

DOMAIN EXPERTISE

WORKSHOP

Financial Literacy

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MCA [R]

Introduction / What is a Bank?

Bank is an organization where you can :-

-) keep money for purpose of earning interest
-) get loans as per agreed terms for house construction, education, business etc.....
-) keep precious things in safe custody.
-) Transfer funds from one place to another through drafts, electronic mode etc....
-) pay utility bills or taxes
-) Avail credit or debit cards for making payments.

There are several types of banks including retail, commercial and investment banks. In most countries banks are regulated by the national govt. or central Bank.

Banks are very important part of economy because they provide vital services for both consumers and business. As financial service providers, they give you a safe place to store your cash.

Different Types of Banks

1) Central Bank :- Our country's Central Bank is the Reserve Bank of India. Each country has a central bank oversee all of the country's other financial institutions.

The main functions of RBI are:-

- Assisting other financial institutions
- Issuing money and enforcing monetary policies.
- The financial systems supervisor.

2) Commercial Banks :- public sector, private sector and foreign banks comes under this

Public Sector Banks → are those in which the government

or the country's central bank owns the majority of the stock

Private Sector Banks are those in which a private entity, an individual, or a group of people owns the majority of stocks

Foreign Banks includes banks with headquarters in other nations and branches in the United States.

3) Cooperative Banks

These banks are governed by a law enacted by the state government. They provide short term loans to agriculture and related industries.

4) Regional Rural Banks (RRB)

These are unique types of commercial banks that lend to agriculture & the rural economy at a reduced rate. RRBs were founded in 1975.

5) Local Area Banks (LAB)

The private sector organizes these banks. Primary goal is to make profit. All of which are mostly located in South India and was first introduced in 1996.

6) Specialized Banks

Certain banks exist just to serve a certain purpose. Some of them are:-

-) SIDBI \rightarrow Small Industries Development Bank of India.
-) EXIM Bank \rightarrow Stands for Export and Import Bank.
-) NABARD \rightarrow National Bank for Agricultural and Rural development.

7) Payments Banks

People who have a payment bank account can only deposit up to Rs 1,00,000/- and cannot apply for loans or credit cards through this account. These banks provides services such as Internet Banking, Mobile Banking, ATM cards. Few payment bank are:-

-) Airtel Payment Bank •) Flipkart Payment Bank •) Jio Payment Bank
-) Paytm Payment Bank •) NSDL Payment Bank.

Levels of Maslow's Need hierarchy theory

- 1) Physiological needs
- 2) Safety Needs
- 3) Love and belonging needs
- 4) Esteem needs
- 5) Self-Actualization needs.

Opening of A Bank Account.

What are the things required to open an account :-

- 1) Fill up the prescribed application forms
- 2) Get introduced by an existing account holder or an acceptable person
- 3) Identify proof showing permanent address with photo.
- 4) A photograph
- 5) Initial deposit amount
- 6) KYC

Know your customers (KYC)

A KYC form is a document filed by an individual applying to become a customer of a financial institution in India. The form usually contains a selection of verification data & documents. The main supporting files for KYC are:-

- 1) Certificate of Incorporation (for companies, LLP, Trusts)
- 2) GST/ Company tax numbers
- 3) Confirmation of company address (Telephone bill / Electricity bill)
- 4) Passport / Driving License

Types of Bank accounts

-) CURRENT ACCOUNT → A deposit account for traders, business owners, and entrepreneurs, who need to make and receive payments more often than others.
-) SAVING ACCOUNT → Savings is an interest bearing deposit account held at a bank or other financial institutions.
-) SALARY ACCOUNT → is an account to which your salary get credited. usually banks open these a/c on request of corporations and companies.
-) FIXED DEPOSIT ACCOUNT → is a financial instrument provided by banks or NBFCs which provides investors a higher rate of interest than any regular savings account, until the given maturity date.
-) RECURRING DEPOSIT ACCOUNT → is an account in the bank or in a post office where a depositor deposits a preset amount of money every month for a fixed time period.
-) NRI ACCOUNTS → An NRI account refers to the account opened by a Non-Resident Indian (NRI) or a person of Indian origin with a bank or financial institution which is authorized by the RBI to provide various services.

Modes of operation in accounts

single account → single deposit is one time lump sum investment and also an account operated for one individual. The individual has control of the account and the assets go to their estate in case of their death.

Joint account → Joint account is a bank account shared by two or more individuals. Joint a/c holders have equal access to funds but also share equal responsibility for any fees or charges incurred. Transactions may require the signature of all parties or just one.

Either or survivor account → Either of two can operate the account and in the case of the death of one of the depositors, the other can continue and the final balance in the account along with all interests will be paid.

Former or survivor account → this is a type of joint a/c where only the former account holder, the first holder can withdraw funds from the account. Once the former account holder dies only then the second a/c holder will be able to withdraw funds.

Cheque

A cheque is a document you can issue to your bank, directing it to pay the specified sum mentioned in digits as well as word to the person whose name is borne on the cheque. The issuing party is called the drawer and the one it is issued to or put simply, whose name is mentioned on the cheque is the drawee.

Types of cheque

1) **Bearer cheque** A bearer cheque is the one in which the payment is made to the person bearing or carrying the cheque. These cheques are transferable by delivery, that is if you are carrying the cheque to the bank, you can be issued the payment.

2) **Order cheque** In these cheques, the word 'or bearer' is cancelled. such cheques can only be issued to the person whose name is mentioned on the cheque.

3) **Crossed cheque**

The cheque with two sloping parallel lines with the word 'a/c payee' written on the top left corner is known as Crossed cheque. The payment on these cheques will only be made to the individual whose name is written and the a/c payee along with his/her account number.

4) open cheque

An open cheque is an uncrossed cheque. It can be cashed at any bank and the payment can be made to the person bearing the cheque. This cheque is transferable.

5) post-dated cheque

Types of cheque bear a later date of being cashed. Even if the bearer presents this cheque to the bank immediately after getting it, the bank will only process the payment on the date mentioned in the cheque.

6) State cheque A cheque past its validity, three months after the date of being issued, is called a state cheque.

7) Traveller's cheque → These cheques are issued to - by the one bank and can be cashed in the form of currency at a bank located in another location or country. These cheques do not expire and can be used for future trips.

8) self cheque

You can identify self cheques by the word 'self' written in the drawee column. Self cheques can only be drawn at the issuer's bank.

Minimum Balance & Nominations

- ★ Different types of premium accounts are available. Minimum balance required and facilities available are different in these types of accounts.
- ★ For an ordinary SB account, minimum balance prescribed is Rs. 1000/-
- ★ Nomination should be registered with the bank.
- ★ By nomination you can name a person to receive money in case of death of a/c holder.
- ★ Nomination is compulsory.

NO-FRILL ACCOUNT

An account for disadvantaged people extending banking facilities to rural poor with zero minimum balance.

Cheque detailing and Security norms

MICR → Magnetic Ink character recognition technology is used to identify and process the cheques.

IFSC → Indian Financial Systems Code is a unique 11 digit alphanumeric code used for online fund transfers.

Cheque truncation system (CTS) is a system where cheque images and MICR data are captured at the collecting branch & transmitted electronically.

ATM

-) Automatic Teller Machine provides money at convenient places.
-) It is available 24 X 7 and 365 days.
-) A totally menu driven system.
-) It displays easy to follow step by step instructions.
-) A secret pin is allotted to each customer.

Facilities in ATM

-) cash withdrawal
-) cash Deposit
-) Display Balance
-) Mini statement
-) Transfer of funds
-) Utility payments - electricity, telephone and other payment can be done.

Currency Notes and coins

-) Notes in circulation → RS 10, 20, 50, 100, 200, 500, 2000
-) security → Gold and Foreign Exchange
 - Minimum Reserve System
 - promise given by RBI

17 languages are there in Notes.

important printing centres \rightarrow Mysore & Nasik

important coin minting centers \rightarrow Alipore, Calcutta
Noida

watermark manufacturing \rightarrow Hoshangabad, M.P

RBI has the sole authority to issue, circulate, withdraw &
Exchange currency - notes.

Fund Transfers

- \rightarrow Inter Board
- \rightarrow Inter Bank
- \rightarrow send to Mobile Number
- \rightarrow send to Account Number
- \rightarrow send to self Account
- \rightarrow send to UPI ID
- \rightarrow pay Bills \rightarrow electricity, water, LPG, etc..

\rightarrow Travel \rightarrow Taxis, flight, Hostels

\rightarrow others - fees, Insurance, Mutual funds etc...

UPI PAY 123 - without internet access we are able to
transfer the fund.

RTGS

Real Time Gross Settlement is a common fund transfer method that allows customers to transfer money from one bank account to another electronically. The transfer is applicable within the country only and the minimum amount that can be remitted through RTGS is 2 Lacs per day and the maximum amount is 10 Lacs per day.

NEFT → National Electronic Funds Transfer

It is a mode of money transfer that enables one-to-one payments within India. Ideally funds are credited within 2 business working hours. To transfer funds from one NEFT enabled bank a/c to another, the sender must add the receiver as a beneficiary on his Internet Banking.

Four Essential characteristics of Money

- 1) A Medium
- 2) A Measure
- 3) A Standard
- 4) A Store

Future of Banking

- Banks would have no front office
- Not too many people are working in back office
- cost of operation would come down
- Lending rates would be less
- Managed by algorithms
- Automated lending - AI comes more into play Lending
- Emotional quantification in borrower assessment
- quantum computing
- contactless banking solutions - video kyc, digital onboarding

Tokenization → It's a code numbers instead of actual details in a card. future E-payment transactions are through tokens.

Cyber Crimes

- 1) Vishing → A fraudulent practice of making phone calls or leaving voice message purporting to be from reputable companies in order to induce individual to reveal personal information such as bank details & card numbers.
- 2) Phishing → is a type of social engineering where an attacker sends a so fraudulent message designed to force a person into revealing information to the attacker to deploy malicious softwares.
- 3) Remote Access → The act of connecting to IT services, applications, or data from a location to get information
- 4) Anonymous numbers → Getting calls and message from anonymous numbers and collecting over banking and personal details by misunderstanding us.