**Bank**

• A bank is a financial institution licensed to collect deposits and give loans to the customer.

• There are several types of banks including retail, wholesale, commercial, and investment banks.

• In most countries, banks are regulated by the national government or central bank.

* **History & Growth of Banking System in India.**

• The Indian Banking System traces sack its history to 1786. When the first bank in India (The General Bank of India) Was established. From that year till today the journey of growth of the Indian Banking system can be divided into three phases.

– Phase I (Early Phase from 1786 to 1969 of Indian Banks)

– Phase II (Nationalisation of Indian Banks and upto 1991 prior to

Indian Banking Sector Reforms)

– Phase III (New Phase of Indian Banking System with the advent

of Indian Financial and Banking Sector Reform After 1991)

**Phase I**

(Early Phase from 1786 to 1969 of Indian Banks)

• In the mid of 19th Century, the East India Company established

– Bank of Bengal in 1809.

– Bank of Bombay in 1840.

– Bank of Madras 1843.

• These Banks were initially independent units and were referred as the

Presidency Banks. These three banks were later merged in 1920 as

Imperial Bank of India, which had European shareholders.

• Later in following banks established

– 1865 Allahabad Bank

– 1894 Punjab National Bank

– 1906-1913 Bank of India, Central Bank of India, Bank of Baroda, CanaraBank, Indian Bank, Bank of Mysore.

– 1935 RESERVE BANK OF INDIA

**Phase II**

(Nationalisation of Indian Banks and upto 1991 prior to Indian

Banking Sector Reforms)

• In 1949, Banking Regulation Act enacted

• After independence the Imperial Bank of India was nationalized

under the state Bank of India Act of 1955 and become known as

the state Bank of India for handling Central and State

Government Banking transaction and functioning as the principle

agent of RBI.

• In 1959, Seven Subsidiaries of SBI were also nationalised.

• On the date 19th July,1969, 14 major banks were nationalised.

• In 1971 Credit Guarantee Corporation was created

• In 1975 Regional Rural Bank (RRB) introduced.

• On the date 15th April, 1980, 6 Banks with deposit over 200 crores were nationalised. These Six Banks are Andhra Bank, Corporation Bank, New Bank of India, Oriented Bank of Commerce, Punjab and Sindh Bank, Vijaya Bank.

**Phase III**

(New Phase of Indian Banking System with the advent of

Indian Financial and Banking Sector Reform After 1991)

• Prior 1991, all the banks were state owned. In 1991 government opened the gate of liberalisation of banking practices as per the report of a banking committee set up under the chairmanship of Mr. **M. Narsaimham.**

• Later on the year 1993, the government merged New Bank of India With Punjab National Bank. It was the only merger between nationalised banks and resulted in the reduction of the number of nationalised banks from 20 to 19.

• Till now banking industries has changed tremendously with Retail Banking, shifting the universal Banking. E Banking and has customer satisfaction as the highest priority.

* **Meaning of Retail Banking**

• Retail banking, also known as consumer banking or personal banking, is banking that provides financial services to individual consumers rather than businesses.

• Retail banks can be local community banks or the divisions of large commercial banks.

• Services offered include savings and checking accounts, mortgages,

personal loans, debit or credit cards, and certificates of deposits .

* **Retail Liabilities :**

**1. Products and Services Offered:**

Retail banking involves providing financial services directly to individuals and small businesses. The primary products and services offered include:

**Savings Accounts:** These accounts are designed for individuals to deposit and save money. They often offer interest on the deposited amount.

**Current Accounts:** Primarily for business purposes, these accounts facilitate frequent transactions. Current accounts usually do not offer interest but provide various other benefits.

**Fixed Deposits:** Customers deposit a lump sum amount for a fixed tenure at a predetermined interest rate. It offers higher interest compared to savings accounts.

**Recurring Deposits:** Similar to fixed deposits, but instead of a lump sum, customers deposit a fixed amount regularly. At the end of the tenure, they receive the principal along with interest.

**Personal Loans:** Unsecured loans provided to individuals for various personal needs such as medical expenses, education, or travel.

**Home Loans:** Loans extended to individuals for purchasing or refinancing residential properties.

**Credit Cards:** Revolving credit lines that allow users to make purchases with a pre-approved limit. Repayment is usually on a monthly basis.

**Insurance Products:** Retail banks often offer a range of insurance products including life insurance, health insurance, and general insurance.

**2. Savings and Current Account Features:**

**Savings Account:**

Interest on the deposited amount.

Limited monthly transactions.

Debit card for ATM withdrawals.

Online banking services.

**Current Account:**

No or minimal interest.

Unlimited transactions.

Overdraft facility.

Business-oriented services (e.g., bulk payments, corporate services).

**3. Advances, Cash Credit, and Overdraft:**

**Advances:** Loans provided by banks for various purposes.

**Cash Credit:** A type of short-term loan where a borrower can withdraw funds up to a specified credit limit. Interest is charged only on the amount withdrawn.

**Overdraft:** Similar to cash credit, but the overdraft allows the account holder to withdraw more money than what is available in the account, up to a certain limit.

**4. Deposit Services and Types:**

**Fixed Deposit:**

Fixed term and interest rate.

Penalty for early withdrawal.

Interest compounded quarterly.

**Recurring Deposit:**

Regular monthly deposits.

Fixed term and interest rate.

Interest compounded quarterly.

**Flexi Deposit:**

Allows flexibility in deposit amount.

Interest varies based on the deposited amount.

**Senior Citizen Deposit:**

Higher interest rates for senior citizens.

Catered specifically to the financial needs of senior citizens.

**Tax-Saver Fixed Deposit:**

Offers tax benefits under Section 80C of the Income Tax Act.

Has a lock-in period of 5 years.

These notes provide an overview of the key products and services in retail banking, as well as features associated with savings and current accounts, advances, and deposit services.

**3.Retail Assets**

1. **Retail Asset Products Overview In Banking:**

**1. Home Loans:**

Purpose: Purchase or construction of residential property.

Features: Fixed or floating interest rates, long tenure, and tailored repayment options.

Benefits: Homeownership, potential tax benefits.

**2. Auto Loans:**

Purpose: Financing the purchase of new or used vehicles.

Features: Fixed or floating interest rates, flexible repayment terms.

Benefits: Vehicle ownership without upfront payment.

**3. Personal Loans:**

Purpose: Unsecured loans for personal needs like medical expenses, travel, or debt consolidation.

Features: Quick approval, no collateral required.

Benefits: Flexible use of funds, rapid access to cash.

**4. Gold Loans:**

Purpose: Loans secured by gold ornaments or coins.

Features: Quick disbursal, lower interest rates due to collateral.

Benefits: Immediate liquidity without selling gold.

**5. Education Loans:**

Purpose: Financing education expenses for higher studies.

Features: Grace period for repayment, competitive interest rates.

Benefits: Facilitates education without immediate financial burden.

**6. Consumer Durable Loans:**

Purpose: Financing the purchase of consumer durables like electronics and appliances.

Features: Easy EMIs, quick processing.

Benefits: Enables purchases without a lump sum payment.

**7. Loan Against Property (LAP):**

Purpose: Secured loan using a property as collateral.

Features: Higher loan amounts, longer tenures.

Benefits: Capital for various purposes using property value.

**8. Two-Wheeler Loans:**

Purpose: Financing the purchase of motorcycles or scooters.

Features: Competitive interest rates, quick approval.

Benefits: Affordable way to own a two-wheeler.

**9. Wedding Loans:**

Purpose: Financing wedding expenses.

Features: Tailored for wedding-related costs, flexible repayment options.

Benefits: Manages the financial aspects of a wedding.

**10. Loan Against Securities:** -

Purpose: Borrowing against financial assets like stocks, mutual funds, or bonds. –

Features: Lower interest rates, continued ownership of securities. –

Benefits: Access to funds without selling securities.

**11. Personal Overdraft:** -

Purpose: Line of credit linked to an individual's account. –

Features: Revolving credit, interest on the amount utilized. –

Benefits: Flexible access to additional funds when needed.

These retail assets products cater to diverse financial needs, offering individuals a range of options for funding various life events and purchases. Each product is designed to provide specific benefits and features to meet the unique requirements of customers.

1. Credit Orientation System For Individuals

A credit orientation system for individuals involves assessing and managing creditworthiness to facilitate responsible lending and borrowing. Here's an overview of key elements in such a system:

**1. Credit Report and Score:**

Individuals' credit history is compiled in a credit report.

Credit scores are assigned based on the credit report, indicating creditworthiness.

Factors include payment history, credit utilization, length of credit history, types of credit, and new credit.

**2. Credit Monitoring:**

Continuous monitoring of individuals' credit activities.

Alerts for significant changes, such as new accounts or late payments.

**3. Financial Behaviour Analysis:**

Examination of spending habits, saving patterns, and debt management.

Helps in understanding financial responsibility and stability.

**4. Income and Employment Verification:**

Verification of individuals' income and employment details.

Ensures the ability to repay loans or credit.

**5. Debt-to-Income Ratio Assessment:**

Evaluation of the ratio between debt payments and income.

Indicates the capacity to manage additional debt.

**6. Responsible Use of Credit:**

Emphasis on individuals using credit responsibly.

Education on maintaining a healthy credit profile.

**7. Customized Credit Products:**

Tailored credit products based on individuals' needs and risk profiles.

Aligns credit offerings with financial goals.

**8. Risk Mitigation Strategies:**

Implementation of risk mitigation measures to address potential defaults.

Collateral requirements or co-signers in riskier cases.

**9. Regulatory Compliance:**

Adherence to local and national regulations regarding lending practices.

Ensures ethical and legal credit operations.

**10. Financial Literacy Programs:** - Provision of educational resources on credit management. - Empowers individuals to make informed financial decisions.

**11. Continuous Improvement:** - Regular updates and improvements to the credit orientation system. - Adapting to changes in financial markets and technologies.

**12. Customer Support and Communication:** - Transparent communication with individuals regarding credit decisions. - Responsive customer support to address inquiries and concerns.

A credit orientation system for individuals aims to strike a balance between providing access to credit and ensuring responsible financial behaviour. It involves a holistic assessment of various financial factors to make informed lending decisions and promote financial well-being.

1. **Workflows in Retail Assets:**

**Loan Origination Workflow:**

**Application Submission:** The process begins when a customer applies for a retail asset, such as a loan. This could be done through various channels like online applications, in-branch, or through intermediaries.

**Document Verification:** The submitted documents are then verified to ensure compliance with regulatory requirements and internal policies.

**Credit Scoring:** The applicant's creditworthiness is assessed through credit scoring models to determine the risk associated with lending to them.

**Approval Process:** Based on the credit assessment, the loan application goes through an approval process, involving multiple levels of authorization.

**Loan Disbursement Workflow:**

**Agreement and Documentation:** Once approved, the borrower and the lending institution enter into an agreement. Documentation is completed, and terms and conditions are explained to the borrower.

**Funds Disbursement:** The approved funds are disbursed to the borrower. This may involve coordination with various departments, such as finance and operations.

**Loan Servicing Workflow:**

**Repayment Schedule Setup:** The system sets up a repayment schedule based on the terms of the loan.

**Payment Processing:** Borrowers make payments according to the schedule, and the system processes these payments, updating the loan account.

**Collections Workflow:**

**Delinquency Monitoring:** The system monitors payment delinquencies and triggers appropriate actions for collections if a borrower falls behind on payments.

**Collections Strategy:** Different strategies are employed for collections, ranging from reminders and negotiations to legal actions in case of severe delinquencies.

1. Business Rule Engine in Retail Assets:

A business rule engine (BRE) is a software component that allows organizations to define, manage, and execute business rules. In retail asset management, a business rule engine is used to automate decision-making processes based on predefined rules. Here's how it works:

**Rule Definition:**

Business rules are defined based on regulatory requirements, organizational policies, and risk management strategies. These rules can cover eligibility criteria, interest rates, loan amounts, and more.

**Integration with Workflow:**

The business rule engine is integrated into the workflows at various stages. For example, during the loan origination process, rules may be applied to determine if an applicant meets the eligibility criteria for a particular product.

**Real-time Decision Making:**

As data flows through the system, the business rule engine evaluates the information against the predefined rules in real-time. This enables quick and consistent decision-making without manual intervention.

**Adaptability and Compliance:**

The business rule engine allows for easy modification of rules to adapt to changing market conditions, regulatory requirements, or organizational strategies. This adaptability is crucial for staying compliant and competitive.

**Monitoring and Reporting:**

The engine provides tools for monitoring rule performance, tracking exceptions, and generating reports. This helps in identifying areas for improvement, ensuring compliance, and optimizing decision-making processes.

**Scalability:**

As the retail asset portfolio grows, the business rule engine can scale to handle increased volumes of data and transactions, maintaining efficiency and accuracy.

1. Benefits of Workflows and Business Rule Engine in Retail Assets:

Workflows and business rule engines automate routine tasks, reducing manual intervention and streamlining processes.

**Consistency:**

Automated workflows ensure that processes are consistently executed, and business rules enforce uniform decision-making across the organization.

**Risk Management:**

Business rules are designed to manage risks effectively, ensuring that lending decisions align with the institution's risk appetite and compliance standards.

**Adaptability:**

The flexibility of business rule engines allows financial institutions to adapt quickly to changes in regulations, market conditions, and internal policies.

**Enhanced Customer Experience:**

Automated workflows and quick decision-making contribute to a better customer experience by reducing processing times and providing timely responses to customer requests.

In summary, workflows and business rule engines play a pivotal role in the retail assets domain, ensuring that processes are efficient, compliant, and adaptable to the dynamic nature of the financial industry.

1. The Key Business Processes In A Credit Origination System For Retail Assets Include:

**Application Intake:**

Collecting applicant information and documents.

**Credit Scoring and Risk Assessment:**

Evaluating creditworthiness using scoring models.

**Underwriting:**

Analyzing financial details and making approval decisions.

**Approval and Documentation:**

Generating approval documents and completing paperwork.

**Funds Disbursement:**

Transferring approved funds to the borrower.

**Loan Account Setup:**

Configuring the loan account in the system.

**Monitoring and Servicing:**

Ongoing monitoring, customer service, and periodic reviews.

**Collections:**

Activating processes to recover overdue payments.

**Reporting and Analytics:**

Generating reports and analyzing performance data.

**Regulatory Compliance:**

Ensuring adherence to regulatory requirements throughout.

1. Retail Asset Loan Servicing System

Loan servicing systems in the context of retail assets involve the management of loans throughout their lifecycle, from disbursement to repayment. Key concepts in retail asset loan servicing systems include:

**Loan Setup:**

The initiation of the loan in the system, including configuring terms such as interest rates, repayment schedules, and other relevant details.

**Payment Processing:**

Managing the collection of regular payments from borrowers, including the application of interest and principal reductions.

**Customer Communication:**

Sending statements, notifications, and other communications to borrowers regarding upcoming payments, account status, and changes in terms.

**Amortization:**

Calculating and maintaining the loan amortization schedule, which outlines the repayment of principal and interest over the loan term.

**Default Management:**

Implementing processes to address loan defaults, including collections, restructuring, or foreclosure, in compliance with regulatory guidelines.

**Loan Modifications:**

Handling changes to loan terms, such as interest rate adjustments, payment deferrals, or extensions, based on borrower requests or changes in circumstances.

**Customer Service and Support:**

Providing assistance to borrowers with inquiries, concerns, or requests related to their loans.

**Regulatory Compliance:**

Ensuring adherence to regulatory requirements at every stage of the loan servicing process to avoid legal and financial risks.

**Technology Integration:**

Integrating loan servicing systems with other technologies, such as customer relationship management (CRM) and enterprise resource planning (ERP) systems, for seamless operations.

**Reporting and Analytics:**

Generating reports on loan performance, delinquency rates, and other key metrics to facilitate data-driven decision-making.

**Payment Reconciliation:**

Ensuring that payments received align with the agreed-upon terms and reconciling any discrepancies.

**Audit Trails:**

Maintaining a detailed history of all transactions and activities for auditing purposes, providing transparency and accountability.

**Transfer and Sale of Loans:**

Managing the processes involved in transferring or selling loan portfolios, including updating records and ensuring compliance with regulations.

**Loan Repurchase Management:**

Handling situations where the originator may need to repurchase a loan due to breaches in representations and warranties.

**Scalability:**

Designing loan servicing systems to scale with the growth of the loan portfolio and changing business needs.

Efficient loan servicing systems are crucial for financial institutions to manage risk, ensure regulatory compliance, and provide excellent customer service throughout the life of retail asset loans.

1. Interest Rate Management - Loan Servicing Systems For Retail Assets:

1. **Interest Rate Types:**

**Fixed Rates:** The interest rate remains constant throughout the loan term.

**Variable or Floating Rates:** The interest rate fluctuates based on changes in market benchmarks, such as the prime rate or LIBOR.

2. **Initial Rate Setting:**

**Description:** When a loan is originated, the initial interest rate is set based on various factors, including the borrower's creditworthiness, prevailing market conditions, and the type of loan product.

**Activities:**

Use of underwriting criteria to determine the appropriate rate.

Consideration of market benchmarks and economic conditions.

3. **Index and Spread Adjustments:**

**Description:** For variable rate loans, the interest rate is often tied to an external financial index, and a spread is added to determine the actual rate.

**Activities:**

Regularly adjusting the interest rate based on changes in the chosen index.

Applying a consistent spread to ensure profitability.

4. **Interest Rate Review and Adjustment:**

**Description:** Periodically reviewing and adjusting interest rates to respond to changes in market conditions, interest rate trends, and the institution's pricing strategy.

**Activities:**

Monitoring economic indicators and interest rate benchmarks.

Assessing the competitive landscape and adjusting rates accordingly.

Compliance with regulatory requirements for rate changes.

5. **Regulatory Compliance:**

**Description:** Ensuring that all interest rate management practices comply with regulatory guidelines and consumer protection laws.

**Activities:**

Regularly reviewing and updating interest rate practices to align with regulatory changes.

Providing clear and transparent communication to borrowers regarding rate adjustments.

6. **Customer Communication:**

**Description:** Communicating effectively with borrowers regarding changes in interest rates, whether due to market conditions, adjustments based on loan terms, or other factors.

**Activities:** Issuing timely notifications about impending rate changes. Providing clear explanations of the factors influencing rate adjustments.

7. **Interest Rate Cap and Floor Management:**

**Description:** Setting limits on how much the interest rate can fluctuate for variable rate loans to protect borrowers from extreme rate changes.

**Activities:**

Defining upper and lower limits (caps and floors) for interest rate adjustments. Monitoring and enforcing these limits.

8. **Risk Management:**

**Description:** Managing interest rate risk to mitigate potential adverse effects on the financial institution's profitability and financial health.

**Activities:**

Implementing risk mitigation strategies, such as hedging. Stress testing to assess the impact of interest rate changes on the loan portfolio.

9. **Technology Integration:**

**Description:** Leveraging technology within the loan servicing system to automate interest rate calculations, adjustments, and communication processes.

**Activities:**

Integrating with market data feeds for real-time rate information. Implementing automated workflows for rate changes and notifications.

10. **Performance Monitoring and Reporting:**

**Description:** Regularly monitoring the performance of the loan portfolio and generating reports on interest rate management effectiveness.

**Activities:** Analysing the impact of rate changes on borrower behaviour and loan performance.

1. Retail Asset Debt Management System

Retail asset debt management system,The collections process involves various stages aimed at recovering overdue payments from borrowers. Here are the basic concepts and stages of collections:

Basic Concepts:

**Delinquency:**

**Definition:** Delinquency occurs when a borrower fails to make payments on time as per the agreed-upon schedule.

**Significance:** Identifying delinquency is crucial for initiating the collections process.

**Collections Strategy:**

**Definition:** A plan outlining how the lender will approach the recovery of overdue payments.

**Significance:** Establishing an effective strategy helps in managing delinquencies and minimizing losses.

**Charge-Off:**

**Definition:** Writing off a debt as uncollectible after all reasonable efforts to collect have been exhausted.

**Significance:** Indicates that the debt is unlikely to be recovered, and the lender may take a loss.

Stages of Collections:

**Early Delinquency:**

**Description:** Initial stage when a borrower misses the first payment.

**Activities:**

Automated reminders and notifications to encourage prompt payment.

Early communication to understand reasons for non-payment.

**Late Delinquency:**

**Description:** Period after the initial missed payment when the account remains overdue.

**Activities:** Increased communication, including phone calls and emails. Provision of additional assistance or payment options.

**Pre-Collection:**

**Description:** Transition stage where the account is at risk of charge-off, and more intensive efforts are made to secure payment.

**Activities:** Implementing a more aggressive collections strategy. Offering settlements or revised payment plans.

**Collection Agency Referral:**

**Description:** If internal efforts are unsuccessful, the lender may engage a third-party collection agency.

**Activities:**

Handing over the account to a specialized collections agency.

Negotiating terms for debt recovery.

**Legal Action:**

**Description:** Pursuing legal measures to recover the debt, such as filing a lawsuit.

**Activities:** Initiating legal proceedings to obtain a court judgment.

Seizing assets or garnishing wages if legally permissible.

**Post-Charge-Off Recovery:**

**Description:** After declaring the debt as uncollectible, efforts may continue to recover any remaining funds.

**Activities:**

Negotiating settlements with the borrower.

Selling the debt to debt buyers or collections agencies.

**Rehabilitation and Reinstatement:**

**Description:** Offering options for borrowers to rehabilitate their credit and reinstate their accounts.

**Activities:**

Allowing borrowers to make partial payments for debt reinstatement.

Providing financial counselling or education.

**Bankruptcy Management:**

**Description:** If the borrower declares bankruptcy, managing the debt within the legal framework.

**Activities:**

Participating in bankruptcy proceedings.

Complying with court-ordered repayment plans.

**Customer Rehabilitation Programs:**

**Description:** Offering programs to help customers overcome financial difficulties and resume regular payments.

**Activities:**

Creating personalized repayment plans.

Providing financial education and counselling.

**Continuous Monitoring and Reporting:**

**Description:** Regularly tracking the performance of the collections process and generating reports for analysis.

The goal is to strike a balance between recovering debts and maintaining customer relationships within legal and ethical boundaries.

* Retail Asset - Debt Management System

In a retail asset debt management system, queueing allocation, work list, and trail capture are integral components that contribute to the effective management and resolution of overdue payments. Let's explore these concepts:

1. Queueing Allocation:

**Definition:** Queueing allocation involves the assignment of overdue accounts to specific queues or buckets based on predefined criteria. These criteria may include factors like the severity of delinquency, the type of loan, or the likelihood of recovery.

**Significance:**

**Prioritization:** Allows for the prioritized handling of accounts based on their urgency or importance.

**Efficiency:** Ensures that resources are allocated efficiently to address accounts that need immediate attention.

**Activities:**

**Queue Assignment:** Automated or manual assignment of accounts to designated queues.

**Segmentation:** Grouping accounts based on common characteristics for targeted resolution strategies.

**Dynamic Allocation:** Adjusting queue assignments based on real-time changes in account status or risk.

2. Work List:

**Definition:** A work list is a structured list of tasks and activities that collection agents or teams need to perform within a specified period. It outlines the accounts or cases that require attention and the corresponding actions to be taken.

**Significance:**

**Task Prioritization:** Helps agents focus on high-priority tasks for more efficient collections.

**Accountability:**  Provides a clear record of assigned tasks and activities for accountability and tracking.

**Workflow Management:** Facilitates a systematic approach to debt resolution.

**Activities:**

**Task Assignment:** Allocating specific tasks to individual agents or teams.

**Due Date Management:** Setting deadlines for task completion.

**Progress Tracking:** Monitoring the status of assigned tasks and updating the work list accordingly.

3. Trail Capture:

**Definition:** Trail capture involves recording and documenting the interactions, activities, and decisions related to the debt management process. This creates an audit trail that can be used for compliance, analysis, and historical reference.

**Significance:**

**Compliance:** Ensures adherence to legal and regulatory requirements by documenting actions taken.

**Analysis and Reporting:** Provides a historical record for performance analysis and reporting.

**Dispute Resolution:** Helps in resolving disputes by referring to a detailed history of interactions.

**Activities:**

**Call Logging:** Recording details of communication with borrowers, including date, time, and content.

**Documenting Negotiations:** Capturing information on negotiated settlements, payment plans, or other agreements.

**System Notes:** Adding notes and comments within the debt management system to document key activities.

Overall Workflow:

**Queueing Allocation:**

Accounts are assigned to specific queues based on criteria like severity and risk.

**Work List:**

Agents or teams receive work lists outlining tasks and accounts that need attention.

**Trail Capture:**

As agents work on accounts, every interaction and decision is documented for compliance and historical reference.

**Dynamic Adjustment:**

Queue assignments and work lists may be dynamically adjusted based on changing circumstances or account statuses.

**Reporting and Analysis:**

The captured trail serves as a valuable resource for reporting, analysis, and continuous improvement.

In summary, queueing allocation ensures efficient task prioritization, work lists guide agents in addressing overdue accounts, and trail capture documents the entire process for compliance and analysis in a retail asset debt management system. These components collectively contribute to a systematic and organized approach to debt resolution.

5.BANKING ARCHITECTURE IN SIMPLER TERMS:

**Front-end Stuff (Channels):**

This is where you interact with the bank - at the bank branch, ATMs, or online/mobile apps.

**Keeping Track of Customers (CRM):**

The bank keeps a record of who you are, what you like, and how you interact with them to make your experience better.

**Heart of Operations (Core Banking):**

This is like the brain of the bank. It manages all your accounts, transactions, and different services they offer.

**Moving Money Around (Payment Systems):**

Systems that help transfer money between different people and banks.

**Keeping Things Safe (Risk Management):**

Tools and systems that make sure the bank is handling risks well, like making sure people can pay back loans and preventing fraud.

**Big Data and Insights (Data Warehouse and Analytics):**

The bank stores a ton of information and uses smart tools to understand patterns and make better decisions.

**Connecting Everything (Middleware):**

Think of this as the glue that holds everything together. It helps different parts of the bank talk to each other.

**Making Sure Things Talk (Integration):**

Another way of making sure different systems in the bank can work together smoothly.

**Behind-the-Scenes Operations (Back-End Systems):**

Stuff you don't see - like databases and servers that make sure everything runs smoothly.

**Keeping Everything Secure (Security and Compliance):**

Tools and systems to make sure your data is safe and the bank is following all the rules.

**Banking on the Go (Mobile Banking):**

The bank has special systems to make sure you can use your phone to do your banking.

**Fancy New Stuff (Emerging Technologies):**

The bank uses cool new things like blockchain, AI, and chatbots to make your banking experience even better.

**Overall Workflow:**

You interact with the bank, the core system manages your accounts, everything is connected and talks to each other, data is kept safe, and the bank uses smart tools to give you the best service.

In simple terms, banking architecture is like a big, organized system of tools and processes that work together to make sure you can do your banking easily and securely.

* Modern Day Banking Architecture:

1. **Digital Channels:**

**Description:** Modern banks provide services through various digital channels like websites, mobile apps, and online platforms.

**Benefits:** Allows customers to access banking services conveniently from anywhere, promoting self-service and efficiency.

2. **Core Banking System:**

**Description:** The backbone of banking operations, managing accounts, transactions, and financial products in real-time.

**Benefits:** Enables a centralized and integrated approach to banking operations, facilitating seamless and efficient processes.

3. **APIs (Application Programming Interfaces):**

**Description:** Building blocks that allow different software applications and systems to communicate and share data.

**Benefits:** Facilitates integration between various banking systems, third-party applications, and emerging technologies.

4. **Cloud Computing:**

**Description:** Using remote servers hosted on the internet to store, manage, and process data.

**Benefits:** Offers scalability, flexibility, and cost-effectiveness, allowing banks to adapt to changing demands and deploy new services quickly.

5. **Data Analytics and AI:**

**Description:** Leveraging data analytics and artificial intelligence for insights, personalized services, and fraud detection.

**Benefits:** Enhances decision-making, enables targeted marketing, and improves risk management.

6. **Blockchain Technology:**

**Description:** Distributed ledger technology for secure and transparent transactions.

**Benefits:** Enhances security, reduces fraud, and facilitates faster and more efficient cross-border transactions.

7. **Cybersecurity Measures:**

**Description:** Robust security protocols, encryption, and multi-factor authentication to protect customer data.

**Benefits:** Safeguards against cyber threats and ensures the confidentiality and integrity of sensitive information.

8. **Open Banking:**

**Description:** Opening up banking data and services to third-party developers through APIs.

**Benefits:** Encourages innovation, fosters competition, and allows customers to access a broader range of financial services.

9. **Mobile Wallets and Contactless Payments:**

**Description:** Digital wallets and payment methods that enable secure and convenient transactions using mobile devices.

**Benefits:** Streamlines payment processes, enhances customer convenience, and supports emerging payment trends.

* Simplify Banking Architecture:

**Customer Side:**

This is where you, the customer, interact with the bank. It includes things like using the bank's website, mobile app, or going to a physical branch.

**Bank's Brain (Core Banking System):**

Imagine this as the brain of the bank. It manages all your accounts, transactions, and the various products the bank offers.

**Connecting Everything (APIs):**

APIs are like messengers that help different parts of the bank talk to each other. They make sure your transactions and data can move smoothly between systems.

**Up in the Cloud:**

Instead of having everything on one computer, banks often use the "cloud," which is like a super-powered internet server. It helps the bank store and process data more flexibly.

**Smart Tech (AI and Analytics):**

The bank uses smart technology to understand your behavior, offer personalized services, and detect anything unusual, like potential fraud.

**Digital Security Guards (Cybersecurity):**

These are like security guards for your data. They use advanced tools to keep your information safe from online threats.

**Innovative Tech (Blockchain):**

Think of this as a super-secure way of doing transactions. It ensures that everything is transparent and can't be messed with.

**Easy Payments (Mobile Wallets):**

Mobile wallets make paying for things easier. You can use your phone to make payments without carrying cash or cards.

**Rules and Compliance Tech (RegTech):**

This ensures the bank follows all the rules and regulations. It's like a set of tech tools that help the bank stay on the right side of the law.

**Smart Data (Analytics):**

The bank uses data to understand you better. This helps them offer you the right products and services and makes your banking experience more personalized.

**Hands-Free Access (Biometric Authentication):**

Using your fingerprints, face, or other unique features to access your account instead of passwords. It's like your account recognizes you without you having to type anything.

**Sharing Economy (Open Banking):**

This is like the bank sharing some of its services with other companies, so you can use different financial apps more easily.

**Overall Picture:**

All these parts work together to give you a smooth, secure, and personalized banking experience, whether you're using your phone, the website, or walking into a branch.

6.INTRODUCTION TO PAYMENTS :

What Are Payments?

Payments refer to the transfer of money from one party to another in exchange for goods, services, or the fulfilment of financial obligations. In retail banking, these transactions typically involve individuals or businesses making payments to each other, and they can occur through various means.

Types of Retail Banking Payments:

\*\***Cash Transactions:**

The traditional method of physically exchanging currency notes and coins for goods and services.

**Checks:**

Written orders directing a bank to pay a specific amount of money from the drawer's account to the payee.

**Debit Cards:**

Electronic payments using a debit card linked to a customer's bank account. These transactions deduct funds directly from the account.

**Credit Cards:**

Payments made using a credit card, allowing the cardholder to borrow funds up to a predefined credit limit and settle the balance later.

**Online Banking Transfers:**

Electronic funds transfers between accounts, initiated and managed through online banking platforms.

**Mobile Banking Payments:**

Transactions conducted through mobile banking apps, enabling users to transfer money, pay bills, and make purchases using their smartphones.

**Digital Wallets:**

Virtual wallets that store payment card information, allowing users to make secure online and in-store payments with just a mobile device.

**Automated Clearing House (ACH) Transfers:**

Electronic transfers that facilitate direct deposit of salaries, bill payments, and other recurring transactions.

**Wire Transfers:**

Swift and secure electronic transfers of funds between banks, often used for international transactions.

**Contactless Payments:**

Transactions made by tapping a contactless card or mobile device near a point-of-sale terminal, providing a convenient and quick payment method.

Importance of Efficient Payments in Retail Banking:

**Customer Convenience:**

Efficient payment options enhance customer experience by providing convenient and accessible ways to manage transactions.

**Speed and Real-Time Processing:**

Real-time processing of payments allows for quick and immediate fund transfers, supporting timely financial transactions.

**Security:**

Secure payment methods and advanced authentication protocols protect customers from fraud and unauthorized transactions.

**Adaptability to Digital Trends:**

Retail banking must adapt to evolving digital trends, providing customers with modern and innovative payment solutions.

**Financial Inclusion:**

Efficient payment systems contribute to financial inclusion by providing individuals with access to banking services, especially in regions with limited physical banking infrastructure.

**Compliance:**

Retail banks must adhere to regulatory and compliance standards to ensure the legality and security of payment transactions.

In summary, payments in retail banking involve a variety of methods, ranging from traditional cash transactions to modern digital and mobile banking solutions.

* CLASSIFICATION OF PAYMENTS METHODS

**Cash:**

**What It Is:** Physical money, like coins and bills.

**How It Works:** You give money directly for stuff you buy.

**Cards:**

**What They Are:** Plastic or virtual cards connected to your bank.

**Examples:** Debit cards (spending your own money), credit cards (borrowing money), prepaid cards (loading money before spending).

**Mobile Payments:**

**What It Is:** Using your phone for transactions.

**Examples:** Mobile wallets on your phone, scanning QR codes, or sending money to friends using apps.

**Online Banking:**

**What It Is:** Doing your banking on the internet.

**How It Works:** Paying bills online, checking your balance, and managing your accounts through a website or app.

**Contactless Payments:**

**What It Is:** Paying without physically touching your card or device.

**Examples:** Tapping your card on a reader or using your phone for quick payments.

**Cryptocurrency:**

**What It Is:** Digital money using technology.

**Examples:** Bitcoin, Ethereum – they're like digital coins you can use for online transactions.

**Biometric Payments:**

**What It Is:** Paying with your unique features, like fingerprints or face recognition.

**How It Works:** Using your fingerprint or face to verify your identity for transactions.

**Subscription Payments:**

**What It Is:** Automatic payments for services you use regularly.

**Examples:** Monthly payments for streaming services like Netflix or Spotify.

**Instant Payments:**

**What It Is:** Getting money to someone right away.

**Examples:** Immediate transfers between bank accounts in real-time.

**Voice-Activated Payments:**

**What It Is:** Making payments by talking to a device.

**Example:** Asking a virtual assistant to pay a bill using your voice.

**Internet of Things (IoT) Payments:**

**What It Is:** Devices making payments on their own.

**Example:** Your smart fridge ordering groceries and paying for them.

**Traditional Checks:**

**What It Is:** Written orders to pay someone.

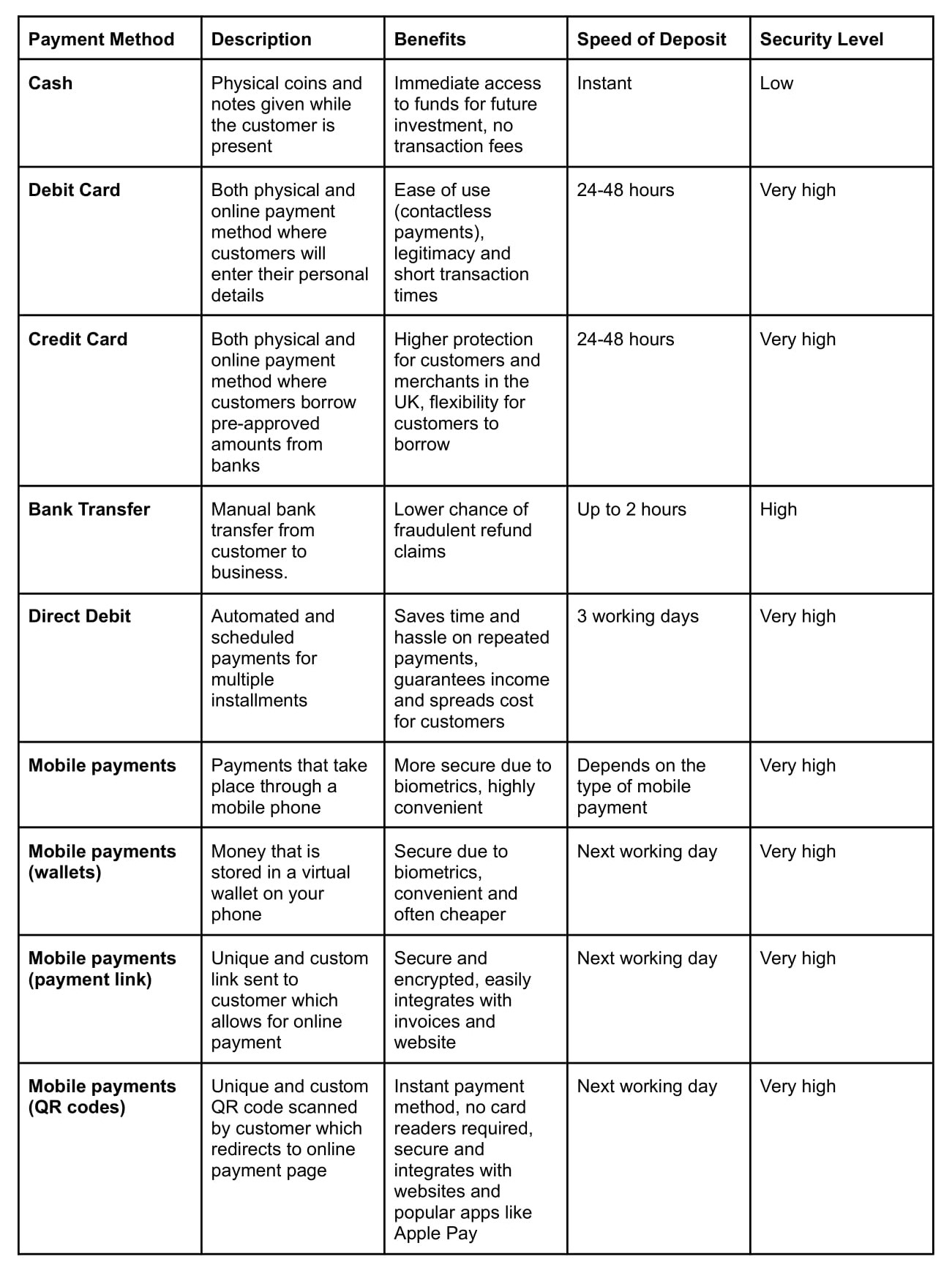
**How It Works:** Writing a check for a specific amount, and the bank honors it.

**Automated Clearing House (ACH) Payments:**

**What It Is:** Electronic network for bank transactions.

**Examples:** Direct deposit for your salary, automatic bill payments.

In a nutshell, these are different ways you can pay for things or manage your money in the modern banking world!

* TYPES OF PAYMENTS :
* PAYMENTS SYSTEMS ELEMENTS :

1. **Payment Instruments:**

**Definition:** The various forms of tools or methods used to initiate a payment.

**Examples:** Cash, credit cards, debit cards, checks, mobile wallets, digital currencies.

2. **Payment Channels:**

**Definition:** The different avenues or mediums through which payments are made.

**Examples:** In-person transactions, online payments, mobile payments, ATMs, point-of-sale (POS) terminals.

3. **Payment Processors:**

**Definition:** Entities or systems responsible for facilitating the transfer of funds between parties.

**Examples:** Banks, card networks (Visa, MasterCard), payment gateways, fintech payment processors.

4. **Clearing and Settlement Systems:**

**Definition:** Processes that ensure the accurate transfer of funds between payer and payee.

**Examples:** Clearinghouses, settlement banks, real-time gross settlement (RTGS) systems.

5. **Payment Infrastructure:**

**Definition:** The underlying technology and architecture that supports payment transactions.

**Examples:** Payment switches, networks, servers, databases.

6. **Security Measures:**

**Definition:** Safeguards implemented to protect the integrity and confidentiality of payment transactions.

**Examples:** Encryption, tokenization, multi-factor authentication, fraud detection systems.

7. **Regulatory Framework:**

**Definition:** Laws and regulations that govern payment systems to ensure legality and compliance.

**Examples:** Financial regulations, anti-money laundering (AML) laws, consumer protection laws.

8. **User Authentication:**

**Definition:** Processes to verify the identity of individuals engaging in payment transactions.

**Examples:** Passwords, biometric authentication (fingerprint, facial recognition), PINs.

9. **Data Management:**

**Definition:** Systems for the storage, processing, and retrieval of transaction-related data.

**Examples:** Databases, data analytics platforms, transaction logs.

* **LIMITS**

common types of limits in payments systems:

1. **Daily Transaction Limits:**

**Purpose:** Restricts the total amount a customer can transact within a single day.

**Example:** A daily transaction limit of $5,000 for all types of transactions (withdrawals, transfers, purchases).

2. **ATM Withdrawal Limits:**

**Purpose:** Caps the amount of cash that can be withdrawn from an ATM in a specified timeframe.

**Example:** ATM withdrawal limit of $500 per day.

3. **Card Usage Limits:**

**Purpose:** Sets maximum spending limits for debit or credit cards.

**Example:** A credit card limit of $10,000 for purchases and cash advances.

4. **Online and Mobile Banking Transfer Limits:**

**Purpose:** Limits the amount that can be transferred between accounts through online or mobile banking.

**Example:** Daily transfer limit of $2,000 between linked accounts.

5. **Contactless Payment Limits:**

**Purpose:** Imposes restrictions on the maximum amount allowed for contactless transactions.

**Example:** Contactless payment limit of $100 per transaction.

6. **Wire Transfer Limits:**

**Purpose:** Caps the amount of money that can be sent through wire transfers.

**Example:** Daily wire transfer limit of $50,000.

7. **Daily POS (Point-of-Sale) Transaction Limits:**

**Purpose:** Restricts the total amount that can be spent using a card at point-of-sale terminals.

**Example:** Daily POS transaction limit of $2,500.

8. **Daily Cash Deposit Limits:**

**Purpose:** Limits the amount of cash that can be deposited into an account in a single day.

**Example:** Daily cash deposit limit of $10,000.

9. **International Transaction Limits:**

**Purpose:** Controls the amount that can be spent in foreign currencies or on international transactions.

**Example:** International transaction limit of $1,000 per day.

These limits are established based on various factors, including customer profiles, transaction history, and risk assessments.

* Wealth Banking

1. **Investment Definitions**: Types of investments

The most common terms that are related to different types of investments:

* **Bond:** A debt instrument, a bond is essentially a loan that you are giving to a governmental entity or a company in exchange for a pre-set interest rate.
* **Stock:** A type of investment that gives you partial ownership of a publicly-traded company. Such ownership entitles you to any dividends that may be paid and you may experience gains or losses on your holdings over time.
* **Mutual fund:** An investment vehicle that allows you to invest your money in a professionally-managed portfolio of assets that, depending on the specific fund, could contain a variety of stocks, bonds, or other investments.
* **Exchange-traded fund (ETF):** Funds – sometimes referred to as baskets or portfolios of securities – that trade like stocks on an exchange. When you purchase an ETF, you are purchasing shares of the overall fund rather than actual shares of the individual underlying investments.

## Investment strategies:

Once you have a better understanding of the investment choices available, you may come across specialized terms that explain how money can be invested:

* **Asset allocation:** This refers to how you divide up your portfolio among different asset classes, such as stocks, bonds, and cash alternatives, to help you work toward your financial goals.
* **Diversification:** Closely related to the concept of Asset Allocation, this is the practice of spreading your money across different investments to reach your desired asset allocation. One should also diversify within asset classes.
* **Dollar cost averaging:** A strategy that involves purchasing a fixed amount of an investment at a predetermined interval, $500 per month, for example, regardless of the price.

## **Investment terminology**

There are a variety of financial terms that describe gains, losses, and individual investments.

* **Capital asset:** Anything you own and use for personal or investment purposes. Examples include your home, your car, and stocks or bonds.
* **Capital appreciation/depreciation:** The amount by which the value of an asset increases or decreases compared to the amount you paid for it.
* **Dividends:** A distribution of a portion of a company’s earnings, decided by the board of directors, paid to a class of its shareholders.
* **Index:** A group of securities representing a particular market or industry or a portion of it. An index often serves as a benchmark for measuring investment performance
* **Margin account:** An account that allows you to borrow money using securities and cash held in the account as collateral.
* **Prospectus:** A document filed with the SEC that describes an offering of securities for sale to the public. The prospectus fully discloses the risks, policies, and fees of the offering.
* **Realized capital gain/loss**: Profit or loss from the sale of an asset.
* **Yield:** The income return on an investment. This refers to the interest or dividend received from a security based on the investment's value or purchase price.

1. **Compounding works:**

Compounding is a powerful investing concept that involves earning returns on both your original investment and on returns you received previously. For compounding to work, you need to reinvest your returns back into your account. For example, you invest $1,000 and earn a 6% rate of return. In the first year, you would make $60, bringing your total investment to $1,060, if you reinvest your return.

Next year, you would earn a return on your total $1,060 investment. If your return were once again 6%, you’d make $63.60, bringing your total investment to $1,123.60.

* Systematic Investment Plan (SIP) – Meaning, Benefits & Working

SIP stands for “**Systematic Investment Plan**“, a method of investing in mutual fund schemes where an investor invests a fixed amount of money at regular intervals (typically monthly or quarterly) rather than making a one-time investment.

## **How SIP Works?**

1. Select Mutual Funds Scheme
2. Select The Investment Frequency
3. Setup Sip With Mutual Funds Scheme
4. Automatic Debits And Unit Allotment Based On NAV

* **Types of SIP :**

### Fixed SIP

Fixed SIPs are the plain-vanilla version of SIPs. You choose an amount, and a date till which you wish to contribute, and the rest of the process is automated.

### Top-up SIP

Top-up SIPs are great for investors who want to increase their SIP contributions periodically. An example of where top-up SIPs make a lot of sense is when your income continues to increase every year.

### Perpetual SIP

Perpetual SIPs are just fixed SIPs sans tenure. Once registered, your bank account will be debited with the amount of the SIP contribution unless you instruct the fund house to stop withdrawals.

### Flexible SIP:

### It offers you the flexibility to change the amount per contribution or skip a few contributions if you so choose.

## **What are Mutual Funds ?**

A mutual fund is an investment vehicle that pools funds from investors and invests in equities, bonds, government securities, gold , and other assets.

## **Types of Mutual Funds**

There are multiple ways in which mutual funds can be categorized, for example, the way they are structured, the kind of securities they hold, their investment strategies, etc. The Securities and Exchange Board of India (SEBI) has classified mutual funds based on where they invest, some of which we have listed below.

### Based on the structure:

1. **Open-ended funds** are mutual funds that allow you to invest and redeem investments at any time, i.e. they are perpetual in nature. They are liquid in nature and don’t come with a specific investment period.
2. **Close-ended** schemes have a fixed maturity date. You can only invest at the time of the new fund offer and redemption can only be done on maturity. You cannot purchase the units of a close-ended mutual fund whenever you please.

### Based on asset classes:

1. [**Equity Mutual Funds**](https://www.etmoney.com/mutual-funds/equity) invest at least 65% of their assets in stocks of companies listed on the stock exchange. They are more suitable as long-term investments (> 5 years) as stocks can be volatile in the short term. They have the potential to offer higher returns but also come with high risk.
2. [**Debt Mutual Funds**](https://www.etmoney.com/learn/mutual-funds/debt-mutual-fund) primarily invest in fixed-income instruments like Government securities, corporate bonds, and other debt instruments. They are not affected by stock market volatility and hence, can offer more stable returns compared to equity mutual funds.
3. [**Hybrid Mutual Funds**](https://www.etmoney.com/learn/mutual-funds/hybrid-mutual-funds) invest in both equity and debt in varying proportions depending on the investment objective of the fund. Thus, hybrid funds give you diversified exposure to various asset classes.

* **Ways of investment :** SIP AND LUMPSUM

**Benefit of mutual funds :**

1. **Diversification:** The saying ‘do not put all your eggs in one basket’ perfectly fits mutual funds as spreading investment across multiple securities and asset categories lowers risk..
2. **Professional management:** Mutual funds are managed by full-time, professional fund managers who have the expertise, experience, and resources to actively buy, sell, and manage investments.
3. **Transparency:** Every mutual fund has a Scheme Information Document readily available on the fund house’s website that can give you all the details about its holdings, fund manager, etc.
4. **Liquidity:** You can redeem your investments on any business/working day at the NAV of the day of your redemption. So, depending on the type of mutual fund you have invested in, you will receive your invested funds in your bank account in 1-3 days.  
   However, close-ended funds allow redemption only at the time of the maturity of the mutual fund. Similarly, ELSS mutual funds have a lock-in period of three years.
5. **Tax Savings:** Investment of up to Rs. 1,50,000 in [ELSS mutual funds](https://www.etmoney.com/mutual-funds/equity/elss/38) qualifies for tax benefit under section 80C of the Income Tax Act, 1961. Mutual fund investments, when held for a longer term, are tax-efficient.
6. **Choice:** There are many options to [invest in mutual funds](https://www.etmoney.com/mutual-funds) to meet your different needs. To name a few- Liquid funds, are for investors looking to benefit from the safety of debt and low-interest rate risk, flexi-cap funds if you are looking for stock diversification, and solution-oriented mutual funds if you are looking to invest for a particular goal like retirement or children’s education, etc.
7. **Cost-effective:** Mutual funds are a low-cost investment vehicle.
8. **Returns:** Mutual fund returns are not assured by mutual funds and are subject to market risks. But over the long term, equity mutual funds have the potential to deliver double-digit returns annually. Debt funds can also offer higher returns as compared to bank deposits.