line of Credit:

Lines of credit are often extended by banks, financial institutions and other licensed consumer lenders to creditworthy customers (though certain special-purpose lines of credit may not have creditworthiness requirements) to address liquidity problems.

Masala bonds:

Masala bonds are bonds issued outside India but denominated in Indian Rupees, rather than the local currency. Masala is an Indian word and it means spices. The term was used by the International Finance Corporation (IFC) to evoke the culture and cuisine of India.

Money Laundering:

Money laundering is the process of creating the appearance that large amounts of money obtained from criminal activity, such as drug trafficking or terrorist activity, originated from a legitimate source. The money from the illicit activity is considered dirty, and the process "launders" the money to make it look clean.

Moratorium:

A period during which a certain activity is not allowed or required. For instance, when repayment on a loan starts only after a lapse of a certain period after its disbursement, then that period is called the moratorium on the loan.

Mutual Funds:

An MF is a professionally managed type of collective investment scheme that pools money from many investors to buy stocks, bonds, short-term money market instruments and /or other securities.

Net Asset Value:

Net Asset Value (NAV) is the value of an entity's assets minus the value of its liabilities, often in relation to open-end or mutual funds, since shares of such funds registered with the U.S. Securities and Exchange Commission are redeemed at their net asset value.

Net Demand Time Liabilities:

NDTL is sum of demand and time liabilities (deposits) of banks with public and other banks wherein assets with other banks is subtracted to get net liability of other banks. Deposits of banks are its liability and consist of demand and time deposits of public and other banks.

Net Interest Margin:

Net interest margin is a ratio that measures how successful a firm is at investing its funds in comparison to its expenses on the same investments. A negative value denotes that the firm has not made an optimal investment decision because interest expenses exceed the amount of returns generated by investments.

Non-Performing Asset:

A Non-Performing Asset (NPA) refers to a classification for loans on the books of financial institutions that are in default or are in arrears on scheduled payments of principal or interest. In most cases, debt is classified as non-performing when loan payments have not been made for a period of 90 days.

Overdraft:

An overdraft allows the individual to continue withdrawing money even if the account has no funds in it or not enough to cover the withdrawal. Basically, overdraft means that the bank allows customers to borrow a set amount of money.

Point Of Sale (POS) :

A Point Of Sale (POS), or point of purchase, is the place where a customer executes the payment for goods or services, and where sales taxes may become payable, whether it be in a physical store, where POS terminals and systems are used to process card payments, or a virtual sales point such as a computer or mobile electronic device.

Recession:

A recession is a decline in the GDP for two or more consecutive quarters.

Repurchase Agreement:

An arrangement in which a security is sold and later bought back at an agreed price and time.

Retail Banking:

Banking services which are regarded as retail include provision of savings and transactional accounts, mortgages, personal loans, debit cards, and credit cards. Retail banking is also distinguished from investment banking or commercial banking.

Short selling:

Short selling is the sale of a security that is not owned by the seller or that the seller has borrowed. Short selling is motivated by the belief that a security's price will decline, enabling it to be bought back at a lower price to make a profit.

Substandard Asset:

A Non-Performing Asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days. Banks are required to classify NPAs further into Substandard, Doubtful and Loss assets. If this loan remains SMA for a period less than or equal to 12 months; it is termed as Sub-standard Asset.

Sub Prime Lending:

It refers to lending loans to those who are not creditworthy customers. Sub-prime loans are usually charged with high interest rates. It means making loans to people who may have difficulty maintaining the repayment schedule, sometimes reflecting setbacks, such as unemployment, divorce, medical emergencies, etc

Time Liabilities:

Time Liabilities of a bank are those which are payable otherwise than on demand. These include fixed deposits, cash certificates, cumulative and recurring deposits.

Underwriting:

Underwriting is the process by which investment bankers raise investment capital from investors on behalf of corporations and governments that are issuing either equity or debt securities. Underwriting services are provided by some large specialist financial institutions, such as banks, insurance or investment houses, whereby they guarantee payment in case of damage or financial loss and accept the financial risk for liability arising from such guarantee.

Virtual Banking:

It is a system where all the transactions of the bank are done online and there are no physical branches of the banks. Virtual banking is also called internet banking, through which financial and banking services are accessed via internet's World Wide Web.

Whole Sale Banking:

Wholesale banking refers to banking services between merchant banks and other financial institutions. This type of banking deals with larger clients, such as large corporations and other banks, whereas retail banking focuses more on the individual or small business. Wholesale banking services include currency conversion, working capital financing, large trade transactions and other types of services.

Wilful Defaulter:

A 'wilful default' would be deemed to have occurred if any of the following events is noted: The unit has defaulted in meeting its payment / repayment obligations to the lender even when it has the capacity to honour the said obligations. A wilful defaulter is an entity or a person that has not paid the loan back despite the ability to repay it.

Yield to Maturity:

If an investment is held till its maturity date, the rate of return that it will generate will be Yield to Maturity. The rate of return yield by a bond held to maturity when both compound interest payments and the investor's capital gain or loss on the security are taken into account.

BANKING ABBREVIATIONS**A**

ACF – Auto-Correlation Function
AD – Authorized Dealer
ADB – Asian Development Bank
ADR – American Depository Receipt
ADSL - Asymmetric Digital Subscriber Line
AEOI – Automatic Exchange of Information
AEPS – Aadhaar Enabled Payment System
AFS – Annual Financial Statement
AGM – Annual General Meeting
AIIB – Asian Infrastructure Investment bank
ASSOCHAM – Associated Chambers of Commerce and Industry of India
AMFI – Association of Mutual Funds in India
AML – Anti Money Laundering
AMRUT - Atal Mission for Rejuvenation and Urban Transformation
ALM – Asset Liability Management
APBS - Aadhaar Payment Bridge System
ASBA - Application Supported by Blocked Amount
ATM – Automated Teller Machine

B

BACS - Bankers Automated Clearing System
BBB – Bank Boards Bureau
BHIM – BHarat Interface for Money
BIS – Bank for International Settlements
BoP – Balance of Payments
BCBS – Basel Committee on Banking Supervision
BCSBI - Banking Codes and Standards Board of India
BSR – Basic Statistical Returns
BSE – Bombay Stock Exchange

C

CAD – Capital Account Deficit
CAG – Comptroller and Auditor General of India
CAR – Cash Adequacy Ratio
CARE - Credit Analysis and Research Limited
CBS – Core Banking Solution
CCEA – Comprehensive Economic Cooperation Agreement
CCT – Conditional Cash Transfer
CDBS – Committee of Direction of Banking Statistics
CDR- Corporate Debt Restructuring
CEPA – Comprehensive Economic Partnership Agreement
CFMS - Centralised Funds Management System
CFRA – Combined Finance and Revenue Accounts
CGRA – Currency and Gold Revaluation Account
CIBIL – Credit Information Bureau of India Limited
CII – Confederation of Indian Industries
CMIS - Currency Management Information System
CPI – Consumer Price Index
CRR – Cash Reserve Ratio
CRAR - Capital to Risk (Weighted) Assets Ratio
CNP- Card Not Present
CVV – Card Verification Value

D

DEAF- Depositor Education and Awareness Fund
 DICGC – Deposit Insurance and Credit Guarantee Corporation
 DRAT - Debt Recovery Appellate Tribunal
 DTAA – Double Taxation Avoidance Agreement

E

EBT – Electronic Benefit Transfer
 EBRD - European Bank for Reconstruction and Development.
 ECB – External Commercial Borrowings
 ECS – Electronic Clearing Service
 EDFC – Eastern Dedicated Freight Corridor
 EEFC – Exchange Earner’s Foreign Currency
 EESS- Equity Linked Saving Scheme
 EFSF – European Financial Stability Facility
 EIB - European Investment Bank.
 ETF – Exchange Traded Funds
 EFTPOS- Electronic Funds Transfer at Point Of Sale
 EPS - Earning per Share
 EXIM – Export-Import Bank of India

F

FATCA – Foreign Account Tax Compliance Act
 FATF – Financial Action Task Force
 FCA – Foreign Currency Assets
 FCNRA – Foreign Currency Non-Resident Account
 FCNR - Foreign Currency Non-Repatriable account
 FDI – Foreign Direct Investment
 FERA – Foreign Exchange Regulation Act
 FICCI – Federation of Indian Chambers of Commerce and Industry
 FII – Foreign Institutional Investor
 FIMMDA – Fixed Income Money Markets and Derivatives Association
 FINO – Financial Inclusion Network Operation
 FIPB – Foreign Investment Promotion Board
 FPI – Foreign Portfolio Investment
 FRA – Financial Redressal Agency
 FSSAI – Food Safety & Standard Authority of India
 FSDC – Financial Stability and Development Council
 FSLRC – Financial Sector Legislative Reforms Commission
 FSR – Financial Stability Report
 FTA – Free Trade Agreement

G

GAAR – General Anti Avoidance Rule
 GDP – Gross Domestic Product
 GDR – Global Depository Receipt
 GFD – Gross Fiscal Deficit
 GIRO – Government Internal Revenue order
 GMS - Gold Monetisation Scheme
 GSTN - Goods and Services Network

H

HDFC – Housing Development Finance Corporation

I

IBBI - Insolvency and Bankruptcy Board of India
 IBRD - International Bank for Reconstruction and Development
 IBU - International Banking Unit
 ICICI – Industrial Credit and Investment Corporation of India
 IDBI – Industrial Development Bank of India
 IDRBT - Institute for Development and Research of Banking
 IFI – International Financial Institution
 IIB - International Investment Bank

IFSC – Indian Financial System Code / International Financial Service Centre
 IMF – International Monetary Fund
 IMPS - IMmediate Payment Service / Interbank Mobile Payment Service
 IMT - Instant Money Transfer
 IPPB - India Post Payments Bank
 IPR – Intellectual Property Rights
 IRBI - Industrial Reconstruction Bank of India
 IRDAI- Insurance Regulatory and Development Authority of India
 IPO – Initial Public Offering

K

KCC - Kisan Credit Card
 KVIC - Khadi and Village Industries Corporation
 KVP - Kisan Vikas Patra
 KYC - Know Your Customer

L

LAF – Liquidity Adjustment Facility
 LDB - Land Development Bank.
 LIBOR – London Inter Bank offered Rate
 LTN - Long Term Note
 LTV – Loan To Value

M

MAT- Minimum Alternate Tax
 MCLR - Marginal Cost of Funds based Lending Rate
 MDR - Merchant Discount Rate
 MFDF - Micro Finance Development Fund
 MFI – Micro Financial Institution
 MFSS – Mutual Fund Service System
 MIBOR – Mumbai Inter – Bank Offer Rate
 MICR - Magnetic Ink Character Recognition
 MMID - Mobile Money IDentifier
 MSS - Market Stabilisation Scheme
 MTN - Medium Term Note
 MUDRA - Micro Units Development and Refinance Agency

N

NABARD – National Bank of Agricultural and Rural Development
 NACH – National Automated Clearing House
 NASSCOM – National Association of Software and Services Companies
 NAV - Net Asset Value.
 NBFC – Non-Banking Financial Company
 NDA - Net Domestic Asset
 NDS - Negotiated Dealing Systems
 NDTL - Net Demand and Time Liability
 NECS - National Electronic Clearing Service
 NEFT – National Electronic Funds Transfer System
 NFA - No Frills Account.
 NFC – Near Field Communication
 NFS - National Financial Switch
 NGN – New Generation Network
 NHB - National Housing Bank
 NITI Aayog – National Institution for Transforming India Aayog
 NPA – Non- Performing Assets
 NPCI - National Payments Corporation of India
 NPS – National Pension Scheme
 NPV - Net Present Value
 NRE - Non-Resident External
 NSFDC - National Scheduled Castes Finance and Development Corporation
 NSSF – National Small Savings Fund
 NSE – National Stock Exchange

NUUP - National Unified USSD Platform

O

OCAS – Online Customer Acquisition Solution

OCB - Overseas Corporate Bodies

ODIs- Offshore/Overseas Derivative Instruments

OECD- Organisation for Economic Cooperation and Development

OLP – Online Learning Portal

OLTAS- Online Tax Accounting System

OMO – Open Market Operations

OTCEI - Over the Counter Exchange of India

OTP - One-Time Password

P

PACS - Primary Agricultural Credit Societies

PAN - Permanent Account Number

PCA - Prompt Corrective Action

PCR – Provision Coverage Ratio / Public Credit Registry

PDO - Public Debt Office

PFRDA - Pension Fund Regulatory and Development Authority

PGS - Payment Gateway System

PIN - Personal Identification Number

PIS - Portfolio Investment Scheme

PLR – Prime Lending Rate

P-Notes - Participatory Notes

PoA - Power of Attorney

PoS - Point of Sale

P2P – Peer – to - Peer

PPF - Public Provident Fund

PPI – Prepaid payment Instrument

PPP - Public-Private Partnership and Purchasing Power Parity

PRSF - Partial Risk Sharing Facility

Q

QIB - Qualified Institutional Bankers

R

RBI - Reserve Bank of India

RBS - Royal Bank of Scotland.

RDBMS - Relational Database Management System

RDDDBFI - Recovery of Debt due to Banks and Financial Institutions

REC - Rural Electrification Corporation

REER – Real Effective Exchange Rate

RERA - Real Estate Regulation Act

RFC - Resident Foreign Currency

RFID – Radio Frequency Identifier

RIDF - Rural Infrastructure Development Fund

RTGS – Real Time Gross Settlement

RoA - Return on Assets

RoE - Return on Equity

RRB - Regional Rural Bank.

RSOC – Rapid Survey on Children

RWA - Risk Weighted Assets

S

SARFAESI- Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest

SBI - State Bank of India

SCB - Scheduled Commercial Bank

SDBS - Service Discharge Benefit Scheme

SDR - Special Drawing Rights

SDR – Strategic Debt Restructuring

SEAC - Standing External Advisory Committee

SEPA - Single Euro Payment Area.

SFMS - Structured Financial Messaging Services

SGB - Sovereign Gold Bond

SIDBI – Small Industries and Development Bank of India

SIDC - State Industrial Development Corporation

SIFI - Systematically Important Financial Intermediaries

SIP - Systematic Investment Plans

SIPS - Systemically Important Payment System

SJSRY - Swarna Jayanthi Shahari Rozgar Yojana

SLR - Statutory Reserve Ratio

SLRS - Scheme for Liberation and Rehabilitation of Scavengers

SME - Small and Medium Industries

SMERA - SME Rating Agency of India Limited

SMILE - SIDBI Make in India Loan for small Enterprises

SPNS - Shared Payment Network System.

SSC – Selective Credit Control

SSI - Small Scale Industries

SSSBE - Small Scale Service and Business Enterprises

SWIFT - Society For Worldwide Inter Bank Financial Telecommunication.

SHGs – Self Help Groups

SEBI – Securities and Exchange Board of India

SECC – Socio Economic & Caste Census

T

TDS - Tax Deducted at Source

TIN - Tax Information Network

U

UBIN - Unique Business Identification Number

UCB - Urban Cooperative Bank.

UCT – Unconditional Cash Transfer

UCNs - Uniform Code Numbers

UEBA - Universal Electronic Bank Account.

UIDAI - Unique Identification Authority of India

ULIP – Unit Linked Insurance Plan

UPI – Unified Payments Interface

UPIN - Unique Property Identification Numbers.

USB - Ultra Small Branch.

USD - United States Dollar.

USSD - Unstructured Supplementary Service Data

UTI - Unit Trust of India

V

VAT – Value Added Tax

VDBS - Vertically Differentiated Banking System.

VPA - Virtual Payment Address

VVPAT - Voter Verifiable Paper Audit Trail

W

WBCIS - Weather Based Crop Insurance Scheme.

WCTL - Working Capital Term Loan

WL ATM - White Label ATM.

WMA - Ways and Means Advances

WPI – Wholesale Price Index

Y

YTM - Yield to Maturity